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THE WHITE HOUSE

WASHINGTON

January 18, 1982

INTERVIEW WITH THE LOS ANGELES TIMES

DATE: Wednesday, January 20, 1982

PLACE: Oval Office

TIME: 10:30 p.m. (30 minutes)

FROM: Larry Speakes / Peter Roussel *PR*

I. PURPOSE

This interview will be used in connection with a 5-part series. The Los Angeles Times is running on "How Ronald Reagan has Changed America."

II. BACKGROUND

Questions would revolve around the impact the President believes he has had so far on this Nation, and the impact he hopes to have before he leaves the presidency.

III. PARTICIPANTS

The President

Jack Nelson, Washington Bureau Chief

George Skelton, White House correspondent

IV. PRESS PLAN

Bernie Boston, photographer for The Los Angeles Times, will take pictures the first few minutes of the interview.

V. SEQUENCE OF EVENTS

After brief introductions and photographs, the interview will proceed.

Attachments: Parts I and II of the series

New Broom Sweeps Uneasily for Reagan

By ROBERT SHOGAN and GAYLORD SHAW, *Times Staff Writers*

WASHINGTON—During the first triumphant spring of Ronald Reagan's presidency, his longtime aide, Lyn Nofziger, was analyzing the reasons for Reagan's success. Someone mentioned the impact on public opinion of the attempt on Reagan's life: "How much did it help to get shot and recover?"

"Well," Nofziger replied, "it sure beats the hell out of getting shot and not recovering."

For a while last year, it seemed that everything that happened, even tragic violence, worked to Reagan's advantage. The combination of his Irish luck, polished nonchalance and keen political instincts made the new President seem invincible.

'Its Course Was Set'

He cowed Congress and curbed the bureaucracy. He cut tens of billions of dollars from the budget and hundreds of billions more in taxes. And as the first year of his stewardship drew to a close, the White House proudly proclaimed: "The Reagan revolution (is) under way; its course (is) set."

Revolutions are easier said than done, however. For all of his eye-catching achievements, Reagan has not yet wrought—or even sought—a sweeping and fundamental transformation of the country or its government. His Administration has not abdicated responsibility for tending to the major needs of American society. Nor has it dismantled the basic machinery established over the last five decades to meet these obligations.

President Held Responsible

It is still the President, for instance, that most Americans hold responsible for successful management of the economy. And it is still to Washington that people look for such basics as protecting the environment and sustaining the poor and disadvantaged.

Because of the profound changes he did not seek, and perhaps could not have achieved, Reagan now confronts many of the same dilemmas—over spending and taxing, inflation and recession—that haunted his predecessors. And he is likely to face increasing difficulty in fulfilling the expectations of broad gains with few pains kindled by his dazzling beginning.

A year ago, Ronald Reagan assumed the presidency with the promise of a "New Beginning" for America. Now the White House proclaims a "Reagan Revolution" is under way. But is it? What is Reagan's impact on government, politics and people?

Two months ago, two dozen Times reporters in Washington, Sacramento, Los Angeles and elsewhere set out to find the answers.

Articles today present an overview of Reagan's first year and assess his impact on government services and natural resources.

Monday: His impact on California and on a Los Angeles suburb, on welfare and the arts.

Tuesday: Politics, foreign policy and national security.

Reagan slowed the growth of government—but did not stop it. The needs of the economically distressed and the conflicting demands of a multitude of interest groups still impose their claims on the federal budget and the nation's resources.

"Cut, cap and block," is the way Sen. David F. Durenberger (R-Minn.) sums up the first session of the 97th Congress, which Reagan manipulated so brilliantly. "The strategy was to reduce the increase—to achieve a stalemate with the thousands of overextended good intentions of the last decade."

No Cut 'in Absolute Terms'

The Reagan economic program "slows down the growth of government in terms of both spending and the amount of money government takes from private individuals," said John Albertine, president of the American Business Conference, a coalition of 100 high-growth companies, and a staunch proponent of Reaganomics. "But the Reagan Administration so far has not persuaded

One-Year Estimate

Continued from First Page

ed Congress to reduce the size of government in absolute terms."

Reagan concentrated mainly on shifting some responsibilities—from the public sector to the private, from Washington to the states and cities—and on altering priorities—from social programs to the Pentagon.

Measured against these goals, Reagan's record could hardly be faulted. He and his aides displayed a skill in handling Congress not seen here since President Lyndon B. Johnson's heyday.

They went out of their way to flatter balky lawmakers and to impress them—even to the extent of shifting the headquarters of the President's lobbying staff from the remote precincts of the Old Executive Office Building to the White House itself, under the same roof with the President.

It was a little thing, but "in this town," said veteran lobbyist Tom Korologos, "images mean a lot."

With the help of such gestures, Reagan pulled in the spending reins dramatically. "But measured against the promise of a new age," Durenberger said, "we have only made small steps toward a new beginning."

Going Gets Slower, Tougher

And the going is likely to be slower and tougher from now on. Norman J. Ornstein, an American Enterprise Institute specialist in congressional relations, sees more change ahead in "a Reaganesque direction." But he added, "We can expect fewer signs of a 'Reagan revolution' and more of the guerrilla warfare that typifies American politics and policy-making."

One reason for the sobering outlook is Reagan's own declining public standing. Personal approval of the President, which peaked after the assassination attempt last March and which helped push his tax and budget cuts through Congress, has been skidding as projected budget deficits and actual unemployment rates have soared.

In December, Reagan's rating in the Gallup Poll fell to 49%, the lowest score for any elected President at the end of his first year since Gallup started polling in the 1930s.

Whatever happens in the next three years, Reagan's performance in 1981 will long be remembered for its impact on many fronts:

—Changes in the tax laws created a whole new category of citizens: the winners. Besides the first taste of a three-year, 25% cut in personal income taxes, millions of Americans found that they could benefit from tax-exempt savings certificates and tax-deferred individual retirement accounts.

And businesses got billions of dollars worth of new breaks on depreciation and tax credits.

—Budget cutting also created losers: Welfare benefits were eliminated for hundreds of thousands of people, especially among the working poor. New restrictions were imposed on Medicare and Medicaid (Medi-Cal in California). Moves were made to curb food stamps and free school lunches.

And many middle-class families found that the low-interest government loans they had counted on to send their children to college could no longer be taken for granted.

—Reagan's promise to "get the government off the backs of the American people" translated into a substantial slowing of the growth in federal regulations. The number of pages in the Federal Register, for instance, fell by one-third.

Major Changes Under Way

The Reagan cutbacks have also meant the sudden disappearance or erosion of services that Americans have long taken for granted. Major changes are under way in how the government deals with outbreaks of disease, natural disasters and hazards in consumer products, foods and drugs.

Many Americans welcome government cutbacks, convinced that they can take care of themselves without Uncle Sam. "If I get sick, I can just go to my doctor for a shot," an Atlanta woman said. Others were not so sure. "I suspect the money 'saved' will be dwarfed by excess health care dollars spent on diseases we didn't prevent," said Dr. Bruce Dan, a former government epidemiologist.

—The Administration launched processes that could have a sharp impact on the federal stewardship of natural resources.

—Beyond the federal level, cities and states are beginning to feel the impact of a reduction in the flow of dollars from Washington. And most city councils and state legislatures are reducing work forces and cutting services instead of raising state or local taxes to offset the loss of federal revenue.

This means that Republican governors, mayors and congressional candidates could be on the spot this election year as they try to defend themselves against Democratic attacks on Reagan's policies.

—Reagan vowed to be tough with America's enemies and to repair alliances with friends, but he generally has moved more cautiously than his campaign rhetoric signaled.

He also promised to rebuild the nation's military might and he pushed through huge increases in defense spending for a reborn B-1 bomber and a bigger Navy, though his plans for deploying the MX missile system were clouded by confusion and resistance from Congress.

By any standard and in nearly every sector, Reagan has moved the country further in the direction he wanted to go than any President since Johnson. And if times were good, the public would probably not look too closely at any philosophical compromises Reagan may feel compelled to make in the future.

But times are not good. Casting a shadow that threatens to blanket the future is the performance of the economy—which helped elect Reagan but which so far has failed to behave according to his game plan.

The President argues, not implausibly, that his economic policies deserve more time for a fair test. And Administration officials, noting the substantial drop in the inflation rate from year-ago levels, say Reagan's record is already encouraging.

The economy will rebound from the current recession during the coming spring, Administration economists predict. If they are right, then the President may well get some of the time he is asking for.

Even an upswing in the business cycle may not erase the fundamental difficulty, however: The public still expects a lot from government, and the cost of meeting that expectation has become steadily harder to reconcile with calls for less spending, smaller deficits and less government.

One of the elements that was not changed is the government's responsibility for helping those whom Reagan has described as "the truly needy."



"We will continue to fulfill the obligations that spring from our national conscience," Reagan declared in presenting his economic recovery program to Congress last February. "Those who, through no fault of their own, must depend on the rest of us—the poverty-stricken, the disabled, the elderly, all those with true need—can rest assured that the social safety net of programs they depend on are exempt from any cuts."

But critics have contended that Reagan's version of the safety net has some holes in it. Yet last year's budget cuts "barely laid a glove on the core programs of the Great Society, let alone of the New Deal," said Rudolph G. Penner, chief economist of the Office of Management and Budget in the Gerald R. Ford Administration.

The vast entitlement programs—Social Security, Medicare and Medicaid, welfare and veterans' benefits—which account for nearly half of all federal expenditures—remain basically in place.

"They (the Reagan Administration) began tempering the existing form of government, the existing system of entitlements and the like," said Richard Holwill, vice president of the Heritage Foundation, a conservative think tank that has helped to shape some Reagan policies.

Reagan's performance thus far, like the record of other Presidents, is at least as much a reflection of political and economic circumstances as his own strengths and inclinations.

The economic devastation of the Great Depression created the opportunity for Franklin D. Roosevelt's New Deal, just as Johnson's landslide victory over Barry M. Goldwater, combining with the moral momentum of the civil rights movement and a period of economic prosperity, made possible the Great Society.

Deadlocks with Congress

But Johnson's tenure ended with a sour note amid the national turmoil over Vietnam. And subsequent presidencies were marked by deadlocks between the chief executive and lawmakers epitomized by the frustration and apparent ineffectiveness of Jimmy Carter.

Reagan's advisers concluded early on that Carter wasted his energies and dissipated the initial good will granted every new President by his failure to establish clear priorities for his programs. The Reagan team was determined to avoid that pitfall. Aided by an electoral college landslide, public eagerness for forceful leadership and a demoralized Democratic opposition, Reagan set his policy sights on the economy from the first and never strayed.

The result was a series of smashing victories, each of which contributed to the next. But to gain these successes and sustain his legislative momentum, Reagan paid a price.

He made some compromises, notably on the tax bill that resulted in bigger and broader deficits than anticipated in the Administration's economic models.

And, preoccupied with the budget and tax-cut fight on Capitol Hill, the Administration botched one crucial long-term issue: Social Security financing. Reagan's proposal for cuts in some future benefits, issued without warning or consultation, drew a chorus of indignant protest from Democrats and cold stares from many Republicans.

The upshot was that Reagan had to scrap his proposal and turn the thorny questions surrounding the future fiscal soundness of the Social Security system over to a supposedly nonpartisan task force. But the issue is likely to return to plague the President this year.

And so will divisive public controversies in the environmental and social arenas, where the Administration managed to avoid full-scale public confrontation in 1981.

By cutting back on existing regulations, for instance, the Administration has demonstrated its willingness to sacrifice some environmental standards for the sake of economic efficiency. But major battles loom this year over proposed amendments in the Clean Air Act.

About-Face on Tax Issue

Also, some of Reagan's conservative supporters are growing increasingly impatient about such items on their own agenda as abortion and school busing. The Administration may have placated some of these conservatives by its recent reversal of the longtime policy denying tax-exempt status to private schools that practice racial discrimination.

But the bitter public protests against the switch from civil rights supporters served as a reminder to the White House of just how sensitive such social issues are and forced the President to make a partial about-face. He called for denial of the tax-exempt status through legislation rather than by administrative action, as in the past.

Foreign policy and national defense have also demonstrated the difficulties of implementing changes. The President's frustration over the oppression in Poland, the disagreements with the United States' North Atlantic Treaty Organization allies and Israel, and the wrangling among top advisers within the Administration, are reminiscent of the problems for which Reagan sharply criticized Carter during his campaign.

Reagan did succeed in pushing through a hefty budget boost for the Pentagon, as he promised, and has taken a hard rhetorical line against the Soviet Union. But the President has yet to establish the order of battle for the strategic weaponry he has said the United States needs to close the "window of vulnerability" with the Soviets.

In the long run, however, the judgment of history—and of the electorate—on the Reagan Administration will depend on the outcome of the economic policies that he has made the cornerstone of his presidency. Right now, the prospects seem chancy.

So far, so good, what Reagan's conservative admirers say. "We are pleased with the trend," said the Heritage Foundation's Holwill. "We are pleased with the assault on spending, the assault on taxes. And we're pleased with monetary policy."

Differences Pared Over

Critics argue that Reaganomics have inconsistency built into it. Walter Heller, chief economic adviser to Presidents John F. Kennedy and Johnson, inveighs against what he calls "the conflicting forces of supply-side economics, monetarist economics, expectationist economics, budget-balancing economics and a little bit of Keynesian economics."

"They paper over those differences at the beginning, but they are bound to come out."

The proof of the inadequacy of Reaganomics in the view of its critics is the current recession, which has pushed the unemployment rate to 8.9% and left 9.5 million people out of work. The White House blames the slump on the policies of past administrations. But wherever the blame lies, Reagan may be forced to adjust to it by modifying his economic plan by calling for new taxes, as some White House advisers urge.

Some analysts believe that the President is caught in a trap shaped by his own glowing rhetoric about the economic future. During his campaign, Reagan castigated Carter for winning Americans of sacrifices to come. And through the first months of his presidency, Reagan made almost no mention of hardship.

Not until September did the President speak of "a period of difficult and painful readjustment." He added, "I know that we are asking for sacrifices from virtually all of you, but there is no alternative."

"This recession was coming," Holwill said. "Everybody knew it was coming. But they (the Reagan Administration) led the public to believe it would not appear. By trying to say there's no pain, they've created the mechanism for a backlash from the public."

Some observers believe that the time may be right for the President to deliver a "blood, sweat and tears" speech, in which he could rally the citizenry to bear the pains required to achieve economic recovery.

Others contend that more than rhetoric is needed. They say the so-called Reagan revolution has overly accentuated negative aspects of the past and has overlooked the need for a positive credo for the future.

"Through the campaign and over the last year, the vision we have been given might be called 'federal follies,'" Sen. Dureberger complained. "The agenda has been shaped in reaction to the accumulated errors of a political epoch that won't do any more. What we need is a positive theory of government, a precise blueprint for federal policy and purpose."

In his Inaugural Address, Reagan declared, "In this present crisis, government is not the solution to our problem; government is the problem." Now after a year of running the government, he faces the challenge of persuading the citizenry that he himself has not become just another part of the problem.

Impact on Gardena**Reagan Era:
Lost Hopes,
New Fears**

By RON HARRIS
and MARITA HERNANDEZ,
Times Staff Writers

The small, one-story apartments are clustered on Vermont Avenue, at the edge of Gardena, just north of the flashing lights of the city's card clubs and within earshot of the constant drone of the Harbor Freeway.

In the apartment courtyards, under the shade of huge olive trees filled with noisy starlings, the residents—young and old, black, Mexican and white—stop occasionally and chat.

On Saturday mornings, elderly tenants work in their tiny vegetable gardens, cultivating strawberries, broccoli, lettuce and tomatoes, while young mothers gather the wash from the backyard clotheslines and the men tinker with the engines of troublesome clunkers.

Lawns Trimmed Weekly

The lawns and hedges are neatly manicured, thanks to the grounds crew that arrives every Tuesday without fail, adding to a sense of order and stability. Only the buildings' badly peeling pink and mint green paint, a few torn screens and the sagging white picket fences betray the neighborhood's fading vitality.

The solidly working-class neighborhood sandwiched between 132nd and 134th streets on Vermont reflects much of Gardena, a middle-income community of 45,000 south of Los Angeles, just as Gardena might reflect Rockford, Ill. or Laurinburg, N.C. or suburban Kansas City.

But, in this placid pool, the "Reagan revolution," accompanied by a worsening recession, has landed like a rock, sending ripples of uncertainty through the pond.

Behind the look-alike apartment facades, families quietly wrestle with a new set of realities and fears—rising prices, layoffs, loss of food stamps, welfare and medi-Cal, rising college tuition and possible cuts in Social Security.

From the postman at 13313 S. Vermont to the retiree at 13339, nearly everyone is feeling the pres-

Second in a series on the impact of President Reagan's first year. Other stories on Pages 3 and 12. Tuesday: Politics, foreign policy and national security.

sure as the waves of the new federal order wash up against their lives.

For some, the changes have seeped in slowly, requiring small, though uncomfortable, adjustments—canceled vacations, fewer nights out, more chicken and less beef.

For others, the changes have come crashing in, dashing hopes and creating despair as the loss of jobs and government benefits forces families to choose among health care, clothes and food because there is not enough money to pay for all three.

The mood in some households has turned to anxiety; in others, there is fear. But in all, there is a sense of uneasiness as they watch the city's delicate fabric grow taut.

Knock on most any door, and there is a story.

At 13329½ S. Vermont, Inez Pitt had just finished putting away the dishes from the evening meal. Her daughter, Kimberly, 11, lay sprawled on the living room floor, doing school work.

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"I cannot survive on what they give me now," Pitt half-shouted from the kitchen. "and now they're talking about cutting me back more, but food prices keep going up."

Pitt came to California two years ago in search of a job. She did not find one and ended up on welfare. Frustrated, she is ready to return to the harsh winters of Chicago if it means a job.

"I'm not a freeloader," she insisted, sitting behind a tattered Bible that marks her favorite spot at the kitchen table. "I want to work. I feel I'm known there and I can find my way, but I can't even save the money to go."

Pitt's fear of cuts in her assistance won't materialize, at least not this year. Under budget guidelines, it is persons like Earline Austin—"the working poor"—who are targeted for the cuts.

Austin, 28, a slender woman with weary brown eyes, had been receiving about \$200 a month, as a welfare supplement to the \$700 she takes home as a clerical worker at Daniel Freeman Hospital in Inglewood, to take care of her 10-year-old daughter.

Now she faces the new year without it.

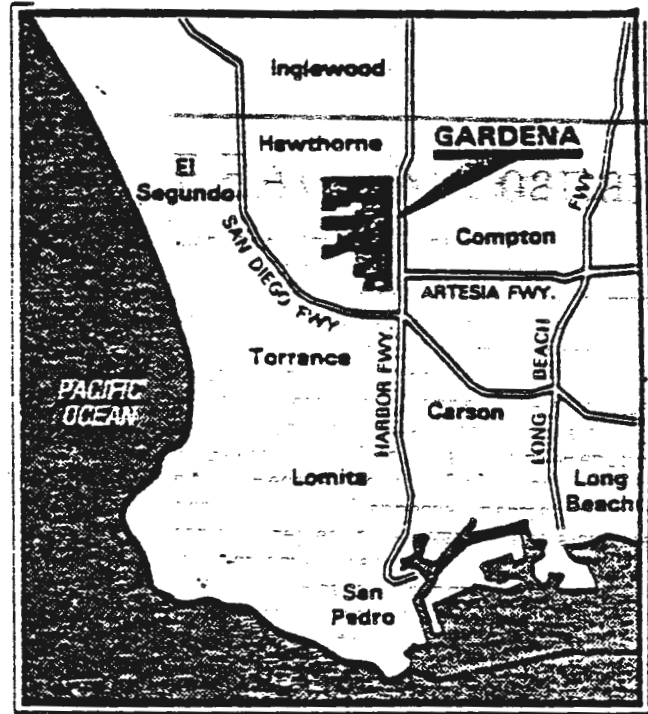
"It was already hard. This will just put me into more of a financial bind," said Austin, just home from the last shift of her 50-hour week. "There's nowhere left to cut corners. I can't even buy groceries the way I need to anymore."

In addition, she lost Medi-Cal and, thus, she will forgo a brain scan her doctor says she needs to determine the cause of persistent head pains. "I can't afford it," she just spent \$700 on a car that keeps breaking down, her daughter's child-care fee looms and there are a dozen other expenses that Austin does not know how she will meet.

There is desperation in her voice: "I can't afford to put anything aside for an emergency. I don't even know what savings is, what a checking account is. . . ."

And sometimes there is anger. "I feel this way: I take my butt to work every day, I pull overtime and I look and see these women have babies after babies and not trying to do a damn thing for themselves. I think it's so unfair, really unfair, because it's my taxes anyway. It's part of my money that I'm getting back from them."

Kathy Stinnett, a young working mother of two, also lost her welfare benefits, but she is one of the more for-



Los Angeles Times

tunate. In July, Stinnett will receive her master's degree and expects to begin teaching for the Los Angeles school system, saying goodbye to government assistance.

"I will be really glad to be off it but, had the cuts come any sooner, I would feel trapped," she said. "I would have been stuck in some kind of low-paying job, ended up being frustrated and bored and maybe gone crazy."

From her tight budget, Stinnett will lose \$50, a meager sum compared to Austin. But Mary Morris, director of the Los Angeles County Public Social Services office that serves Gardena, maintains that, for a mother struggling in today's economy, even that is significant.

"If your boss said I'm going to pay you \$50 less, you would have problems because that was \$50 you counted on," Morris explained. "Maybe for some people that was their gardening fee but, when you get down to people at the level that we serve, that's milk, that's bread, that's butter."

Morris' office sliced 500 working mothers completely

off supplemental welfare under the federal Omnibus—"Some people call it ominous"—Act, Morris said. More are expected to lose their benefits in April and even more in August.

What hurts these working mothers most is the loss or lack of subsidized child care, a necessity for any working parent. Current costs at a private nursery school average \$200 a month per child. A mother of two with take-home pay of \$800 a month can hardly afford to pay \$400 for child care, Morris said.

As working mothers are eliminated from federal assistance, many have turned to Gardena's state-subsidized child-care program for help. But director Pam Brady said the program's 54 slots have long been filled, and new applicants are merely added to the ever-growing waiting list.

Janet Cleveland, 23, has been on the list for nearly a year.

Since the birth of her 10-month-old son, Cleveland, an insurance claims processor, has had a hard time making ends meet on the \$700 a month she brings home. She pays \$160 a month for child care and \$215 as her share of the rent for the three-bedroom house she shares with two other women. An additional \$60 goes for gas and \$84 for lunch at work. That totals \$519, which leaves only \$181 to pay for food, clothing, laundry, doctor and hospital bills for her and her child.

So, Cleveland looked for assistance.

"I never needed the government programs until now. But by the time I heard about them, they were already cutting them out," she said.

Welfare May Be Better Than Work

Financially strapped, like other single mothers struggling to survive in today's economy, Cleveland said she has thought that it might be better for her and her child if she went totally on welfare.

"I was thinking it would be almost cheaper, almost easier," she said. "When I was on disability after my son was born I was getting less money, but I was better off."

At 13431 S. Vermont, Joy Leslie, 62, eased over to the television set and turned down the volume.

"It was lousy before and it's still lousy," said Leslie, as she plopped back into her overstuffed chair. "I don't have enough to cover my expenses, so I'm in hock up to my you-know-what."

Leslie receives \$228 a month in general county relief, up \$2 from last year. "We got a big raise," she said dryly.

Although she said she is disabled, Leslie has been unable to obtain Supplemental Security Income "And I'm too young for Social Security," she said.

So, with her meager stipend and \$60 in food stamps, she must pay \$210 rent plus utilities and other living expenses.

\$2 a Day for Food 'Is Rough'

I've already cut to the bone, but I've had to cut back even further," she said. "I'm a hefty woman and squeezing by on \$2 a day for food is rough. My doctor says I should eat high protein. You go out and buy high-protein food, you're talking about steaks and things like that. I go out and buy a lot of starch because it will go further. I know I'm defeating my own purpose, but I'm not going to starve."

Leslie moved into the neighborhood 18 months ago, when the home she was renting was sold out from under her.

"I got into this place because I didn't have to pay a first and last month's rent," she recalled, plucking another cigarette from her pack. "Everywhere I went, they wanted \$1,000. Technically, for the amount of money I'm getting, my rent should be \$110, but you don't have a choice."

"I can't get anybody in here to share the rent, because whatever they paid me, the government would deduct from my general relief. They've got me living on what these politicians get for one month for postage stamps."

Leslie tried to get into federally subsidized housing, but the waiting list was so long that the Los Angeles County Housing Authority wouldn't even take her name.

For the elderly in the community, like Mary Winters,

Waiting time for reasonably priced housing can be as long as 3 years.

82, affordable housing on a limited income is the No. 1 concern.

Winters, a retired factory worker who received about \$450 a month in Social Security and old-age assistance, was forced to share her \$375-a-month, two-bedroom apartment to make ends meet.

"I couldn't handle it alone," she said. "And I'm not moving in with my kids. They have a hard enough time as it is."

The housing situation here is very tight," said Hayward Fong, director of Gardena's community development department. "If you were to take the condominiums and the three-bedroom houses, which most people can't afford, off the list of available rental space, you would be virtually down to zero."

The original 1981 federal allocation of subsidized housing for low-income residents and the elderly in Gardena community was cut last June by 90 units to 336, said Karen Barrett of the U.S. Department of Housing and Urban Development. Compounding the problem, Gardena must share funds to subsidize those units with 12 surrounding cities.

Thus, Gardena residents such as 85-year-old Rose Hunt, who must move before May, when her trailer park shuts down, are justifiably frightened at the prospect of not finding another home they can afford.

Waiting List Is 3 Years Long

She and her daughter have looked at numerous apartments and trailer parks in Gardena and in nearby Carson. "But, honey, you can't find anything," Hunt said. "I went to one place and they said the waiting list was three years long."

Hunt's neighbors considered taking their plight to the Legal Aid Foundation for assistance, but because of cuts in the budget of the federal Legal Services Corp., the office in Venice that formerly served Gardena closed its doors in October.

When more than 30 elderly persons and other low-income tenants at the Palms Trailer Park on South Broadway got word that their trailer park was closing, they did go to Legal Aid for help. But, because of increased caseload and reduced staff, Legal Aid turned them down.

Faced with 25% in budget cuts, Legal Aid, which provides free legal assistance to those who cannot afford it, shut down four of its seven offices in Los Angeles County and cut 40% of its staff.

Legal Aid's caseload has increased, calls have doubled, and many whites who formerly were reluctant to use the service are now trickling into the office. But Legal Aid spokesmen said that, county-wide, they will turn away at least 8,000 more people than they did last year, taking only emergency cases.

So, residents at the Palms Trailer Park went to court without an attorney.

"We desperately needed some representation," tenant Robert Glenn said. "If we had had some honest-to-goodness legal help, at least we would have known our rights instead of just sitting here, left to our own devices to stumble in the dark."

Another ripple from the "Reagan revolution" threatens to capsize Gardena's federally funded day-care program for the elderly, in which about 35 frail and handicapped old people who might otherwise be in rest homes are cared for during the day.

This year's budget was slashed by 60% to \$13,000. All federally funding ends in July. City officials and community organizations are trying to persuade local businesses to keep the center alive through donations, but few are responding.

The elderly pay \$1 a day for meals. Equivalent care would cost them \$20 a day, program director Marilyn Rafkin said, "and I know they can't afford it."

Elsa Post, 85, cannot. Elsa, who met and married Fred Post at the center, said she dreads the thought of being forced into a nursing home.

"We're a big, happy family here," she said. Before coming to the program, Post visited a few nursing homes. "I didn't like them. When you're down, those places are just going to get you down further. To me it's just a place to die."

For Leona Snider and her mother, Laura Harris, 86, the program has been a godsend.

Snider, who was forced to quit her job at Hughes Aircraft to stay home with her ailing mother, cutting the family's income by half, said her mother is more alert and active. And it has also helped her

Blood Pressure Has Gone Down

Since she has been in the program, "the doctor says my blood pressure has gone down from 194 to 168," she said. "And my mother enjoys it so much. It would be a shame if they ended the program."

At the center, Robert Williams, 18, a Comprehensive Employment and Training Act worker hired with city funds that survived federal cuts, chatted with a group of elderly persons as he passed out exercise materials.

"I'm lucky, if it hadn't for CETA, I probably wouldn't have a job right now. A lot of people don't want to give a young person a chance," said Williams, the last person hired under the local CETA program, which was cut by 75%. "On CETA I'm learning a lot about my own self-discipline, and all the things that it takes to hold a job—getting to work on time and working with people."

Aside from cuts in youth employment, federal cuts in the city's CETA program eliminated 20 public-service jobs and 60% of its on-the-job-training positions. Said CETA director Frank Bartilet: "We're trying to run a race and they've cut our legs off at the hip."

Unlike most surrounding communities hit by the "Reagan revolution," Gardena has a city human services department, which provides an added safety net to deal with problems in the community

"The extent to which a community will feel the effect of these budget cuts is in direct relation to the kinds of support services that exist in the area," Morris of the County's Public Social Services office said. "Gardena is



JOE KENNEDY / Los Angeles Times

Lizzie Grandberry and her husband look to move up in life but feel taxes and inflation push them down.

unique. The human services department should lessen the impact."

But Frank Benest, director of the human services department, said his organization is having difficulty holding the line because more and more residents are turning to his office as other assistance dries up.

"We're not talking about cuts to one area," he said. "It's all over. When you're talking about federal cuts in food stamps, aid to mothers, child care, training jobs, and combine that with reduced state aid and inflation, you're talking about all these forces coming together at one time to reduce community services and support. It has a great impact."

The agency is still funded at \$500,000 a year by the city government, which, though it has felt little from the federal cuts, is concerned that future cuts may be deeper.

"We're being more cautious this year than last," Keith Bennett, city finance director, said. "Right now we're dragging our heels a little bit on filling vacancies within the city."

The city's card clubs, six establishments that supply one-fifth of Gardena's \$20-million operating budget, insulate the city to some extent against slumping federal and state support.

Although the economy is down and people have less disposable income, business is up at the clubs—an indicator of bad times, managers say.

"I don't know why, but people gamble more when times are hard," John Anthony, manager of the Eldorado Club, said. "We're seeing more people and new faces. Perhaps they do it to make more with what little they have, to stretch it. Maybe they just want to get away from their lives."

The Eugene Garman live at 13405 S. Vermont. Garman, 51, a machinist at a Los Angeles computer disc manufacturing firm, had just recently returned to work after being laid off for five months.

Because he was unable to find work in the interim, he and his wife depleted their savings and lost their apartment. Garman's wife stayed with friends while Garman, an Air Force veteran, slept wherever he could.

"It was rough, awful rough," said Garman through his walrus-like mustache. "We're just starting to get on our feet a little bit, but we're still in the hole."

Reached His Breaking Point

Only 30% of workers at Garman's plant returned to work. But there was no callback at other plants.

A few doors down, Felipe Magana and his family sat in the middle of the living room floor, surrounded by packed boxes. They would depart for Mexico the next morning. Magana, with two years at Honeywell Inc. was among the nearly 500 workers laid off by the company, one of Gardena's two largest employers.

Unable to find work for nearly eight months and powerless to cut through red-tape for unemployment benefits, Magana had reached his breaking point.

"In the 10 years that I've been here, I've never collected anything (in government assistance), and now they won't give it to me," Magana said bitterly. "Jobs are getting scarcer, and everything is more and more expensive."

"It just isn't worth it anymore. At least in Mexico you have your family to help you out. Before, if you didn't have money you could go to the (county) clinics, and they would let you pay in installments. Now they won't even treat you unless you have the money in hand."

Budget-tightening measures at the county health facility in Lawndale, which serves Gardena residents, have included a \$20-a-visit fee for prenatal and well-baby care. Most recently, the facility lost its five social workers, who assisted in child abuse cases and general counseling.

And as new federal budget cuts loom on the horizon, Dr. Philip Kani, a county health officer, is worried about adequate funding for the center's tuberculosis prevention program, particularly in light of recent increases in the incidence of TB throughout Los Angeles County.

At the Gardena Free Clinic, which complements the Lawndale facility's family-planning program, the number of patients has doubled in the last six months, overtaxing its limited facilities. To cope with the increase caseload, which workers at the clinic say may be due to the increasing cost of private medical care, the facility has been forced to ask for a minimum donation of \$5 a visit and the cost of medicine.

As the economy has slumped under "Reaganomics," layoffs have hit hard in the Gardena area.

At Honeywell, where home heating and air-conditioning parts are manufactured, layoffs reflected a slowdown in the housing industry. Slumping auto sales forced Garrett Automotive Parts Co. to lay off 400 workers. Other area industries—American Standard Inc., Hi-Shear Corp., Martin Marietta Corp., Reynolds Aluminum Co.—have joined the ranks of firms releasing workers.

Florence Foreman of the state Employment Development Office reported that unemployment in the area is rising, and some companies, such as Water & Wood Corp. in Gardena, have reduced working hours for 181 employees to avoid layoffs.

Staff Cut at Jobs Agency

As layoffs increase, the ability of Foreman's staff to find work for the jobless has diminished. Federal cuts to her department have reduced her staff, and new cuts are threatened this month.

Under the new cuts, the 15 positions in employment development will be reduced by 50%, and the remaining three positions in a job development program for welfare recipients also will be reduced. Earlier cuts forced Foreman to discontinue use of all part-time employees.

For some, like one 31-year-old Gardena mother, layoffs and financial strain have turned to violence. When the woman's husband was unable to find work after layoffs at an electronics firm, he became depressed—and

"He started taking it out on me," she said. "It's gotten to the stage where he might really end up hurting me."

She called the city's human services department for help, but the staff could offer little. The seven shelters to which they referred battered women were filled.

"Shelter for battered women is tight even in good times," Gene Painter of human services said. "It's almost impossible now."

Adding to her family's problems, she said, her child has dropped from the subsidized school lunch program under new federal guidelines that have lowered the income ceiling for eligibility, eliminating free lunches for some children and requiring others to pay.

Even worse, the cost of the regular lunch has jumped to 75 cents, which means a heavy expense for many children who last year paid 20 cents for a subsidized

'Even when you're working they may close the plant permanently.'

lunch. For a mother of three, that means squeezing out an additional \$33 or so each month from an already tight budget.

As the prices have risen, many children are bringing their lunch to school while others do without, said Joan Jefferson, principal of 186th St. Elementary School. Lunch participation at her school, and county-wide, too, is down 30%, she said.

One street west of the Vermont apartments, tract homes with two-car garages, reflect the city's solidly middle-income nature. Here there are homeowners who keep Gardena's median income at \$16,000 a year, about \$3,000 higher than the rest of Los Angeles County.

Ron Bullocks, 20, a machinist, lives there with his mother, brother, wife and child. He breathes easier after surviving a layoff at his factory that idled 40 workers. He had thought about leaving to work for Hughes Aircraft, but he is uneasy about making the move.

"I had a lot of friends who were getting jobs at General Motors," he said. "They kept telling me to come on over, they're paying \$10 an hour. They were hiring like crazy. Then, six weeks later, they laid everybody off."

Three houses away on 133rd Street, Jim Ealy, a General Motors employee for 21 years, remembers the layoff of 1,600 workers at the plant in nearby South Gate.

Ealy briefly joined their ranks, as the plant closed for a week. He returns to work today, but the plant will close again for two weeks in early February.

"Even when you're working, you don't know how long you'll be working," said Ealy, who moved with his wife, Nancy, to their comfortable two-bedroom home in Gardena six years ago. "We have to be very careful with our money. We really don't buy a lot of things. They may just close the plant up permanently. Then what do you do?"

Although revenues at the card clubs are up, Gardena's businesses generally have felt the pinch.

"Everybody is just kind of holding tight," Anita E. Bell, manager of the Gardena Valley Chamber of Commerce, said.

"Holding tight" is becoming much more difficult for real estate broker Joe Pinzell. When six agents left his

specific clients. Please see GARDENA, Page 14

—and has stirred up trouble

continuing to even get a show

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Gardena office because of the slumping market, he closed the business and moved the remaining staff to Redondo Beach.

To keep what's left afloat, he has borrowed money to subsidize salaries.

A few blocks east of the Vermont apartments, Mary Link rocked quietly in a chair in her small, one-bedroom apartment. In 1979, Link made a bundle selling real estate and rewarded herself with a Mercedes-Benz.

"I was rolling," she recalled with a laugh. "I was living good."

Housing Market at Standstill

Hoping to make even more money, she took off from real estate to get her broker's license. But, when she returned, the housing market was at a standstill and she could not make a living.

Now, the Mercedes is all that is left of her high times.

After waiting tables, working in bars, parking cars, painting walls and shampooing rugs to get by, Link landed a job at a Culver City mortgage firm.

"But I may not be there much longer," she said. "My boss told me two months ago that I was subject to being laid off because the housing industry is so bad and that I should look for another job."

Just down the street from the Vermont apartments, past the Eldorado Card Club, middle-income families enjoyed an infrequent night out at the Gardena Bowl.

"You'd think a guy making \$34,000 a year wouldn't be doing too badly," said Tom Tshako, 45, a mechanic for Western Airlines. "At least that's what I thought. But I feel it, it's hurting—food, entertainment. I used to buy clothes that you take to the cleaners. Now it's all wash-and-wear."

At nearby California State University at Dominguez Hills, Janet Waters of the school's financial aid office said federal cuts in student aid coupled with increasing tuition will probably result in low-and middle-income students' taking longer to work their way through school. Others may drop out.

For the most part, Gardena residents are digging in, skittish about setting a new course in the middle of the changing tide. There are few among them who say that they are better off now than a year ago.

At 13313 S. Vermont, the furniture tells of better times. Walls lined with contemporary graphics complement the rich oak tables and tweed sofas. Lizzie Grandberry, 37, and her husband, Ronald, 38, a postal worker, squeezed into the smaller apartment recently when they could no longer afford to pay a \$450 a month for a modest two-bedroom house, their first effort to move into a nicer neighborhood.

She has been looking for a job, but with no success.

"Instead of getting ahead, we're steadily going down and going down," she lamented. "My husband gets a pay raise and we don't see it—taxes and inflation eat it up."

Sometimes she talks to relatives in Missouri. But there is no good news from home.

"They've been laid off from Chevrolet and the steel plants," she said. "They're calling me about moving here, but I say, hey, don't you dare. I can't even find a job and things for us are at a standstill. I don't know what we're going to do. I guess for now we're stuck here."



cuts in state spending have made Gov. James A. Thompson, left, considered a possible Republican presidential contender, vulner-



ble to defeat, and another GOP governor, Lee Dreyfus of Wisconsin, says the states have cut to the point of pain—but without having any other.

Reagan's Long Coattails May Lead Fellow Republicans on Bumpy Ride

By RUDY ABRAMSON and LARRY GREEN, Times Staff Writers

WASHINGTON—Six days before he was elected President of the United States, Ronald Reagan wound up his debate against Jimmy Carter with some solemn advice for voters still struggling to choose between the two.

"I think when you make that decision," he said, "it might be well if you ask yourself, are you better off than you were four years ago? Is it easier for you to go and buy things in the stores than it was four years ago? Is there more, or less, unemployment in the country than there was four years ago?"

The questions, as candidate Reagan knew, already were on the minds of millions of Americans, and they contributed heavily to an electoral landslide that some analysts perceived as the beginning of a fundamental realignment of American politics.

A year after he took office, the Reagan refrain is in the air again, but now the tone is derisive, and the voices being raised are those of Democrats already pronouncing Reagan economics a colossal failure that, in retrospect, will make the 1980 election a fluke instead of a permanent shift of the political landscape.

Democratic National Committee Chairman Charles T. Manatt even suggests that Democrats could rebound the way they did in 1958, in Dwight D. Eisenhower's second term, when economic recession helped them gain 13 Senate seats, 47 House seats and 5 governorships.

"The terms of the debate have already been set," Manatt said. "The political issue of mismanagement of the economy is getting bigger and bigger and bigger."

Popularity Off 20 Points

For all his success in pushing his tax and budget cuts through Congress, polls show that Reagan already has problems with the electorate—reflected in a 20-point slide in his Gallup approval rating over the last few months.

Reagan's 49% approval rating, a record low for a modern President after one year, was "due in considerable measure to growing pessimism regarding the economy," the poll concluded.

If the recession lingers through the year, if interest rates begin to climb again, and if unemployment remains rampant, even the most faithful apostles of Reagan economics concede that 1982 could be disastrous for Republicans at the polls. GOP strategists, who believed

might lead to Republican control of the House with the 1982 elections, now watch anxiously for economic recovery.

Some Democrats who appeared vulnerable a year ago now seem headed for reelection to Congress. Incumbent Republican governors running for reelection this year tread a slippery course of maintaining loyalty to their President while trying to remain distance from his economic problems.

A national survey by the Los Angeles Times Poll two weeks ago showed the major party realignment Republican leaders had hoped for has not yet materialized.

In fact, among the 1,509 persons interviewed by The Times Poll, 59% of those who expressed a preference for one of the two parties supported the Democrats and 41% the Republicans—the exact split the Democrats attained in the popular vote during their last big congressional election triumph in 1974, a year of Watergate scandal and recession.

But Republicans who see Reagan's election as a historic event in American politics are not ready to abandon the dream of expanding their gains this year. The President's program has not had time to work, they say. Moreover, there still is time for the economy to begin moving out of the doldrums before the election.

Republican pollster Robert Teeter said it will be another two to four months before it will be possible to discern the political impact of the Reagan Administration's economic course. Despite unhappiness over inflation, unemployment and high interest rates, he said, "There is great underlying support for the President's major goal, for the general direction of the economic program."

Economy Poses Key Issue

"Reaganomics," he said, is widely perceived as a simple matter of cutting government spending and balancing the budget, and at least for now the public believes the course Reagan has set should be continued. But, he added, if there is no recovery by midyear, the economy will become a devastating problem for Republican candidates.

D. Garth Taylor, an assistant professor of political science at the University of Chicago and a research associate of the National Opinion Research Center, describes the public support for Reagan's economic initia-

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tives as far more durable than practicing Democrats believe.

"People are really interested in understanding a lot of ideas that are behind this new set of budget priorities," he said in an interview. "I can't think of any reasonable systematic challenge that can be mounted to this thing; I think the Democratic programs are still pretty unsystematic and still pretty much discredited."

"We're in a time where it's not just policies that are changing. There is some new set of ideas that are on the agenda, and people are waiting to see how they will work. . . . I don't know that this will still be the attitude a year from now, and I don't know what kind of circumstance it would take to build up a lot of frustration, but people would have to be convinced that things are worse now than they would have been under some other administration."

Republicans running for office this year are not so detached and academic, however.

'Campaigning Like Purgatory'

Rep. Robin L. Beard (R-Tenn.), who is trying to unseat freshman Democratic Sen. James R. Sasser, is finding campaigning through a recession more than a little frustrating. "It is very hard to discuss Reaganomics now," he said. "The economic mess we're in is not a result of Reaganomics. The program is not in place yet—it hasn't had a chance to work—but we're suffering from 40 years of careless, irresponsible deficit spending."

"Campaigning now is like being in purgatory. I can't promise a guy who is losing his job that things are going to be better in six months, but I don't know what else to say."

Beard said he has no doubt that the economy next

summer and fall will determine whether he goes to the Senate or home to Tennessee. "If it doesn't improve, if it gets worse, Robin Beard will be defeated," he said. "If it turns around, I'll win hands down."

Whatever the course of the economy, Democrats' chances of recovering control of the Senate—where Republicans now have a 52-47 edge, with one independent—are slim. Twenty Democratic seats are up for reelection this year, compared with only 12 Republicans and the independent.

In three states where the Reagan budget cuts and the economies tend to be strong issues—Indiana, Missouri and Pennsylvania—Senate Republicans maintain that GOP incumbents appear to be in position to be reelected. But Democratic strategists believe Republican Sens. S. I. Hayakawa of California and Lowell P. Weicker Jr. of Connecticut are ripe for defeat, and that they have a good chance of replacing Sens. David F. Durenberger of Minnesota and John H. Chafee of Rhode Island.

"I think now that it is very possible that we will maintain our strength in the Senate, and perhaps gain a seat or two," Democratic chief Manatt said.

Meanwhile, Ann Lewis, the Democratic National Committee's political director, said the House "has more vulnerable Republicans than Democrats." She and others at the committee now consider Republican chances of capturing the House remote, especially because the formation of new congressional districts reflecting the 1980 census makes it appear that Republicans will gain no more than five seats, rather than the 17 they once expected.

As candidates for the House and Senate begin the long march toward November, state legislatures across the country are going back to work, trying to fathom for the first time the real impact the massive budget cuts

will have on state governments and residents.

More than half the states in the country already were in deep financial trouble before the Administration began the budget cuts now being passed along to them. Many already had begun the politically excruciating process of cutting services and raising taxes, and in recent months the word has gone out from one statehouse after another that state governments will not come up with appropriations to make up for the federal cuts.

The pinch is just beginning, but it is already painful. In Minnesota, there is a \$768 million deficit, and students have been demonstrating against sharp tuition increases. In Michigan, the state government is broke, and Gov. William G. Milliken, who has been in office 13 years, has announced he will not seek reelection in November. In Ohio, the state has put through the biggest tax increase in its history and has cut its budget by \$260 million. In Indiana, a special legislative session has been called to deal with an expected deficit of \$9 million.

When recessions have hit in the past, states have helped stabilize the economy by continuing their own spending, but now states themselves are cutting back. For the first time since the Great Depression, the public sector is participating in the downturn.

'We Fight a Little Harder'

There is not much agreement on what political consequences will flow from the state-by-state retrenchment, although officials of the Democratic National Committee see the economic woes in states such as Michigan and Ohio as creating disillusionment with Republican governors there. They even believe Democrats are rapidly improving their chances to defeat Illinois Republican Gov. James R. Thompson, long considered presidential timber.

Like most other Republican governors, Thompson has kept the faith with Reaganomics.

"What we do is go down to Washington and fight a little harder for the money that's left," Thompson said.

"I try to work within the President's bottom-line budget. . . . I've given the President a list of things he and his Administration can do for the Midwest and Illinois that won't cost a lot of money but will be important to us."

But another Republican governor, Lee S. Dreyfus of Wisconsin, remarked after a meeting with Reagan that "we've cut almost as far as we can cut. Our purpose was to tell him the depth of the pain. We are not talking about capping teeth; we're talking about root-canal work, and we've run out of anesthetics."

The economic and political problems have reached far beyond the decaying inner cities of the North and Midwest and reached even into the Sun Belt, presumably the land of the future and a region where the Republican Party must root if the Reagan election victory is to be a watershed.

In Tennessee the next round of Labor Department statistics is expected to show an unemployment rate above 10%, the highest since statistics have been kept. In some counties, the jobless level is nearly three times that. Next month the Tennessee Valley Authority is expected to stop construction on three nuclear power plants, throwing at least 3,000 more workers out of jobs.

(Rep. Beard, the Senate candidate, has seen his brothers-in-law laid off at a Ford Mord Co. plant in Nashville and watched his businessman brother increasingly squeezed by high interest rates.)

Several days ago, Bobby Lannon, a Lebanon, Tenn., real estate broker, gave a visiting House subcommittee his view of the economy in the state. "Help in the last quarter of '82 won't mean anything to us," he said, "because we won't be here. I have friends who are desperate. There is going to be mayhem, bankruptcy and suicide. That is a reality."

Some mass-transit systems in Tennessee have drast-

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cally cut services. Medicaid benefits have been slashed, highways and bridges urgently need repair, state prisons are so crowded they may be taken over by a federal court, and the state still ranks near the bottom in the salaries it pays its teachers.

Three years ago, Tennessee elected Lamar Alexander, a young lawyer and one-time aide to Sen. Howard H. Baker Jr. (R-Tenn.), as its first Republican governor since Reconstruction. This year state Republicans hoped to take Tennessee permanently into the GOP camp by reelecting Alexander and also defeating Sasser, the Democratic senator.

But the Reagan economic program has not helped either Republican candidate.

"Gov. Alexander is popular, but he is beatable because he will have to carry the burden of Reaganomics on his shoulders," said Tennessee House Speaker Ned Ray McWherter, a Democrat. "The Reagan economic program is hemorrhaging in Tennessee."

"Just in the last 60 days, it has started to affect working people, farmers, small business people, merchants, really deserving needy people, elderly, sick, mentally

ill, mentally retarded," McWherter said. "It is bound to have a political effect."

Tennessee has become unusually dependent upon money from the federal government because it has one of the lowest tax rates in the country. And in Alexander's judgment, voters in the state today prefer more cuts in state services rather than an increase in taxes.

Not a voice has been raised in the Legislature to increase state revenues this year. A coalition formed to press for adoption of a state income tax has decided to wait until after the 1982 election.

The major economic measure before the Legislature this session will be a bill permitting local governments to increase taxes.

"So far," said state Rep. John Bragg, chairman of the House Finance Committee, "Reagan has been able to do all these things and get all of the credit and none of the blame."

"A lot of people are going to suffer now, and I look for a great deal of uniting among people," he added. "This is like the Vietnam War. Only the poor and the deprived are fighting. The opinion makers didn't fight in that war, and they aren't fighting in this one."

Hardship of Program Starting to Produce Some Positive Effects, Analysis Shows

By JOHN F. LAWRENCE, *Times Economic Affairs Editor*

Much has been written about the winners and losers from the Reagan Administration program to cut taxes and the growth of government. And with the nation well into a recession, the losers appear to be in the majority.

The big question for the Administration is how quickly the economy will rebound, easing at least some of the hardship and focusing attention on some of the long-term benefits that even some Reagan critics agree are possible from the program.

Although much of it has evaporated now, last spring and summer the Reagan plan had broad support. Many economists, businessmen and others realized then that the nation had been on a consumption binge, with consumers and governments—federal, state and local—all taking part in the spree. The result was severe upward pressure on prices and wages. In four years, the average worker had lost 15% of his purchasing power.

Head-On Attack

In simple terms, the Reagan plan was to end this spree with a head-on attack. Taxes would be reduced in such a way as to stimulate individual savings and corporate investment. A higher savings rate would mean a somewhat slower growth in the rate of consumption, for a time. But ultimately, through corporate investment would come an economic boom without severe inflation. And that, in time, would even build

tax revenue as income and profits grew.

What the Reagan plan did not foresee was what economists like to call "the painful period of adjustment," the period before the program has a chance to work. It is the period in which the economy continues along with its same old problems, perhaps worsened by the immediate effects of some of the Administration's moves.

Contributing to Recession

There is no question that the government cutbacks are contributing to the recession at the moment. But another contributor is an agency on which the President has relied to fight inflation in the short term—the Federal Reserve Board. The Fed—fearing inflation could get much worse if the economy picked up steam too quickly—clamped severe restraints on the supply of money flowing to the economic system. Interest rates soared and recession began as more and more consumers were forced out of the housing and auto markets, and corporations began to reassess their plans.

Recessions invariably create hardship. People are thrown out of work, and those on the fringes of the work force who can find work in good times have a much tougher time.

Recessions also are supposed to produce some benefits—if the hardships do not become overwhelming.

And some of those benefits are showing up now: Inflation has fallen below the double-digit level.

Workers in a number of industries, faced with loss of their jobs, have begun to modify wage demands.

Diet for the Battered

Perhaps most significantly, the most severe cost-reduction programs are being instituted in industries that have been among the most bloated with expenses and with the highest wage levels. Among these are steel, autos and airlines. Whatever hardships the Reagan program is causing, it at least can be said that the pain is beginning to produce something positive.

Richard Rahn, chief economist for the U.S. Chamber of Commerce, has been among those to remain optimistic through the bleak economic news of recent weeks. "The bad news has driven out the good," he told a Times reporter last month.

What Rahn and others still behind the Reagan program are forecasting is an upturn in the economy fairly quickly, made possible by the drop in the inflation rate and the hope that the Fed therefore can let interest rates slide downward.

Broaden Ranks of Winners

Such an upturn, with more stable prices, would begin to broaden the ranks of the winners from the Reagan plan. The work force would re-

gain some of its lost spending power.

That would put the Reagan Administration and the rest of the nation in a better position to address the hardships of those individuals who have lost out directly in the federal cutbacks. And there would be a much larger group realizing benefits.

The risk is that the economy will follow a perverse course. The recession might become so severe that the program will have to be abandoned in favor of massive new government assistance. Or the upturn might come so soon that inflation will resume, putting the nation back where it was.

Coping with those risks will be a

challenge, proponents of the Reagan plan agree. But they argue that the alternative—striking with the old policy of ever-expanding domestic spending—would be worse. Although conceding that it may not work as quickly or as painlessly as they had hoped, they argue that their approach offers the best chance of ultimate success.

Some Nations Prefer Reagan's Foreign Policy to That of Carter

By FRANCIS B. KENT, *Times Staff Writer*

In the early months of Ronald Reagan's presidency, there were complaints in many foreign capitals about the apparent lack of any foreign policy in Washington.

Now that the outlines of a Reagan foreign policy are slowly becoming clear, there are still complaints, but there are expressions of approval as well.

For reasons that generally involve their own interests, some foreign governments now judge the Reagan Administration's performance in international affairs to be an improvement over the Carter Administration's. Some give it lower marks, and some continue to find it ambiguous and confusing.

And, in some parts of the world, what is perceived to be the absence of a fully enunciated American foreign policy is regarded as something of a blessing.

"You have been more ambiguous during the past year

than at any time in recent history," the foreign minister of a Persian Gulf country told a Times reporter not long ago. "But from our point of view the ambiguity has been useful. We have had much more freedom of maneuver since Reagan took office than we enjoyed during the Carter years or in the Ford and Nixon years."

Qvershadowing the entire question at the moment is Washington's reaction to events in Poland and how this will affect East-West relations as a whole.

But, even before the situation in Poland became critical, foreign officials were paying close attention to the new government in Washington, watching for moves—a speech, a chance remark, a decision on trade, the appointment of a new ambassador—that might signal a new direction in American foreign policy.

To an extent unparalleled elsewhere, the Kremlin has waxed hot and cold in its attitude toward Reagan, at least at the beginning. Months before Reagan's election in November, 1980, the controlled Soviet press was characterizing him as "even more sinister" than President Jimmy Carter, whom the Soviets had come to loathe.

Later, at least some of the persons in the Kremlin saw in Washington what they said could be interpreted as signs of encouragement. But since Reagan's first news conference as President, when he said the Soviet leaders would "lie, cheat or commit any crime" to promote the advance of communism, the voices of moderation in Moscow have been drowned out by a harsh official line.

As early as May, 1981, Leonid Zamyatin, the chief spokesman for the Soviet Communist Party, laid down what has become a consistent theme of Soviet propaganda, saying on Soviet television:

"The (Reagan) Administration considers confrontation against the Soviet Union in economic, political and other fields to be its main foreign policy concept. . . . The United States has opted for military supremacy over the Soviet Union . . . (and) is discarding the policy of peaceful coexistence, the policy of detente. . . ."

Since then, there has been nothing to suggest a thaw. Soviet reaction to Reagan's proposal for mutual and far-reaching arms reductions, set out in a speech Nov. 18, was far from enthusiastic. A "propaganda ploy," the Soviet news agency Tass called it.

And when Reagan imposed sanctions on the Soviet Union for what he said was Moscow's role in the military crackdown on Poland, the Soviets denounced the move as "blackmail," an attempt to return to the worst days of the cold war.

Moscow Shares Responsibility

Although Moscow publicly blames Washington for the deterioration in relations, a process that began long before Reagan moved into the White House, diplomats in Moscow point out that the responsibility must be shared by Moscow.

The Soviets, one Western diplomat said, "are seeing the many-sided effects of their own actions."

He cited the Soviet military occupation of Afghanistan, which began in December, 1979, the Kremlin's pressure on Poland to stem the spread of democratic reforms, the continued Soviet use of Cuban and East European troops to support Marxist regimes and rebellions in Africa and elsewhere and the accelerating Soviet military buildup.

In the months ahead, the Reagan Administration's relations with the Kremlin will hinge to a great extent on whether the two really get down to serious negotiations on arms control.

It is this same issue that has had—and will continue to have—much to do with how Washington gets along with its allies in Europe.

Until Reagan's Nov. 18 speech, officials in Western Europe were confused about American foreign policy. But they tended to blame not Reagan so much as the men around him and what they perceived to be an absence of cooperation among the State Department, the Defense Department and the National Security Council.

'Shooting From the Hip'

West Europeans saw Washington, one official said, as a "lone cowboy shooting from the hip." They were puzzled by Secretary of State Alexander M. Haig Jr.'s preoccupation with Central America as the focal point of Soviet meddling and by his interpretation of events in the Middle East as an East-West confrontation rather than a product of local instability.

Moreover, many Europeans were not at all impressed with the men Reagan was sending to Western Europe as ambassadors. One official said, the quality of the new ambassadors was "generally indifferent" and that many more were "amiable businessmen not likely to make much of an intellectual contribution to trans-Atlantic understanding."

But there was at least one exception: The appointment of former Federal Reserve Board Chairman Arthur F. Burns as ambassador to Bonn was widely applauded, in the press as well as in official circles.

Despite the early doubts, Western Europe reacted positively to Reagan's Nov. 18 proposal to reduce the level of nuclear weapons. A number of the countries of Western Europe, notably West Germany, have had to deal with increasing domestic opposition to a North Atlantic Treaty Organization project, which originated while Jimmy Carter was President, to deploy a new generation of missiles.

The Europeans have been anything but unified in their view of the Reagan Administration, and this was reflected in their reaction to his imposition of sanctions against the Soviet Union after the crackdown in Poland.

A spokesman for the West German government promptly expressed doubt about the extent of Soviet involvement, although Chancellor Helmut Schmidt conceded later, in Washington, that Moscow would have to bear heavy responsibility for what had happened in Warsaw.

No West European government rushed to join Washington with sanctions of its own. The Danish foreign minister, Kjell Olesen, said flatly that he thought the United States had moved hastily.

A year ago, it seemed that the United States' traditional special relationship with Britain would become even warmer. An observer in Paris, referring to Reagan's supply-side economics and the monetarist practices of Prime Minister Margaret Thatcher, said they "were made for each other."

But the relationship has cooled. This unexpected turn of events is said to be due in part to differences between

Haig and the British foreign secretary, Lord Carrington, who, as a European source put it, "simply seem to rub each other the wrong way."

On the other hand, and to the surprise of some people, the new government in Paris, which includes a Socialist president and Communists in the Cabinet, has lined up behind Reagan on important defense matters, although it does not hesitate to sting the Americans in other areas—Central America, for one.

Slowly, the image of Washington as a "lone cowboy" is fading out in Europe. The Reagan Administration, an official in Bonn said, "has finally begun to listen."

In the Middle East, Israeli officials have complained, along with others, about what is sometimes seen as disarray in Reagan's foreign policy. Israelis were jolted by the Reagan government's sharp reaction to their bombing last summer of Iraq's nuclear reactor and to what amounted to Israeli annexation last Dec. 12 of the Golan Heights, an area taken from Syria in the Arab-Israeli war of 1967.

Opposition to Arming Saudis

Israeli complaints have had to do largely with Washington's willingness to supply arms to Saudi Arabia. Still, many Israelis concede that they have not been treated badly by the Reagan Administration.

"In recent memory," a senior Israeli official said not long ago, "there hasn't been a President who has been as reassuring, as positive and as friendly as Reagan. At a time of severe budget cutting, our foreign aid has been maintained. Bilaterally, we are getting from the Reagan Administration what we need."

In the Arab World, the Reagan Administration appears to have made little impact. Relations with Washington continue to be more or less what they were before Reagan: Those governments that were pro-Soviet are still pro-Soviet; those that were pro-American are still pro-American.

White South Africans, in and out of government, have approved of Reagan's policies, particularly his emphasis on anti-communism. They even appear to be moving in harmony with his Administration's views toward a settlement in Namibia, or South-West Africa, the old German colony that has been administered by South Africa under a now-invalid mandate from the League of Nations.

South Africa 'Takes Comfort' From Reagan

Peter Vale, director of research for the unofficial South African Institute of International Affairs, said that the South African government "is taking great comfort from Reagan."

"His policy is in sharp contrast to the policy of Carter," Vale continued. "There is a general feeling that Reagan understands South Africa and its problems."

Black Africans generally take a different view. Most of them resent the relaxed American attitude toward

the white-supremacy government. Their attitude was expressed violently not long ago in the bombing of an American cultural center in Maseru, the capital of Lesotho.

An exception is Zimbabwe, which until last year was named Rhodesia and was ruled by whites. An aide to Prime Minister Robert Mugabe said that the new black government finds no fault with Reagan policies in Africa and is pleased that Reagan has continued foreign aid at the previous level.

In East Asia, Reagan's government may not have spelled out any broad policy goals but it has taken specific steps on sensitive issues—and has stirred up trouble at virtually every step.

Relations With China Delicate

Relations with China have been delicate from the first. Peking was displeased when Reagan promised, before his election, to upgrade U.S. ties with the Nationalist Chinese government on Taiwan. When the Reagan Administration last year considered supplying advanced warplanes to the Nationalists, the Peking government objected bitterly. And Peking was only slightly mollified when the President ultimately decided to provide less sophisticated aircraft.

What is seen in Peking as Reagan's ambivalence, his perception of two Chinas, has made relations with Peking shaky, and the outcome is far from certain.

In Tokyo, Reagan's retention of Mike Mansfield as ambassador was regarded as a positive step. The former leader of the Democratic majority in the Senate was regarded as one of Carter's best ambassadorial appointments.

Mansfield has been particularly adroit, in Tokyo's view as well as Washington's, in handling differences over Japanese auto exports, which were resolved with the adoption of "voluntary" restraints. Also, though with seeming reluctance, the Japanese have moved to increase their military spending, but not to the extent that Washington would like.

Friction Over Trade Deficit

And the huge deficit in U.S. trade with Japan continues to cause friction between the two governments. Experienced diplomats fear that the problem will get

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In East Asia, the U.S. has taken specific steps on sensitive issues—and has stirred up trouble at virtually every step of the way.

POLICY: Reagan Record in International Affairs

Continued from 9th Page

worse and that it will affect American policy throughout the region.

Closer to home, Reagan has in some ways been more successful. His policy in Central America has been at odds with Mexico's, which is traditionally sympathetic to revolutionary movements. Yet Reagan and President José Lopez Portillo get along well.

"We have come to understand each other," a senior Mexican official said. "We have come to respect each other and we have come to disagree . . . without straining our friendly relations."

In Central America itself, Washington's relations are in a state of flux, shifting with the revolutionary current moving north out of Nicaragua and threatening, in varying degrees, El Salvador, Honduras and Guatemala.

In South America, most governments—elected governments and military regimes alike—look with favor on Reagan's Washington, though for different reasons.

Venezuela and Colombia, both with presidents freely chosen, approve of Reagan's tough attitude toward Cuba's Fidel Castro, and both are pleased by the prospect of getting more military aid from Washington.

The military governments are relieved that they apparently have heard the last of the human rights lectures that were the hallmark of Carter's policy in Latin America.

But not all is well in the hemisphere. U.S. relations with Canada, which historically have been up on day and down the next, are in decline.

The most troublesome issues are Canada's attempts to take complete control of the oil industry there, displac-

This article was prepared with the assistance of Times reporters around the world.

ing American interests in the process, and what the Canadians see as American reluctance to do anything about industrial pollution in Canada caused by industries across the border.

However, Reagan is not seen by Canadians as the real villain in all this. Canadians tend to blame Congress. And, despite the personality differences between Reagan and Prime Minister Pierre Elliott Trudeau, who has been described as an intellectual elitist, personal relations between the two men are said to be very good.

B

(Bakshian)
January 19, 1982

PRESIDENTIAL REMARKS TO EXECUTIVE APPOINTEES:
JANUARY 20, 1982

Thank you all very much. I've been looking forward to this meeting for a very important reason. We in this room share a special bond. We came to Washington not to get a job, but to do a job -- to get this great Nation of ours back on track after too many years of misdirection and mismanagement.

We came here under the banner of "A New Beginning" and we have made a new beginning for our country and the people we serve. But, as the poet Longfellow pointed out, great as the art of beginning is, the art of ending is even greater. We still have a long way to go -- a lot to do before we can achieve all that we hope for the America of today and the America we will pass on to our children.

One year ago, on a clear, crisp January day, I took the oath of office and delivered my first address as President to the American people. In it I said that the " . . . ills we suffer have come upon us over several decades. They will not go away in days, weeks, or months, but they will go away. They will go away because we as Americans have the capacity now, as we've had in the past, to do whatever needs to be done to preserve this last and greatest bastion of freedom."

I am glad to see that this quote was chosen as the motto for today's program because I believe it sums up not only the resolve of each of us in this room, but also the basic faith and commitment of the American people. And, after all, what

are we but their trustees, the pledged guardians of their values, their beliefs, and their aspirations?

No one has succeeded in putting it better than Henry Clay who said that "Government is a trust, and the officers of the government are trustees; and both the trust and the trustees are created for the benefit of the people."

Unfortunately, in growing too big and too greedy for power, the Federal Government in the recent past lost sight of this vital point. It is up to us to redress the balance. It is up to us to begin the long, hard process of making Government once more the servant rather than the master of a proud and independent people.

We have made an impressive start. In this first year of our trusteeship we have built a competent, dedicated executive team. We have laid the foundations for economic recovery and national renewal. We have begun to cut back the runaway growth in big government spending and regulation. Inflation and interest rates are down. A program that will mean more jobs and more opportunity for all Americans is now in place. And we have begun to restore confidence in America at home and respect for America abroad.

We had promised to do all these things. But making promises is easy; the real test is that, thanks to the outstanding efforts of the team represented here today, we have kept these promises, and many others as well. In fact, it says something good about the job all of you have done in your agencies and departments that, only 1 year into this

Administration, we have been able to compile a record of _____ major promises kept to the American people, and that we are well on our way to keeping more. [hold up booklet] Many of you will see copies of this book. It's a sort of catalogue of our track record to date and it's called, "Promises: A Progress Report." It's not as thick as the Federal Register, even after we trimmed it down, but it is an impressive list of achievements -- and this Administration could not have made them without the faith, commitment, and hard work of every man and woman here today.

We also could not have made them without the sustained support of the American people -- the people we serve as trustees. I am sure that all of you were heartened, as I was, by the latest New York Times/CBS poll. It showed an overwhelming 60 percent majority of the people believe that our program for economic recovery will benefit the Nation -- will build a stronger, more prosperous America. The American people haven't been led astray by the peddlers of pessimism and despair. They understand that the damage of decades of waste, mismanagement, inflation and economic decay will not vanish overnight. And I suspect they've also noticed that quite a few of the people shedding crocodile tears over our current economic plight and taking pot shots at our recovery program are the very people who led us into this swamp in the first place.

Speaking of swamps, I want to urge you all not to get bogged down in Potomac Fever. Don't let the Washington

whirl -- or the Washington morass -- let you lose sight of why you came here and what it is we're trying to do. I know it isn't always easy. As the old saying goes, when you're up to your armpits in alligators, it's sometimes hard to remember that you're here to drain the swamp.

But that is why you're here and I'm here -- to cut back on waste and mismanagement; to eliminate unnecessary, restrictive regulations that make it harder for the American economy to compete and harder for American workers to find jobs; to drain the swamp of over-taxation, over-regulation, and runaway inflation that has dangerously eroded our free way of life.

I believe our first year of trusteeship has demonstrated our good faith to the people we serve. It was their faith, in turn, their support and confidence, that got the recovery program through the Congress. It is their support and confidence that will see that program through to success.

In the meantime, it is up to each of us, through our conduct and commitment, to continue to justify their confidence in us as their trustees.

I believe we can and will. The evidence keeps cropping up in the most surprising places. Sometimes the most convincing endorsements come from the competition. Just last week, on a visit to the Department of Transportation, Drew Lewis told me that he had been deeply impressed by something said to him by a ranking majority member of the House of Representatives -- a man who is not exactly a leading member of the Ronald Reagan fan club. I won't mention any names -- it might get him into

hot water with Tip O'Neill -- but what this veteran Congressman said to Drew Lewis was that it was nice to finally have leadership in the White House that actually did in office what it said it was going to do when running for office.

I take that as the supreme compliment coming from the other side of the aisle. But I don't take it as a personal compliment. I take it as a compliment to an Administration team, government-wide, that puts principle first; a team that came to Washington to serve America rather than serve itself. I take it as a justification for the pride I feel in your talent and commitment as individuals and, even more, as dedicated team players.

But any coach worth his salt knows that it's not the season that just ended that counts; it's the season that's just beginning. As a team, we are about to launch our second season, and it's going to be a grueling one.

To keep our recovery program working -- to get an ailing America back on its feet and running again -- is going to take a massive team effort. Each of you in your departments and agencies will have to work even harder to root out waste, fraud and mismanagement. Each of you will have to work even harder to see that every tax dollar that is spent is spent wisely and well. And each of you must use every fiber of your experience and imagination to come up with better, more efficient ways of getting the necessary work of government done.

There may have been a time when America could afford to let things slide, a time when second best would do. Well, if

there ever was such a time, it has long since past. Today, and throughout the year ahead, only your best -- only our best -- will be good enough.

Great results have never been achieved without great effort. What we have undertaken is nothing less than the rebirth of a nation -- the revival of the independence, the vitality and the resourcefulness that tamed a savage wilderness and converted thirteen small, struggling colonies into what Abraham Lincoln called the "last, best hope of earth."

Lincoln also reminded us that "we cannot escape history." In his Second Annual Message to the Congress, 120 years ago, he issued a warning that still holds true today. "We of this Congress and this administration will be remembered in spite of ourselves," Lincoln said. The "trial through which we pass will light us down in honor or dishonor to the last generation."

In this second year of our Administration, America, and American leadership, again face many tests. At stake in Lincoln's day was the survival of the American Nation. At stake today is its revival -- assuring that the Nation and ideals Lincoln saved, and each subsequent generation of Americans has worked to preserve, will take on fresh life and hope for those who come after us.

This is an exciting time to be alive, an exciting time to serve in Washington. It's a time of both challenge and reaffirmation. Each of us has been put here for a purpose. We must redress past errors, errors that have already cost the

people we serve far too much in economic stagnation, joblessness, crippling taxes and inflation.

It isn't going to be easy; nothing really worth achieving ever is. But this is an optimistic Nation and I am an optimistic person. If I wasn't, I never would have left my ranch to come here in the first place. I am confident that, if we all do our best today and in the months ahead, we can turn things around. We can make today's government -- and today's America -- a model for generations to come.

That is our trust. That is why we are here. And that is why I want to thank each of you for all that you have done and will do to make America great again.

I'm counting on you, and so are the American people.

c

THE WHITE HOUSE

WASHINGTON

January 19, 1982

MEETING WITH CHARLES WICK, ROBERT GRAY AND CHARLES HAGEL

DATE: Wednesday, January 20, 1982

LOCATION: Oval Office

TIME: 1:55 p.m. (10 minutes)

FROM: Dave Fischer *DCF*

I. PURPOSE

To present you with a book of photographs, commemorating the Inaugural Satellite Balls held around the country on January 20, 1981.

II. BACKGROUND

Charles Wick and Bob Gray were co-Chairmen on the 1981 Inaugural Committee while Charles Hagel was directly responsible for the Satellite Balls.

III. PARTICIPANTS

Charles Wick
Robert Gray
Charles Hagel
Dave Fischer

IV. PRESS PLAN

White House photographers only

V. SEQUENCE OF EVENTS

Dave Fischer will escort group into Oval Office.

D

THE WHITE HOUSE

WASHINGTON

BRIEFING MEMORANDUM FOR THE PRESIDENT

SUBJECT: ECONOMIC PROGRAM MEETING

Wednesday, January 20, 1982
2:00 p.m. (60 minutes)
The Cabinet Room

FROM: RICHARD G. DARMAN 
CRAIG L. FULLER 

I. PURPOSE

The purpose of the meeting is to brief you on further work re the Federalism initiative and outstanding economic program issues. In order to prepare budget materials, and to do appropriate consultation and briefing, it will be necessary to have your decisions by Thursday morning.

II. SEQUENCE OF EVENTS

A paper that will serve as the basis of discussion will be distributed in the meeting.

III. PARTICIPANTS

The President
The Vice President
Edwin Meese III
James A. Baker III
Michael K. Deaver
Martin Anderson
Richard G. Darman
Kenneth M. Duberstein
Craig L. Fuller
David R. Gergen
Murray L. Weidenbaum
Richard S. Williamson

E

SCHEDULE TO BE DISTRIBUTED IN THE MORNING

BRIEF REMARKS: FIRST INAUGURAL ANNIVERSARY EVENT
JANUARY 20, 1982

Nancy and I are delighted to be here with you tonight -- your efforts did much to bring this Administration into being. We thank you for what you have done in the past, and for the dreams you are unafraid to live today.

This is a very impressive gathering. When I walked in I thought I'd stumbled onto the movie set of "High Society." But beneath the surface glitter lies a deeper resolve. We have come in our finest to recognize another turning point, to set this evening apart, to unite behind a cause we believe will bring prosperity to all Americans.

We have achieved a lot in the year that has passed, including historic cuts in the budget, taxes and size of Government. But tonight we are here to renew our commitment for the long road still ahead.

The toughest years of this Administration are still before us. The days of sensational, quick victories are mostly behind. Our struggle is settling into the trenches. We must move from the glamour of initial commitment to the grit of the long haul.

I am as resolved today as I was a year ago to restore incentive through individual tax cuts, to reduce spending and to return as much power and authority to the States and localities as is permitted by the Constitution. At the same time we will do a better job of meeting basic Federal responsibilities -- such as keeping America strong enough to remain free. No one has convinced me that these goals can't

be achieved together. In fact, I don't think any can be achieved alone.

There are those who have resisted us in this from the beginning, but many of these people believe in very little. How can they have faith in the American people? Their sense of right and wrong depends largely on circumstance. How can they accept a philosophy based on morality?

The loudest cries of pain have come from Washington, the very people who for decades have led the raid on America's resources, from those who have had a hand in creating our present problems. They say today's recession is proof our policies don't work. The only thing this recession proves is that what they have done hasn't worked and never will. We must get control of the budget monster, get control of our economy, and get control of our own lives and our own destinies.

If we do nothing else in this Administration, we're going to convince this City that the power, the money and the responsibility of this country begins and ends with the people and not with some cinderblock building in Washington, D.C.

The American people have not lost faith in our cause. An independent poll recently asked them if the recession hurts. "Yes," they said. Is the economy under control? "No," they said. In light of this, should the Administration continue its economic policies -- policies based on faith, incentive and growth? The answer was a resounding "Yes."

The American people know what 49ers quarterback Joe Montana found out the hard way. When he was making the transition from college to pro, there were those who thought him too thin. So Joe ate pizzas and drank milkshakes at two in the morning, thinking the extra weight would be like extra padding. As it turned out, he got the padding, but it was in all the wrong places.

Joe Montana found out that short cuts don't always get you where you want to go. Detours are rarely the road to excellence and excess never leads to strength.

What the American people are calling for is a return to our first, sound principles: the system of self-government and free enterprise that made us great in the first place.

Our efforts are beginning to make a difference, but I am not satisfied.

Inflation has dropped to single digits for the first time in 3 years -- but it is not low enough. Interest rates are far below their once-dizzying heights, but not far enough. Regulations have been cut by more than a third -- but there is much more to be done. Last year's tax and budget cuts were the largest in history, but they only reduced increases already built into the system.

Our plate is still full. Reducing inflation, interest rates and unemployment by cutting taxes, budgets and regulations is part of my dream to restore accountability in Government. Forcing Americans to accept the dictates of faceless bureaucrats in Washington instead of confronting elected representatives

in their city hall has to be one of the more serious mistakes of this century.

City halls, county seats and State legislatures are the very laboratories of democracy, and yet in past years we have closed our eyes to their findings. By removing the possibility of resolving our problems where they occur, too many of us have turned our backs on the genius of our system. Too many of us stopped believing in our ability to govern ourselves.

Through our program of block grants we have returned much of the decision-making to State and local governments. But, again, it is not enough. I will not rest until we can return resources as well as responsibilities to the levels of government closest to the people.

The American people have sent the hand-wringers in Washington a message: They believe in our programs because they believe in themselves. As Woodrow Wilson said, America is not a mere body of traders; it is a body of free men and women. Our greatness is built upon our freedom. It is moral, not material. We have a great ardor for gain; but we have a deep passion for the rights of man.

We will suffer no more delusions that these sentiments are found only along the banks of the Potomac. It is the common bond of all who love freedom. In the words of Lech Walesa, "There will always be a glow within us."

On the outskirts of Gdansk this Christmas, there was a sign with eight foot tall letters plastered on a wall near the Lenin shipyards. It read "Countrymen. Save freedom."

That is the challenge I leave with you tonight. I thank you for all you have done, but I ask you for even more. In this celebration tonight, let us renew our commitment. In this decade our country calls not for our sacrifice, but for our resolve.

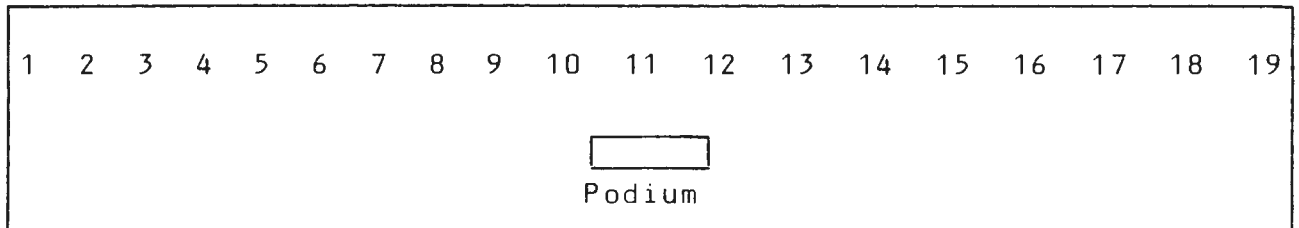
Thank you very much.

REVISED

TAB B

Wednesday, January 20, 1982

Reagan Administration
Executive Forum



1. The Vice President
2. Secretary of State Alexander M. Haig, Jr.
3. Secretary of the Treasury Donald T. Regan
4. Secretary of Defense Casper W. Weinberger
5. Attorney General William French Smith
6. Secretary of the Interior James G. Watt
7. Secretary of Agriculture John R. Block
8. Secretary of Labor Raymond J. Donovan
9. Secretary of Health and Human Services Richard Schweiker
10. Secretary of Housing and Urban Development Samuel R. Pierce, Jr.
11. Secretary of Transportation Andrew L. Lewis
12. Secretary of Energy James B. Edwards
13. Secretary of Education Terrel H. Bell
14. Counsellor Edwin Meese III
15. Director of Office of Management and Budget David Stockman
16. Director of Central Intelligence Agency William J. Casey
17. Ambassador to the United Nations Jeane J. Kirkpatrick
18. United States Special Trade Representative William E. Brock
19. Chief of Staff James A. Baker III