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News Summary

OFFICE OF THE PRESS SECRETARY

THURSDAY, DECEMBER 12, 1985 -- 6 a.m. EST EDITION

TODAY'S HEADLINES

NATIONAL NEWS

House GOP Blocks Consideration Of Tax Overhaul -- The Republican leadership of the House sabotaged their President on this one. (Reuter, Washington Post, New York Times, Baltimore Sun, Washington Times)

Congress Passes Legislation Mandating Balanced Budget -- Senate Republicans were joined by a number of liberal Democrats in supporting the legislation.

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

Conservatives Applaud Bush At Testimonial For Former Foe William Loeb --
--Vice President Bush walked into a conservative lion's den and won a standing ovation. (AP, Washington Times, UPI)

INTERNATIONAL NEWS

Shultz To Brief NATO Allies On Post-Summit Arms Strategy -- The meeting is also due to issue a declaration pledging new efforts to improve armaments cooperation and get better value for defense budgets.

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

NETWORK NEWS (Wednesday Evening)

TAX REFORM -- What the President insists was a last chance for tax overhaul was done in by his own Republican Party.

GRAMM-RUDMAN -- It will likely mean new, deep, cuts for years to come in government spending.

LIE DETECTOR TESTS -- President Reagan has secretly signed a directive that orders lie detector tests for people with access to government secrets.

DUNAGIN'S PEOPLE



"THE STAR WARS TOYS ARE NOT NEGOTIABLE, SANTA."

NATIONAL NEWS

HOUSE GOP JOINS IN VOTE NOT TO CONSIDER TAX REVISION Reagan Called 'Steamed' About Mass Desertion

With all but 14 Republican members defying their President, the House dealt a major, unexpected blow to tax revision yesterday, sending Democratic leaders and the Reagan Administration scrambling to pull their forces together for a rescue attempt. At the White House, the President's aides reported that he was "steamed" over the desertion of his fellow Republicans and were vowing political retribution if the votes cannot be turned around. (Anne Swardson/Lou Cannon, Washington Post, A1)

Presidential Loyalists Sabotaged His Hopes

The legislative strategy that dealt a grave blow to President Reagan's hopes for overhauling the tax code yesterday was the brainchild of the Republican leadership of the House of Representatives -- legislators who have been staunch Reagan loyalists on most issues, but sabotaged their President on this one.

Their strategy was born in a huddle at the back of the House chamber only two hours before the first vote. The key plotters were Reps. Michel, Lott, Loeffler, Cheney, Kemp and Gingrich.

(Dale Russakoff, Washington Post, A1)

Tax Plan Blocked By Surprise Vote, A Reagan Setback

Democratic leaders, working with the White House, toiled tonight to revive the measure for a vote before Congress adjourns, probably by the end of this week. But the Democrats said Wednesday's vote indicated that tax legislation could not pass unless Mr. Reagan could round up more Republican votes for it. (David Rosenbaum, New York Times, A1)

GOP Revolt In House Blocks Tax Reform Bill

There were 188 Democrats in favor and 59 Democrats and 164 Republicans opposed. Treasury Secretary Baker said at the White House, "It ain't over till it's over."

(Stephen Nordlinger/Robert Timberg, Baltimore Sun, A1)

Democrats Say Reagan Must Muster Republicans On Tax Reform

Speaker O'Neill has accused Republicans of torpedoing President Reagan's plans to reform the federal tax system this year and said Reagan has lost control of Congressional Republicans.

"Today, with glee in their faces, Republican Congressmen voted to humiliate the man who had led them to victory," said O'Neill, a Massachusetts Democrat. (Reuter)

GOP Helps Stall Tax Reform Bill In House

Tax reform stalled in the House Wednesday over a procedural vote led by Republicans, despite President Reagan's plea to keep the process moving. The GOP members rejected on a 223-202 vote a rule barring amendments to the tax rewrite bill drafted by the Democrat-controlled House Ways and Means Committee. (Karen Riley, Washington Times, A1)

FORMER REAGAN ALLIES ENGINEERED TAX REBUFF

The result was one of the most stinging rejections Reagan has suffered in Congress, with 164 Republicans joining 59 Democrats to block the House from beginning debate on the tax bill.

"His natural allies, by 12 to 1, voted 'no,'" said Rep. Newt Gingrich (R-Ga.), one of the architects of the vote against the President and the Democratic leadership. "And his natural enemies voted 'yes.'"

(Thomas Edsall, Washington Post, A6)

BALANCED-BUDGET PLAN PASSED BY SENATE, NEARS HOUSE

Amid warnings that it was embarking on a "march of folly," Congress moved last night toward enactment of historic legislation to force steady reductions in the federal deficit over the next five years and adoption of a balanced budget by 1991. The Senate, after a nine-hour debate, approved the measure 61 to 31. The Senate action was expected to be followed quickly by final passage in the House later last night.

(Edward Walsh, Washington Post, A1)

Plan To Balance Federal Budget Passes In Senate

Enactment is expected to bring about an automatic spending cut in the 1987 fiscal year, which began Oct. 1, of up to \$11.7 billion. That would be likely to force the military budget below its 1985 level, contrary to Mr. Reagan's goal of a 3 percent rise each year on top of an increase to make up for inflation.

(Jonathan Fuerbringer, New York Times, A1)

Gramm-Rudman Sent To President To Sign -- Congress last night approved and sent to President Reagan the Gramm-Rudman balanced budget plan, and his expected signature will usher in a sweeping new system that theoretically will end federal deficit spending by 1991.

(Thomas Brandt, Washington Times, A1)

Congress Passes Tough U.S. Balanced Budget Plan

A landmark austerity budget plan has won final approval from Congress, forcing President Reagan and the legislators to slash defense and domestic spending and end years of runaway U.S. deficits.

(Michael Posner, Reuter)

Reagan Pledges To Sign Balanced-Budget Measure

Senate Budget Committee Chairman Domenici of New Mexico predicted "dramatic changes" in Congress as a result of the bill and forecast that many would "try to get out from under" its budget-cutting thumb. (UPI)

OLDER GOALS OF GOVERNMENT YIELD TO ANTIDEFICIT FIGHT

Yesterday, as the Gramm-Rudman-Hollings budget amendment moved toward final approval with the blessings of the White House and the votes of the Democrats, Reagan and the Democrats were implicitly acknowledging that their old goals would have to yield to a higher priority: cutting budget deficits. (David Hoffman/David Broder, Washington Post, A1)

CONSERVATIVES APPLAUD BUSH AT TESTIMONIAL DINNER FOR FORMER FOE WILLIAM LOEB

Vice President Bush entered a conservative lion's den and won a standing ovation, but he'll have to wait awhile to learn whether he can have the presidential endorsement of the New Hampshire newspaper that wrote him off in 1980 as an "incompetent liberal."

"He wasn't always my biggest fan, I won't dispute it," Bush said of Loeb. (Donald Rothberg, AP)

Bush Memorializes Editor Who Called Him 'Hypocrite'

Vice President Bush and several other Republicans who hope to get to the White House joined last night in memorializing a caustic newspaperman who used New Hampshire's first-in-the-nation presidential primary as his own political battleground.

Mr. Bush, labeled "The Hypocrite" in a 1980 editorial by Loeb, was keynoter for a testimonial dinner at the Sheraton Washington Hotel. The publisher died in 1981. (Bill Kling, Washington Times, A2)

Bush Steps Lightly At Conservative Gathering

Bush used the occasion to recite everything nasty Loeb ever said about him and to poke fun at his "preppy" image.

"This sort of rough-and-tumble is part of the American life," Bush said. "But when the campaign's over, you forget what was said in the heat of the battle; you shake hands; and, win or lose, you get on with the cause of making this country a better place for our children and their children." (Ira Allen, UPI)

WIDER POLYGRAPH TESTING APPROVED BY PRESIDENT

President Reagan has signed a secret directive requiring thousands of Administration officials, including many in the State Department and perhaps some Cabinet members, to submit to polygraph tests as part of a counterespionage crackdown throughout the government.

(Washington Post, A4)

Reagan Broadens Use Of Lie-Detector Tests

The far-reaching order, a national security decision directive, was recommended to the President at a meeting of the National Security Council. Spokesman Larry Speakes denied that it was precipitated by the unusually large number of spy cases this year.

(Jeremiah O'Leary, Washington Times, A2)

FIRST LADY FAVORS LIFTING TWO-TERM LIMIT FOR PRESIDENTS

Nancy Reagan said yesterday she agrees with her husband that the constitutional ban on a president's being elected to more than two terms is "bad law", and should be repealed, but a third term is "not for us." The First Lady also said she gets along fine with White House Chief of Staff Donald Regan.

The First Lady said Raisa Gorbachev, wife of Soviet leader Mikhail Gorbachev, with whom she spent time during last month's summit, is "very strong, very committed to her philosophy."

(Helen Thomas, Washington Post, F4)

First Lady Recalls Past Year At The White House

She said her husband, who has three years to go in office, "certainly is no lame duck," and "I think it's incredible" the way he has bounced back to health after colon cancer surgery. She also confided she is keeping a diary, although it "may never see the light of day."

The First Lady was interviewed by UPI in the family quarters of the White House.

(Helen Thomas, UPI)

REAGAN EX-AIDE CONCEDES PUTTING LOVER ON PAYROLL

NEW YORK -- Former Presidential adviser Thomas C. Reed, accused of illegally making a quick fortune in stock options, has acknowledged putting his lover on the Defense Department payroll as his special assistant and backdating documents relating to the 1981 stock transaction.

(AP story, Washington Post, A34)

U.S. EMPLOYEES BOUGHT DEGREES

Some 200 federal employees, including a White House employee, a staff member of the Joint Chiefs and a Secret Service technician, have been identified by the FBI as buying fake diplomas and degrees, according to a report by the House Select Committee on Aging released Wednesday.

(Margaret Engel, Washington Post, A34)

INTERNATIONAL NEWS

SHULTZ TO BRIEF NATO ALLIES ON POST-SUMMIT ARMS STRATEGY

BRUSSELS -- Secretary Shultz will brief his NATO allies today on the U.S. strategy for following up last month's superpower summit in detailed negotiations with the Soviet Union, officials said. NATO Wednesday endorsed a new U.S. offer on medium-range nuclear weapons and urged the Soviet Union to live up to its summit pledge of early progress towards an interim agreement. (Reuter)

NATO Allies Want Details Of Summit

European allies are particularly interested in prospects for an interim agreement on intermediate-range nuclear forces. Five countries -- West Germany, Britain, Italy, Belgium and the Netherlands -- are proceeding with the deployment of 572 Pershing II and cruise missiles by the end of 1988. (UPI)

U.S. And Its Allies Agree To Test Soviet On Arms

The negotiations on medium-range missiles are viewed as particularly important by those European allies that have agreed to deploy new American missiles on their territory. They did so with the understanding that the United States would seek at the same time to reach agreement with the Russians on cutting missiles, an effort that so far has failed.

(Bernard Gwertzman, New York Times, A1)

U.S. HOPEFUL OF SOVIET FLEXIBILITY ON ARMS TALKS

BRUSSELS -- Although the Soviet Union's position isn't clear, the United States has "the impression and the hope" that Moscow will be ready to seek a speedy agreement on reducing medium-range nuclear missiles in Europe when the Geneva arms-control talks resume next month, a senior U.S. official said Wednesday. (John Goshko, Washington Post, A26)

SHULTZ CRITICISM OF ALLIES OVER PLO IS DENOUNCED BY ARAB LEAGUE ENVOY

Secretary Shultz's "mind-boggling" criticism of European countries that recognize the PLO could damage Middle East peace efforts, Arab League envoy Clovis Maksoud said Wednesday.

(AP story, Washington Post, A26)

PHILIPPINE OPPOSITION PATCHES UP SPLIT, FORMS UNITED TICKET

MANILA -- Rival Philippine opposition leaders Corazon Aquino and Salvador Laurel patched up a split and agreed to field a united ticket headed by Aquino to challenge President Marcos in a special election scheduled for February. (Washington Post, A1)

CITIES TO OPPOSE FEDERAL CUTS THAT WOULD CAUSE 'PIERCING DAMAGE'

SEATTLE -- The nations' cities will fight cuts in federal aid that would do "piercing damage" to social programs but they also want to show that they are not just another lobbying group with a tin cup pointed toward Washington, their new spokesman says.

San Antonio mayor Henry Cisneros, who became president of the National League of Cities on Wednesday, said passage of a congressional plan with automatic budget cuts to reduce the deficit begins rather than ends the fight over urban programs.

The League's message to Congress and to President Reagan, he said, is that cities are a vital part of the "safety net" of protection for the poor and deserve support. (William Welch, AP)

INCOME SUPPORTS MIRE CONFEREES ON FARM BILL

Chances for final action this week on a new farm bill plunged Wednesday as House and Senate conferees became mired in deep disagreement over the critical issue of income support for farmers.

(Washington Post, A27)

SMALLER DEFICITS SEEN AS BOOST TO ECONOMY

The smaller federal deficits targeted by the Gramm-Rudman-Hollings deficit reduction bill would improve the U.S. economy's growth prospects in the long term and perhaps in the short run as well, economic analysts said yesterday.

(John Berry, Washington Post, D1)

SENATE COMMITTEE APPROVES FAMILY-PLANNING COMPROMISE

The Senate Labor and Human Resources Committee approved a four-year extension of the family-planning program Wednesday without including any new restrictions on abortion counseling or referrals.

(Spencer Rich, Washington Post, A16)

AIR FORCE LIFTS CONTRACT BAN ON ROCKWELL

The Air Force, after tough talk about barring Rockwell International Corp. from defense business, lifted a suspension Wednesday, saying the maker of the B1 bomber has corrected fraudulent practices.

(George Wilson, Washington Post, A45)

JUSTICE STEWART EULOGIZED FOR WIT, PRAGMATISM

Friends and family of retired Supreme Court Justice Potter Stewart, who died Saturday of a stroke at age 70, gathered yesterday in the Washington Cathedral to remember him not so much for his legal skills as for his warmth and keen wit.

Stewart, an Eisenhower Republican who served 23 years on the bench before retiring in 1981, had, longtime friend George Bush said, an ability to "Keep an eye on what counts -- his family."

(Washington Post, A1)

MARGARET GOLDWATER, SENATOR'S WIFE

Margaret "Peggy" Goldwater, 76, who preferred to stay in the background while providing what friends said was an invaluable source of comfort and support to her husband while he served in the Senate and ran for President, died Wednesday in Good Samaritan Medical Center in Phoenix, Arizona. A White House spokesman said President Reagan telephoned Mr. Goldwater at home to express his sympathies.

(Washington Times, B8)

HUTTON CHIEF DENIES SEEKING GOP INFLUENCE

E.E. Hutton & Co.'s chairman insisted Wednesday that he "was not looking for Republican influence" when he asked his executive assistant -- a former White House aide -- to arrange a lunch with then-attorney general William French Smith while a grand jury was investigating the brokerage firm for check-kiting.

Asked if he had wanted to exploit the two-year White House stint of his assistant, Jay Moorhead, Hutton chairman and CEO Robert Fomon said, "why screw around with the Attorney General?"

(Morton Mintz, Washington Post, D3)

FERRARO WON'T RUN FOR SENATE IN NEW YORK

NEW YORK -- Former Vice-Presidential candidate Geraldine Ferraro said that she would not run for a U.S. Senate seat here because of "delays" in a Justice Department probe of her finances.

(Washington Post, A48)

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GRAND JURY PROBING U.S. MILITARY CONTRACTS IN PHILIPPINES

A federal grand jury in Alexandria has been investigating possible fraud and illegal payments to high-ranking Pentagon officials in connection with Pentagon-financed military purchases, according to individuals familiar with the investigation. (Washington Post, A22)

ISRAEL SEEKS \$3.5 BILLION IN '87 AID FROM U.S.

JERUSALEM -- Israel Wednesday presented to the United States a request for over \$3.5 billion in economic and military aid in the 1987 fiscal year, approximately the same as the current level of assistance. (Washington Post, A27)

U.S. INVESTIGATORS TO INTERVIEW ISRAELIS IN SPY SCANDAL

JERUSALEM -- Armed with a promise of Israeli cooperation, U.S. investigators Thursday prepared to interview three Israelis implicated in a spy scandal that had threatened U.S.-Israeli relations. State Department legal counsel Abraham Sofaer, heading the five-member U.S. investigating team, met with Foreign Minister Deputy Director Hanan Bar shortly after his arrival Wednesday. (UPI)

CHINA ASSAILS CHANGE IN NUCLEAR PACT

The Chinese government Wednesday denounced as "completely unacceptable" Senate action tightening safeguards on the new U.S.-China nuclear trade agreement that took effect Wednesday. The pact will guide the U.S. nuclear industry in bidding for contracts from China's proposed \$6 billion nuclear-power construction program. (Washington Post, A35)

CHINA REPEATS WARNING ON U.S. TEXTILE BILL

PEKING -- China has again warned it will retaliate if a U.S. bill limiting textile imports is signed by President Reagan, the official Xinhua news agency reported today. The bill would cut imports from Korea, Taiwan and Hong Kong, while freezing them from China and eight other producers. (UPI)

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SMALL DEBTOR COUNTRIES CALL FOR BETTER TERMS FROM CREDITORS

SAN JOSE, Costa Rica -- Small debtor countries of Latin America ended a meeting with a warning that their debts could pose a greater threat to the world banking system than larger neighbors like Mexico and Brazil. A resolution passed at the end of last night's meeting said creditors should guarantee the small countries terms at least equal to those nations owing the bulk of the nation's \$370 billion debt. (Reuter)

URGING TRADE CREDITS, FAVORED STATUS FOR SOVIETS

MOSCOW -- U.S. business executives and Soviet trade officials wrapped up three days of talks with a call for extension of trade credits and most favored nation status to the Soviet Union. In a bilateral resolution adopted Wednesday, the council said extension of trade credits and most favored nation status to the Soviet Union is essential to expanding trade. (UPI)

-End Of A-Section-

NETWORK NEWS SUMMARY

(Wednesday Evening, December 11, 1985)

TAX REFORM

CBS's Dan Rather: Just when you might have thought the biggest federal tax overhaul in decades -- affecting you and yours and everybody's wallet -- was on the fast track between President Reagan and Congress, think again. Today it was blindsided and sidetracked. Maybe even permanently derailed, doomed and ditched. Phil Jones reports that what President Reagan insists was a last chance for tax overhaul of any kind, his number one program priority, was done in by unhappy House members of his own Republican Party.

CBS's Phil Jones: It was clearly a testy, exasperated Speaker announcing the vote: 223-202 against the procedures for even debating tax reform. Led by Republicans, it was a startling rebuff to President Reagan. Only 14 Republicans voted to keep the process moving. Yet GOP leaders claim the vote was against the substance of the bill and not Mr. Reagan.

(Rep. Michel: "I don't consider it a defeat of the President at all.") That was not the spin from the Democrats, who blamed the President for not producing Republican votes.

(O'Neill: "Today, with glee in their faces, Republican congressmen voted to humiliate the man who led them to victory.")

(Rep. Gephardt: "The President has not performed his side of the bargain.")

(O'Neill: "December 11th, 12 o'clock noon, will be remembered as the date that Ronald Reagan became a lame duck on the floor of the Congress.")

Earlier in the day, Democrats had seemed so confident. But on a GOP leader's office door, a picture had been posted suggesting to Republicans that tax reform was like cutting off their own nose despite their face.

(TV Coverage shows poster of man with scissors held to his nose.)

And Republican whips were getting a little down-home advice on how to handle the matter.

(Rep. Lott: "I've always believed you kill a snake in his hole if you can.")

On the floor, the strategy was working. Few liked either the Democratic or the Republican plans, or the idea it would be turned over to the Senate to complete.

(Rep. Latta: "They're saying around this chamber now, 'Well wait, we'll take care of that in the other body.' Well, I've heard that too many times before.")

House Democratic leaders and White House officials are scrambling tonight to see if they can save tax reform. But unless the President can get 30 to 40 more Republicans to back him, it is dead in the House and probably dead for the remainder of the President's last term.

(Wednesday Evening, December 11, 1985)

CBS's Bill Plante: (TV Coverage begins with President walking out of West Wing on his way to the OEOB.)

President Reagan, described as steaming at the Republican leadership, struggled to stave off defeat of his top priority program for the second term. Despite a bad cold, he made a public appeal to Congress to reconsider.

(President in OEOB: "We do not believe that after all our efforts that our work should be lost for lack of a handful of votes.")

The President saw just over a dozen members of Congress from his own party, but most remained noncommittal.

(Rep. Saxton: "I haven't made a commitment to the President as yet.")

(Rep. Gallo: "We haven't turned our back on the President.")

A former White House advisor thinks the potential damage is serious.

(David Gergen: "If this bill fails in the House, if tax reform fails in the House, it will be the most significant legislative defeat for the President since he took office.")

Aides say the President feels double-crossed by House Republican leaders and won't forgive or forget when they need his help in next year's election. Some others in the Administration are already charging the campaign was mismanaged by the White House staff. Meanwhile, the Treasury Secretary and the Chief of Staff are on Capitol Hill tonight, still hoping that they may be able to pull it out.

(CBS-Lead)

ABC's Peter Jennings: We begin with tax reform, and no one is unaffected. Tax reform was going to be the centerpiece of legislation in President Reagan's second term. Today in the House, those Republicans the President led to victory in the last election have handed him a stunning defeat. As Charles Gibson reports, tax reform is now in jeopardy.

ABC's Charles Gibson: This morning, the Democratic House members who count votes were making their list and checking it twice. They thought they had the votes in their party to pass tax reform if Republicans gave them some additional support....Even though the President had started the tax reform process, Republicans didn't like the bill written by Rostenkowski and other Democrats. So the House Republicans voted solidly not to even bring it up.

(Rep. Lott: "I have a feeling the spirit is moving. We have an opportunity, ladies and gentlemen, to defeat this rule, to kill this snake before it gets out of the hole.")

And kill it they did, for now. Only 14 of the President's Republicans voted to bring tax reform to the floor, 164 voted no -- even though the President wanted the bill. Democrats quickly huddled. Reporters mobbed them. Rostenkowski called the White House to say if they want tax reform, they have to produce more Republican votes. And the Speaker, in blunt political language, said Republicans had humiliated their President.

(O'Neill: "If the President really cares about tax reform, then he will deliver the votes. Otherwise, December 11th, 12 o'clock noon, will be remembered as the date that Ronald Reagan became a lame duck on the floor of the Congress.")

(Wednesday Evening, December 11, 1985)

Gibson continues: (Rep. Michel: "In my judgement, certainly not a defeat for the President because he was asking for the process to move along.")

But for now, it's stalled. Rostenkowski and the Speaker have been waiting for a call-back from the President. If he can promise 40 or 50 Republican votes, instead of the 14 today, then they'll bring tax reform back on the floor of the House. If not, then it is in deep trouble.

ABC's Sam Donaldson: At the White House, for the first time during this fight, ordinary Republican House members were this afternoon ushered in to get the presidential treatment on tax reform, amidst Administration shock and embarrassment over loss of the rule. As Secretary Baker put it:

(Baker: "Well, I think we need to regroup a little.")

Regrouping, of course, meant rolling up the heavy artillery named Ronald Reagan for a personal plea for help.

(President: "We do not believe that after all our efforts, good faith efforts on both sides of the isle, and after today's developments that our work should be lost for lack of a handful of votes. If we let tax reform die, I think it will be years before we can bring it back.")

But if it's all that important, how come today's defeat -- temporary or not -- slipped up on the President? To begin with, Mr. Reagan, tired from Geneva, took himself out of play at his ranch for the last days in November.

(TV Coverage: President waving from helicopter door.)

Then when the Ways and Means Committee reported out its bill on December 3rd, presidential spokesmen adopted a hands-off, no-endorsement attitude, in deference to Republican leaders who wanted to offer their substitute.

(TV Coverage: Larry Speakes in the White House briefing room.)

And when House Republican leaders announced they would oppose the Ways and Means Committee bill, the President made no effort to dissuade them. This hands off, wait-and-see strategy was the work of Donald Regan. It may have backfired. This afternoon, Regan was joined in his office by Secretary Baker and Baker's deputy, Richard Darman, in a frantic team effort to get behind the Ways and Means Committee bill and put the heretofore absent presidential presence behind it.

(TV Coverage: Stills of Regan, Baker, Darman against White House backdrop.)

According to one of the Republicans Mr. Reagan saw today, the President's final plea was a personal one.

(Rep. Carney: "The President said, 'I hope you will not let me down.'")

Tonight, senior White House officials say President Reagan is very angry at top Republican leaders in the House -- "steaming" is the word they use -- because while he thinks it's one thing for those leaders to vote their convictions on tax reform, it's quite another for them to lead a revolt against him; that they'll want his help next year in the elections and, say these officials, President Reagan will not forgive and will not forget. Strong stuff.

(Wednesday Evening, December 11, 1985)

Jennings interviews Rep. Rostenkowski, who says "this is the President's bill to win or lose." If the President doesn't deliver the votes, Rostenkowski says: "I don't know that the Ways and Means Committee would go through the arduous task of trying to write another bill. I think that we've done a great job. In most part, we did have bipartisan support. You've got to remember that five Republicans voted for the measure to report it, and so it isn't all that bad. But I think that if the President is involved and his party will support him, we'll get a tax bill that creates a little bit of fairness in the code." (ABC-Lead)

NBC's Tom Brokaw: President Reagan's number one priority this year is tax reform, something that affects everyone in the country, one way or another. And he appeared to have a bill that he could live with, one designed by the House Ways and Means Committee, which is run by Democrats. The President wanted that bill to go to the Senate, where he figured they could improve it. But House Republicans had other ideas. Today they ambushed the Ways and Means bill and perhaps killed tax reform this year.

NBC's Bob Kur: 10:30 a.m., Rostenkowski was upbeat enough to pose for pictures with supporters of his bill. But a mocking picture taped to a House Republican leader's door was sending a strongly negative signal.

(TV Coverage: Picture of a man holding scissors, looking ready to cut off his nose.)

And by 11 o'clock on the House floor it was clear the tax bill was in trouble.

(Rep. Wolfe R-Va.: "There are teachers that don't know that this bill hurts them. There are policemen that don't know that this bill hurts them.")

The issue there was taxation of pensions, but members -- mostly Republicans -- looked for any excuse to kill the bill. Members from steel, oil and timber-producing states voted no, hoping to preserve tax breaks for those industries. Speaker O'Neill, who supports the bill, called the vote a defeat for President Reagan because only 14 Republicans voted in favor of the President's number one legislative priority.

(O'Neill: "Today, with glee in their faces, Republican congressmen voted to humiliate the man who led them to victory. They showed their contempt for the White House by voting overwhelmingly against tax reform process.")

House Republican leaders who voted "no" today said it might not be possible to revive tax reform this year.

(Rep. Michel: "We certainly don't want just another bit of patchwork on a bad piece of basic legislation.")

After today's vote, President Reagan invited some reluctant House Republicans to the White House in an effort to save tax reform. But in a speech a short time later, all the President could do was plead.

(President: "We can't afford to wait. If we let tax reform die, I think it will be years before we can bring it back.")

There hasn't been much enthusiasm for tax reform here (the Capitol), but today's vote astonished the House. And tonight, frantic efforts to salvage the bill are underway here and at the White House.

(NBC-Lead)

(Wednesday Evening, December 11, 1985)

GRAMM-RUDMAN

Rather: It is not all talk and no action tonight at the White House and on Capitol Hill. The Senate now is poised to vote on and pass the Gramm-Rudman bill that's supposed to knock down the huge federal deficit to zip by 1990. It will most likely pass Congress, get signed by President Reagan, and most likely mean new, deep cuts for years to come in all kinds of government spending, including cuts in defense dollars that President Reagan previously resisted.

CBS's David Martin reports on the Pentagon's search for ways to eliminate some \$5 billion from this year's budget: Despite the cutbacks, Gramm-Rudman's effect on the nation's security is unlikely to be noticed until after 1986.

(Harlen Ullman of the Center for Strategic Studies: "Cutting back on five billion dollars is a relatively small percent....")

(Former Defense Secretary James Schlesinger: "The problem is not a single year. The problem is a pattern, which we can now foresee, of defense either being constant or falling rather than rising as had been expected.")

Gramm-Rudman could require cuts of \$30 billion in 1987, and that could send a powerful message abroad about the durability of the Reagan defense buildup.

(Former Defense official Robert Komer: "I think the perception in Moscow, in London, in Paris, in Bonn, will be that the Americans couldn't sustain a consistent defense buildup.")

(Schlesinger: "In terms of the bargaining position of the United States, for the Soviets to see a prospect of reduced defense expenditures weakens our negotiating position.")

Why would President Reagan sign a bill that threatens to bring his defense buildup to a grinding halt? Administration officials say he has no choice, that he simply does not have the votes in Congress to uphold a veto of Gramm-Rudman. The Pentagon is already working on a budget for next year that calls for a 3% increase in spending, but most experts agree the only way President Reagan can resume his defense buildup is to reduce the deficit by increasing taxes, a step he has said he will take only as a last resort. (CBS-2)

ABC's Brit Hume: With the Congress on the verge of passing the bill and the President having endorsed it, the man whose department could lose the most from it had to endure a lunch on Capitol Hill today and inevitable questions on how he felt about it.

(Secretary Weinberger: "No, the President's statement supersedes everything. I always go along with the President.")

Late this afternoon, the bill's sponsor declared victory in advance.

(Sen. Gramm: "We won today on the Gramm-Rudman-Hollings balanced budget proposal.")

(Sen. Rudman: "This has passed the Congress because it is the most important item on the agenda of the American people.")

This bill would require the deficit be cut some \$56 billion next year. The President can probably get Congress to do some of the cutting on the non-defense side of the budget, but not a lot.

(Wednesday Evening, December 11, 1985)

Hume continues: And that leaves him a tough choice. He can let the automatic provisions of Gramm-Rudman take effect, with dire consequences for defense. Or he can go along with a tax increase that would break a campaign promise and allow Walter Mondale to say, "I told you so." (ABC-2)

NBC's John Dancy: Glenn of Ohio called it appallingly bad legislation. And Johnston of Louisiana complained the Senate was setting up a train wreck. What was clear to all was that a watershed had been reached.

(Sen. Gorton: "We are looking at one of the most fundamental changes in the way fiscal policy is managed in the United States in the 20th Century.")

(Sen. Sasser: "I think there's going to be blood all over the floor when we get around to trying to live up the mandate of Gramm-Rudman.")

In addition to cuts, Congress and the President could raise taxes.

(Sen. Levin: "We need additional revenues as well as additional cuts in spending in order to reduce these deficits.")

The amendment faces a certain early court challenge. Critics claim it violates the Constitution by giving up congressional powers to the President, permitting him to cut the budget.

(Alan Morrison, public interest lawyer: "It establishes a process that overrides existing laws. Automatic budget-cutting rules go into effect. That is simply not the way our founding fathers thought a law should be made.")

One of the bill's authors denies that.

(Rudman: "And it's the Congress who says to the President: 'You will now reduce what we appropriated by an even percent across the board.' This gives him no discretion whatsoever.")

So, like some modern Columbus, Congress is setting off with only the barest math of where it is going. It could find some new world of fiscal responsibility or it could fall off the edge. (NBC-2)

STOCKS

Jennings: It was a tremendous day on Wall Street. Heavy trading, lots of buying, and for the first time ever the market ended the day over the 1500 mark. (CBS-4, NBC-3, ABC-3)

PHILIPPINE ELECTION

Rather reports the tickets for February's election for president were finalized. The opposition ticket was formed when Cory Aquino reached an agreement to run with Salvador Laurel as the candidate for vice president. President Marcos picked as his running mate a former foreign minister he fired last March for opposing his policies. (ABC-4, NBC-7, CBS-10)

PORTABLE VIETNAM WAR MEMORIAL

ABC's Betsy Aaron reports on a 37-year-old Vietnam veteran who built a portable replica of the Vietnam War memorial. He will haul it around the country for whoever wants to see it. (ABC-10)

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(Wednesday Evening, December 11, 1985)

LIE DETECTOR TESTS

Rather: The White House acknowledged today, but only after a newspaper reported it, that President Reagan has secretly signed a directive that orders lie detector tests for people with access to government secrets. The White House wouldn't say how many people could be subjected to the polygraph, but some reports said it could be thousands -- from members of the Cabinet right on down to the Pentagon and State Department employees. These tests could be used to track and stop not only espionage but also leaks to reporters. Opponents of the lie detector tests point out that they are unreliable, and say that even if they were reliable, they are a violation of every American's constitutional right to privacy. (ABC-5, CBS-3)

NBC's Chris Wallace: (TV Coverage: President walking to the OEOB.)

The President signed the directive on November 1st, before the latest wave of spy cases. But his intent was clear: to stop the loss of U.S. secrets through espionage and news leaks. Earlier this week, the outgoing National Security Advisor put people handling secrets on notice.

(Robert McFarlane: "This is sensitive, and we're going to have to make special checks on you periodically. If you don't want to do that, then you shouldn't choose this line of work.")

Estimates are that 10,000 more people, from Cabinet secretaries to defense contractors, will be subject to polygraph exams. Mandatory tests for all seeking new security clearances. And random spot checks for those already clear. State Department workers will be affected most. A spokesman listed their strong objections.

(Gerald Lamberty: "That it doesn't work and that it invades everybody's privacy and nobody knows the limits to which it may be used.")

In the past, Secretary Shultz threatened to resign rather than be strapped to a lie detector. His spokesman was asked today whether he would agree to a test.

(Charles Redman: "I have no comment at this time.")

But others say the government must be able to protect its secrets.

(John Greaney of the Association of Former Intelligence Officers: "I don't think anyone should be exempt. I believe that access to classified material is not a right, it is a privilege.")

There are doubts, though, whether permitting more polygraph tests will increase national security. Last year the Pentagon had authority for 3,500 tests. It conducted fewer than 1,500.

(Rep. Schroeder: "You can't really say because we have this directive you can now turn out your night light, America is safe again. It isn't.")

But Mr. Reagan is not the first president to believe in polygraph testing. Back when Richard Nixon was president, he once said: "I don't know anything about polygraphs, but I know they'll scare the hell out of people." (NBC-4)

(Wednesday Evening, December 11, 1985)

FERRARO

Brokaw: Geraldine Ferraro announced today that she will not be running for the Senate seat held by D'Amato. She said she was forced into that decision by the failure of the Reagan Justice Department to complete its investigation of her congressional finances.

(ABC-6, NBC-5)

HEZBOLLAH/KGB

Brokaw: A French newspaper reported Soviet KGB agents in Beirut kidnapped a dozen radicals from the Hezbollah. This after four Soviet diplomats were kidnapped in September by Moslem fundamentalists, who killed one of them. The newspaper, citing Western intelligence sources, said the other three Soviets were released after the KGB shot one of the 12 Moslems and threatened to shoot the others one by one.

(NBC-9)

FARM TOWNS

CBS's Frank Courrier reports from Iowa on the aftermath of a deepening farm crisis, which is blamed for this week's murder-suicide, a crisis which keeps tearing at the social fabric of small towns and their spiritual roots.

(Woman: "If things continue as they are, we're not going to have any towns left.")

(CBS-6)

NORTHERN IRELAND

Rather: In Belfast, top British and Irish officials held their first meeting under the new agreement that gives Ireland a say in running Northern Ireland. But nearby, violent scuffles broke out between police and some 2,000 Protestant demonstrators.

(NBC-8, CBS-9)

JUSTICE STEWART

Jennings: Justice Stewart was buried today in Arlington National Cemetery. Among those present, Vice President Bush and Chief Justice Burger. Vice President Bush called Stewart one of the great justices and said there will be no dissent.

(ABC-9)

SELLING GORBACHEV

CBS's Bernard Goldberg reports on the selling of Soviet leader Gorbachev's book: A Time for Peace. Mikhail Gorbachev, the world's number one communist, the man who doesn't think much of capitalism, is being pitched to America the same way they pitch Johnny Mathis. It's selling like vodka in Vladivostok.

(CBS-14)

PEGGY GOLDWATER

Brokaw: Peggy Goldwater, wife of Sen. Goldwater, died in a Phoenix hospital. She was 76.

(NBC-6)

(Wednesday Evening, December 11, 1985)

WASTE: HONEY SUBSIDY

NBC's John Chancellor -- Commentary: If you look at some of the smaller parts of the farm bill, you begin to see what people are talking about when they say some government programs have gotten out of hand. Did you know that your friendly federal government is spending about \$100 million a year to subsidize honey bees? The money is shared by a handful of commercial beekeepers, about 2,000 lucky folks. The way the program works, the beekeepers make their biggest profit by letting the government acquire their honey. Last year the government bought 120 million pounds of the stuff, which is about 3/4 of all the honey produced in the U.S. Rather than let it rot they gave it away to the poor. But while the American government was buying most of the honey, American consumers were buying foreign honey, which is cheaper. Sales of imported honey have tripled in the last four years. This makes no sense, but it's been going on since 1981. The Administration wants it stopped. Even the Senate voted to stop it and the Senate hasn't killed a farm support program in 34 years. But some members of the House want to keep the program, so the beekeepers' bonanza may continue. And if it does, that would raise a question. If the Congress can't kill a giveaway program as bizarre as this one, just what can it do?

(NBC-11)

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EDITORIALS/COLUMNISTS

WHITE HOUSE STAFF DISSENSION

Rumors of Acrimony -- "Dissension in the ranks. That story, in various forms and permutations, has been the mainstay of White House coverage throughout the Reagan Administration. Because that interpretation has been given every change, from redecorating offices to replacing the secretary of state, it is almost impossible now to separate the real from the imagined....

Why is the story so attractive? Perhaps because it offers a chance to attack the Reagan Administration without attacking the popular President personally. Liberals learned quickly that complaints aimed against Mr. Reagan fell on unsympathetic ears, and conservatives have been understandably reluctant to criticize their champion directly, even when they disagreed with some of his policies. So the old Washington game of watching the palace for staff coups was joined in earnest, providing a convenient receptacle for all blame during the Reagan years."

(Birmingham News, 12/6)

BURFORD

Burford Tells the Truth -- "While contending that Reagan is the best President the nation could have in terms of overall policy, she said on NBC's 'Today' show, 'The uncomfortable conclusion that I arrived at was that he really does not have a commitment to the environment...' Burford's comments most likely will be dealt with in the same way the White House deals with most criticism: ignoring it, ridiculing the author or pointing to the 1984 election results as justifying anything. But there is no environmental policy, just as there is no energy policy and a variety of other no-policies. These agencies are driven primarily by budget policy, and that policy is to cut where you can and rationalize it by saying that there is no justification for such spending." (Los Angeles Times, 12/11)

GRAMM-RUDMAN

Best of a Bad Bargain -- "Gramm-Rudman wouldn't be needed if Congress and the Administration had the political courage and will to do what is needed to bring federal borrowing under control. That the measure stands on the verge of passage is a pitiful commentary on the paucity of commitment and statesmanship these days in the nation's capital."

(Dallas Times Herald, 12/10)

Playing Budget Poker with Marked Cards -- "This [Gramm-Rudman] bill is designed to fool the voters into thinking that Congress fixed the deficits, without forcing actual recorded votes on cutting specific programs. At its least harmful then, Gramm-Rudman is no more than an order by Congress to itself to end the deficits -- later. Then after the 1986 elections, either they'll find a real solution or repeal Gramm-Rudman, no harm done."

(Philadelphia Inquirer, 12/11)

EDITORIALS/COLUMNISTS (continued)

BUDGET

Time for a Constitutional Crisis -- "Congress is staging its usual end-of-session Bacchanalia, claiming to balance the budget while greasing the pork from sea to shining sea. The system is broke, and we need to start fixing it. President Reagan, into his second term and at the peak of his popularity, ought to veto everything in sight and retire to the ranch, leaving Congress to spend Christmas picking up the pieces...."

The President has two tools, the veto and the Bully Pulpit. He has the Geneva summit behind him, and a 65% approval rating in the polls, and the timing is right for taking a chance at offending narrow constituencies by asserting the general interest. If Mr. Reagan boldly shocks the system now, there is just a chance that this Congress will come back in January in a more serious frame of mind. And if not, he will still have framed the issues, and can ask the voters next fall to give him a new Congress."

(Wall Street Journal, 12/11)

TAX REFORM

Beyond Tax Reform -- "Federal tax reform was never going to produce the simple, fair, economically neutral tax system promised in the campaign rhetoric. On the contrary, the Administration's tax-reform proposal -- more than a year in the drafting -- is riddled with the kinds of exceptions and compromises that have always complicated the tax code. And so is the alternative tax-reform proposal hammered out over the last few months by the House Ways and Means Committee....It's hard to believe it's been worth the months of agonizing that have gone into these two proposals, or the months still ahead to reconcile them."

(Sacramento Bee, 12/2)

McFARLANE

McFarlane Served Ably In a Difficult Position -- "The influence of turf feuding on McFarlane's decision could, of course, be exaggerated. McFarlane has had a pressure-cooker job for two years, and he may be merely seeking a less demanding and more financially rewarding position in the private field. He deserves the President's grateful thanks for his years of public service."

(Buffalo News, 12/6)

BEGGS

Grant, Harding, Reagan? -- "Historians differ on whether the administration of Ulysses Grant or that of Warren Harding was the sleaziest in American history. It is still too early to say confidently that Ronald Reagan's Administration will rank with those, but it certainly has been making a strong run in that direction. The case of NASA administrator James Beggs is only the latest link in a chain that, depending on how various actions are counted, includes nearly 50 examples of illegal or unethical behavior."

(Des Moines Register, 12/6)



News Summary

OFFICE OF THE PRESS SECRETARY

THURSDAY, DECEMBER 12, 1985 -- 6 a.m. EST EDITION

TODAY'S HEADLINES

NATIONAL NEWS

House GOP Blocks Consideration Of Tax Overhaul -- The Republican leadership of the House sabotaged their President on this one. (Reuter, Washington Post, New York Times, Baltimore Sun, Washington Times)

Congress Passes Legislation Mandating Balanced Budget -- Senate Republicans were joined by a number of liberal Democrats in supporting the legislation.

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

Conservatives Applaud Bush At Testimonial For Former Foe William Loeb --
--Vice President Bush walked into a conservative lion's den and won a standing ovation. (AP, Washington Times, UPI)

INTERNATIONAL NEWS

Shultz To Brief NATO Allies On Post-Summit Arms Strategy -- The meeting is also due to issue a declaration pledging new efforts to improve armaments cooperation and get better value for defense budgets.

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

NETWORK NEWS (Wednesday Evening)

TAX REFORM -- What the President insists was a last chance for tax overhaul was done in by his own Republican Party.

GRAMM-RUDMAN -- It will likely mean new, deep, cuts for years to come in government spending.

LIE DETECTOR TESTS -- President Reagan has secretly signed a directive that orders lie detector tests for people with access to government secrets.

DUNAGIN'S PEOPLE



"THE STAR WARS TOYS ARE NOT NEGOTIABLE, SANTA."

NATIONAL NEWS

HOUSE GOP JOINS IN VOTE NOT TO CONSIDER TAX REVISION

Reagan Called 'Steamed' About Mass Desertion

With all but 14 Republican members defying their President, the House dealt a major, unexpected blow to tax revision yesterday, sending Democratic leaders and the Reagan Administration scrambling to pull their forces together for a rescue attempt. At the White House, the President's aides reported that he was "steamed" over the desertion of his fellow Republicans and were vowing political retribution if the votes cannot be turned around. (Anne Swardson/Lou Cannon, Washington Post, A1)

Presidential Loyalists Sabotaged His Hopes

The legislative strategy that dealt a grave blow to President Reagan's hopes for overhauling the tax code yesterday was the brainchild of the Republican leadership of the House of Representatives -- legislators who have been staunch Reagan loyalists on most issues, but sabotaged their President on this one.

Their strategy was born in a huddle at the back of the House chamber only two hours before the first vote. The key plotters were Reps. Michel, Lott, Loeffler, Cheney, Kemp and Gingrich.

(Dale Russakoff, Washington Post, A1)

Tax Plan Blocked By Surprise Vote, A Reagan Setback

Democratic leaders, working with the White House, toiled tonight to revive the measure for a vote before Congress adjourns, probably by the end of this week. But the Democrats said Wednesday's vote indicated that tax legislation could not pass unless Mr. Reagan could round up more Republican votes for it. (David Rosenbaum, New York Times, A1)

GOP Revolt In House Blocks Tax Reform Bill

There were 188 Democrats in favor and 59 Democrats and 164 Republicans opposed. Treasury Secretary Baker said at the White House, "It ain't over till it's over."

(Stephen Nordlinger/Robert Timberg, Baltimore Sun, A1)

Democrats Say Reagan Must Muster Republicans On Tax Reform

Speaker O'Neill has accused Republicans of torpedoing President Reagan's plans to reform the federal tax system this year and said Reagan has lost control of Congressional Republicans.

"Today, with glee in their faces, Republican Congressmen voted to humiliate the man who had led them to victory," said O'Neill, a Massachusetts Democrat. (Reuter)

GOP Helps Stall Tax Reform Bill In House

Tax reform stalled in the House Wednesday over a procedural vote led by Republicans, despite President Reagan's plea to keep the process moving. The GOP members rejected on a 223-202 vote a rule barring amendments to the tax rewrite bill drafted by the Democrat-controlled House Ways and Means Committee. (Karen Riley, Washington Times, A1)

FORMER REAGAN ALLIES ENGINEERED TAX REBUFF

The result was one of the most stinging rejections Reagan has suffered in Congress, with 164 Republicans joining 59 Democrats to block the House from beginning debate on the tax bill.

"His natural allies, by 12 to 1, voted 'no,'" said Rep. Newt Gingrich (R-Ga.), one of the architects of the vote against the President and the Democratic leadership. "And his natural enemies voted 'yes.'"

(Thomas Edsall, Washington Post, A6)

BALANCED-BUDGET PLAN PASSED BY SENATE, NEARS HOUSE

Amid warnings that it was embarking on a "march of folly," Congress moved last night toward enactment of historic legislation to force steady reductions in the federal deficit over the next five years and adoption of a balanced budget by 1991. The Senate, after a nine-hour debate, approved the measure 61 to 31. The Senate action was expected to be followed quickly by final passage in the House later last night.

(Edward Walsh, Washington Post, A1)

Plan To Balance Federal Budget Passes In Senate

Enactment is expected to bring about an automatic spending cut in the 1987 fiscal year, which began Oct. 1, of up to \$11.7 billion. That would be likely to force the military budget below its 1985 level, contrary to Mr. Reagan's goal of a 3 percent rise each year on top of an increase to make up for inflation.

(Jonathan Fuerbringer, New York Times, A1)

Gramm-Rudman Sent To President To Sign -- Congress last night approved and sent to President Reagan the Gramm-Rudman balanced budget plan, and his expected signature will usher in a sweeping new system that theoretically will end federal deficit spending by 1991.

(Thomas Brandt, Washington Times, A1)

Congress Passes Tough U.S. Balanced Budget Plan

A landmark austerity budget plan has won final approval from Congress, forcing President Reagan and the legislators to slash defense and domestic spending and end years of runaway U.S. deficits.

(Michael Posner, Reuter)

Reagan Pledges To Sign Balanced-Budget Measure

Senate Budget Committee Chairman Domenici of New Mexico predicted "dramatic changes" in Congress as a result of the bill and forecast that many would "try to get out from under" its budget-cutting thumb. (UPI)

OLDER GOALS OF GOVERNMENT YIELD TO ANTIDEFICIT FIGHT

Yesterday, as the Gramm-Rudman-Hollings budget amendment moved toward final approval with the blessings of the White House and the votes of the Democrats, Reagan and the Democrats were implicitly acknowledging that their old goals would have to yield to a higher priority: cutting budget deficits. (David Hoffman/David Broder, Washington Post, A1)

CONSERVATIVES APPLAUD BUSH AT TESTIMONIAL DINNER FOR FORMER FOE WILLIAM LOEB

Vice President Bush entered a conservative lion's den and won a standing ovation, but he'll have to wait awhile to learn whether he can have the presidential endorsement of the New Hampshire newspaper that wrote him off in 1980 as an "incompetent liberal."

"He wasn't always my biggest fan, I won't dispute it," Bush said of Loeb. (Donald Rothberg, AP)

Bush Memorializes Editor Who Called Him 'Hypocrite'

Vice President Bush and several other Republicans who hope to get to the White House joined last night in memorializing a caustic newspaperman who used New Hampshire's first-in-the-nation presidential primary as his own political battleground.

Mr. Bush, labeled "The Hypocrite" in a 1980 editorial by Loeb, was keynoter for a testimonial dinner at the Sheraton Washington Hotel. The publisher died in 1981. (Bill Kling, Washington Times, A2)

Bush Steps Lightly At Conservative Gathering

Bush used the occasion to recite everything nasty Loeb ever said about him and to poke fun at his "preppy" image.

"This sort of rough-and-tumble is part of the American life," Bush said. "But when the campaign's over, you forget what was said in the heat of the battle; you shake hands; and, win or lose, you get on with the cause of making this country a better place for our children and their children." (Ira Allen, UPI)

WIDER POLYGRAPH TESTING APPROVED BY PRESIDENT

President Reagan has signed a secret directive requiring thousands of Administration officials, including many in the State Department and perhaps some Cabinet members, to submit to polygraph tests as part of a counterespionage crackdown throughout the government.

(Washington Post, A4)

Reagan Broadens Use Of Lie-Detector Tests

The far-reaching order, a national security decision directive, was recommended to the President at a meeting of the National Security Council. Spokesman Larry Speakes denied that it was precipitated by the unusually large number of spy cases this year.

(Jeremiah O'Leary, Washington Times, A2)

FIRST LADY FAVORS LIFTING TWO-TERM LIMIT FOR PRESIDENTS

Nancy Reagan said yesterday she agrees with her husband that the constitutional ban on a president's being elected to more than two terms is "bad law", and should be repealed, but a third term is "not for us." The First Lady also said she gets along fine with White House Chief of Staff Donald Regan.

The First Lady said Raisa Gorbachev, wife of Soviet leader Mikhail Gorbachev, with whom she spent time during last month's summit, is "very strong, very committed to her philosophy."

(Helen Thomas, Washington Post, F4)

First Lady Recalls Past Year At The White House

She said her husband, who has three years to go in office, "certainly is no lame duck," and "I think it's incredible" the way he has bounced back to health after colon cancer surgery. She also confided she is keeping a diary, although it "may never see the light of day."

The First Lady was interviewed by UPI in the family quarters of the White House.

(Helen Thomas, UPI)

REAGAN EX-AIDE CONCEDES PUTTING LOVER ON PAYROLL

NEW YORK -- Former Presidential adviser Thomas C. Reed, accused of illegally making a quick fortune in stock options, has acknowledged putting his lover on the Defense Department payroll as his special assistant and backdating documents relating to the 1981 stock transaction.

(AP story, Washington Post, A34)

U.S. EMPLOYEES BOUGHT DEGREES

Some 200 federal employees, including a White House employee, a staff member of the Joint Chiefs and a Secret Service technician, have been identified by the FBI as buying fake diplomas and degrees, according to a report by the House Select Committee on Aging released Wednesday.

(Margaret Engel, Washington Post, A34)

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INTERNATIONAL NEWS

SHULTZ TO BRIEF NATO ALLIES ON POST-SUMMIT ARMS STRATEGY

BRUSSELS -- Secretary Shultz will brief his NATO allies today on the U.S. strategy for following up last month's superpower summit in detailed negotiations with the Soviet Union, officials said. NATO Wednesday endorsed a new U.S. offer on medium-range nuclear weapons and urged the Soviet Union to live up to its summit pledge of early progress towards an interim agreement. (Reuter)

NATO Allies Want Details Of Summit

European allies are particularly interested in prospects for an interim agreement on intermediate-range nuclear forces. Five countries -- West Germany, Britain, Italy, Belgium and the Netherlands -- are proceeding with the deployment of 572 Pershing II and cruise missiles by the end of 1988. (UPI)

U.S. And Its Allies Agree To Test Soviet On Arms

The negotiations on medium-range missiles are viewed as particularly important by those European allies that have agreed to deploy new American missiles on their territory. They did so with the understanding that the United States would seek at the same time to reach agreement with the Russians on cutting missiles, an effort that so far has failed.

(Bernard Gwertzman, New York Times, A1)

U.S. HOPEFUL OF SOVIET FLEXIBILITY ON ARMS TALKS

BRUSSELS -- Although the Soviet Union's position isn't clear, the United States has "the impression and the hope" that Moscow will be ready to seek a speedy agreement on reducing medium-range nuclear missiles in Europe when the Geneva arms-control talks resume next month, a senior U.S. official said Wednesday. (John Goshko, Washington Post, A26)

SHULTZ CRITICISM OF ALLIES OVER PLO IS DENOUNCED BY ARAB LEAGUE ENVOY

Secretary Shultz's "mind-boggling" criticism of European countries that recognize the PLO could damage Middle East peace efforts, Arab League envoy Clovis Maksoud said Wednesday.

(AP story, Washington Post, A26)

PHILIPPINE OPPOSITION PATCHES UP SPLIT, FORMS UNITED TICKET

MANILA -- Rival Philippine opposition leaders Corazon Aquino and Salvador Laurel patched up a split and agreed to field a united ticket headed by Aquino to challenge President Marcos in a special election scheduled for February. (Washington Post, A1)

CITIES TO OPPOSE FEDERAL CUTS THAT WOULD CAUSE 'PIERCING DAMAGE'

SEATTLE -- The nations' cities will fight cuts in federal aid that would do "piercing damage" to social programs but they also want to show that they are not just another lobbying group with a tin cup pointed toward Washington, their new spokesman says.

San Antonio mayor Henry Cisneros, who became president of the National League of Cities on Wednesday, said passage of a congressional plan with automatic budget cuts to reduce the deficit begins rather than ends the fight over urban programs.

The League's message to Congress and to President Reagan, he said, is that cities are a vital part of the "safety net" of protection for the poor and deserve support. (William Welch, AP)

INCOME SUPPORTS MIRE CONFEREES ON FARM BILL

Chances for final action this week on a new farm bill plunged Wednesday as House and Senate conferees became mired in deep disagreement over the critical issue of income support for farmers.

(Washington Post, A27)

SMALLER DEFICITS SEEN AS BOOST TO ECONOMY

The smaller federal deficits targeted by the Gramm-Rudman-Hollings deficit reduction bill would improve the U.S. economy's growth prospects in the long term and perhaps in the short run as well, economic analysts said yesterday.

(John Berry, Washington Post, D1)

SENATE COMMITTEE APPROVES FAMILY-PLANNING COMPROMISE

The Senate Labor and Human Resources Committee approved a four-year extension of the family-planning program Wednesday without including any new restrictions on abortion counseling or referrals.

(Spencer Rich, Washington Post, A16)

AIR FORCE LIFTS CONTRACT BAN ON ROCKWELL

The Air Force, after tough talk about barring Rockwell International Corp. from defense business, lifted a suspension Wednesday, saying the maker of the B1 bomber has corrected fraudulent practices.

(George Wilson, Washington Post, A45)

JUSTICE STEWART EULOGIZED FOR WIT, PRAGMATISM

Friends and family of retired Supreme Court Justice Potter Stewart, who died Saturday of a stroke at age 70, gathered yesterday in the Washington Cathedral to remember him not so much for his legal skills as for his warmth and keen wit.

Stewart, an Eisenhower Republican who served 23 years on the bench before retiring in 1981, had, longtime friend George Bush said, an ability to "Keep an eye on what counts -- his family."

(Washington Post, A1)

MARGARET GOLDWATER, SENATOR'S WIFE

Margaret "Peggy" Goldwater, 76, who preferred to stay in the background while providing what friends said was an invaluable source of comfort and support to her husband while he served in the Senate and ran for President, died Wednesday in Good Samaritan Medical Center in Phoenix, Arizona. A White House spokesman said President Reagan telephoned Mr. Goldwater at home to express his sympathies.

(Washington Times, B8)

HUTTON CHIEF DENIES SEEKING GOP INFLUENCE

E.E. Hutton & Co.'s chairman insisted Wednesday that he "was not looking for Republican influence" when he asked his executive assistant -- a former White House aide -- to arrange a lunch with then-attorney general William French Smith while a grand jury was investigating the brokerage firm for check-kiting.

Asked if he had wanted to exploit the two-year White House stint of his assistant, Jay Moorhead, Hutton chairman and CEO Robert Fomon said, "why screw around with the Attorney General?"

(Morton Mintz, Washington Post, D3)

FERRARO WON'T RUN FOR SENATE IN NEW YORK

NEW YORK -- Former Vice-Presidential candidate Geraldine Ferraro said that she would not run for a U.S. Senate seat here because of "delays" in a Justice Department probe of her finances.

(Washington Post, A48)

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GRAND JURY PROBING U.S. MILITARY CONTRACTS IN PHILIPPINES

A federal grand jury in Alexandria has been investigating possible fraud and illegal payments to high-ranking Pentagon officials in connection with Pentagon-financed military purchases, according to individuals familiar with the investigation. (Washington Post, A22)

ISRAEL SEEKS \$3.5 BILLION IN '87 AID FROM U.S.

JERUSALEM -- Israel Wednesday presented to the United States a request for over \$3.5 billion in economic and military aid in the 1987 fiscal year, approximately the same as the current level of assistance. (Washington Post, A27)

U.S. INVESTIGATORS TO INTERVIEW ISRAELIS IN SPY SCANDAL

JERUSALEM -- Armed with a promise of Israeli cooperation, U.S. investigators Thursday prepared to interview three Israelis implicated in a spy scandal that had threatened U.S.-Israeli relations. State Department legal counsel Abraham Sofaer, heading the five-member U.S. investigating team, met with Foreign Minister Deputy Director Hanan Bar shortly after his arrival Wednesday. (UPI)

CHINA ASSAILS CHANGE IN NUCLEAR PACT

The Chinese government Wednesday denounced as "completely unacceptable" Senate action tightening safeguards on the new U.S.-China nuclear trade agreement that took effect Wednesday. The pact will guide the U.S. nuclear industry in bidding for contracts from China's proposed \$6 billion nuclear-power construction program. (Washington Post, A35)

CHINA REPEATS WARNING ON U.S. TEXTILE BILL

PEKING -- China has again warned it will retaliate if a U.S. bill limiting textile imports is signed by President Reagan, the official Xinhua news agency reported today. The bill would cut imports from Korea, Taiwan and Hong Kong, while freezing them from China and eight other producers. (UPI)

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SMALL DEBTOR COUNTRIES CALL FOR BETTER TERMS FROM CREDITORS

SAN JOSE, Costa Rica -- Small debtor countries of Latin America ended a meeting with a warning that their debts could pose a greater threat to the world banking system than larger neighbors like Mexico and Brazil. A resolution passed at the end of last night's meeting said creditors should guarantee the small countries terms at least equal to those nations owing the bulk of the nation's \$370 billion debt. (Reuter)

URGING TRADE CREDITS, FAVORED STATUS FOR SOVIETS

MOSCOW -- U.S. business executives and Soviet trade officials wrapped up three days of talks with a call for extension of trade credits and most favored nation status to the Soviet Union. In a bilateral resolution adopted Wednesday, the council said extension of trade credits and most favored nation status to the Soviet Union is essential to expanding trade. (UPI)

-End Of A-Section-

NETWORK NEWS SUMMARY

(Wednesday Evening, December 11, 1985)

TAX REFORM

CBS's Dan Rather: Just when you might have thought the biggest federal tax overhaul in decades -- affecting you and yours and everybody's wallet -- was on the fast track between President Reagan and Congress, think again. Today it was blindsided and sidetracked. Maybe even permanently derailed, doomed and ditched. Phil Jones reports that what President Reagan insists was a last chance for tax overhaul of any kind, his number one program priority, was done in by unhappy House members of his own Republican Party.

CBS's Phil Jones: It was clearly a testy, exasperated Speaker announcing the vote: 223-202 against the procedures for even debating tax reform. Led by Republicans, it was a startling rebuff to President Reagan. Only 14 Republicans voted to keep the process moving. Yet GOP leaders claim the vote was against the substance of the bill and not Mr. Reagan.

(Rep. Michel: "I don't consider it a defeat of the President at all.") That was not the spin from the Democrats, who blamed the President for not producing Republican votes.

(O'Neill: "Today, with glee in their faces, Republican congressmen voted to humiliate the man who led them to victory.")

(Rep. Gephardt: "The President has not performed his side of the bargain.")

(O'Neill: "December 11th, 12 o'clock noon, will be remembered as the date that Ronald Reagan became a lame duck on the floor of the Congress.")

Earlier in the day, Democrats had seemed so confident. But on a GOP leader's office door, a picture had been posted suggesting to Republicans that tax reform was like cutting off their own nose despite their face.

(TV Coverage shows poster of man with scissors held to his nose.)

And Republican whips were getting a little down-home advice on how to handle the matter.

(Rep. Lott: "I've always believed you kill a snake in his hole if you can.")

On the floor, the strategy was working. Few liked either the Democratic or the Republican plans, or the idea it would be turned over to the Senate to complete.

(Rep. Latta: "They're saying around this chamber now, 'Well wait, we'll take care of that in the other body.' Well, I've heard that too many times before.")

House Democratic leaders and White House officials are scrambling tonight to see if they can save tax reform. But unless the President can get 30 to 40 more Republicans to back him, it is dead in the House and probably dead for the remainder of the President's last term.

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CBS's Bill Plante: (TV Coverage begins with President walking out of West Wing on his way to the OEOB.)

President Reagan, described as steaming at the Republican leadership, struggled to stave off defeat of his top priority program for the second term. Despite a bad cold, he made a public appeal to Congress to reconsider.

(President in OEOB: "We do not believe that after all our efforts that our work should be lost for lack of a handful of votes.")

The President saw just over a dozen members of Congress from his own party, but most remained noncommittal.

(Rep. Saxton: "I haven't made a commitment to the President as yet.")

(Rep. Gallo: "We haven't turned our back on the President.")

A former White House advisor thinks the potential damage is serious.

(David Gergen: "If this bill fails in the House, if tax reform fails in the House, it will be the most significant legislative defeat for the President since he took office.")

Aides say the President feels double-crossed by House Republican leaders and won't forgive or forget when they need his help in next year's election. Some others in the Administration are already charging the campaign was mismanaged by the White House staff. Meanwhile, the Treasury Secretary and the Chief of Staff are on Capitol Hill tonight, still hoping that they may be able to pull it out.

(CBS-Lead)

ABC's Peter Jennings: We begin with tax reform, and no one is unaffected. Tax reform was going to be the centerpiece of legislation in President Reagan's second term. Today in the House, those Republicans the President led to victory in the last election have handed him a stunning defeat. As Charles Gibson reports, tax reform is now in jeopardy.

ABC's Charles Gibson: This morning, the Democratic House members who count votes were making their list and checking it twice. They thought they had the votes in their party to pass tax reform if Republicans gave them some additional support....Even though the President had started the tax reform process, Republicans didn't like the bill written by Rostenkowski and other Democrats. So the House Republicans voted solidly not to even bring it up.

(Rep. Lott: "I have a feeling the spirit is moving. We have an opportunity, ladies and gentlemen, to defeat this rule, to kill this snake before it gets out of the hole.")

And kill it they did, for now. Only 14 of the President's Republicans voted to bring tax reform to the floor, 164 voted no -- even though the President wanted the bill. Democrats quickly huddled. Reporters mobbed them. Rostenkowski called the White House to say if they want tax reform, they have to produce more Republican votes. And the Speaker, in blunt political language, said Republicans had humiliated their President.

(O'Neill: "If the President really cares about tax reform, then he will deliver the votes. Otherwise, December 11th, 12 o'clock noon, will be remembered as the date that Ronald Reagan became a lame duck on the floor of the Congress.")

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Gibson continues: (Rep. Michel: "In my judgement, certainly not a defeat for the President because he was asking for the process to move along.")

But for now, it's stalled. Rostenkowski and the Speaker have been waiting for a call-back from the President. If he can promise 40 or 50 Republican votes, instead of the 14 today, then they'll bring tax reform back on the floor of the House. If not, then it is in deep trouble.

ABC's Sam Donaldson: At the White House, for the first time during this fight, ordinary Republican House members were this afternoon ushered in to get the presidential treatment on tax reform, amidst Administration shock and embarrassment over loss of the rule. As Secretary Baker put it:

(Baker: "Well, I think we need to regroup a little.")

Regrouping, of course, meant rolling up the heavy artillery named Ronald Reagan for a personal plea for help.

(President: "We do not believe that after all our efforts, good faith efforts on both sides of the isle, and after today's developments that our work should be lost for lack of a handful of votes. If we let tax reform die, I think it will be years before we can bring it back.")

But if it's all that important, how come today's defeat -- temporary or not -- slipped up on the President? To begin with, Mr. Reagan, tired from Geneva, took himself out of play at his ranch for the last days in November.

(TV Coverage: President waving from helicopter door.)

Then when the Ways and Means Committee reported out its bill on December 3rd, presidential spokesmen adopted a hands-off, no-endorsement attitude, in deference to Republican leaders who wanted to offer their substitute.

(TV Coverage: Larry Speakes in the White House briefing room.)

And when House Republican leaders announced they would oppose the Ways and Means Committee bill, the President made no effort to dissuade them. This hands off, wait-and-see strategy was the work of Donald Regan. It may have backfired. This afternoon, Regan was joined in his office by Secretary Baker and Baker's deputy, Richard Darman, in a frantic team effort to get behind the Ways and Means Committee bill and put the heretofore absent presidential presence behind it.

(TV Coverage: Stills of Regan, Baker, Darman against White House backdrop.)

According to one of the Republicans Mr. Reagan saw today, the President's final plea was a personal one.

(Rep. Carney: "The President said, 'I hope you will not let me down.'")

Tonight, senior White House officials say President Reagan is very angry at top Republican leaders in the House -- "steaming" is the word they use -- because while he thinks it's one thing for those leaders to vote their convictions on tax reform, it's quite another for them to lead a revolt against him; that they'll want his help next year in the elections and, say these officials, President Reagan will not forgive and will not forget. Strong stuff.

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Jennings interviews Rep. Rostenkowski, who says "this is the President's bill to win or lose." If the President doesn't deliver the votes, Rostenkowski says: "I don't know that the Ways and Means Committee would go through the arduous task of trying to write another bill. I think that we've done a great job. In most part, we did have bipartisan support. You've got to remember that five Republicans voted for the measure to report it, and so it isn't all that bad. But I think that if the President is involved and his party will support him, we'll get a tax bill that creates a little bit of fairness in the code." (ABC-Lead)

NBC's Tom Brokaw: President Reagan's number one priority this year is tax reform, something that affects everyone in the country, one way or another. And he appeared to have a bill that he could live with, one designed by the House Ways and Means Committee, which is run by Democrats. The President wanted that bill to go to the Senate, where he figured they could improve it. But House Republicans had other ideas. Today they ambushed the Ways and Means bill and perhaps killed tax reform this year.

NBC's Bob Kur: 10:30 a.m., Rostenkowski was upbeat enough to pose for pictures with supporters of his bill. But a mocking picture taped to a House Republican leader's door was sending a strongly negative signal.

(TV Coverage: Picture of a man holding scissors, looking ready to cut off his nose.)

And by 11 o'clock on the House floor it was clear the tax bill was in trouble.

(Rep. Wolfe R-Va.: "There are teachers that don't know that this bill hurts them. There are policemen that don't know that this bill hurts them.")

The issue there was taxation of pensions, but members -- mostly Republicans -- looked for any excuse to kill the bill. Members from steel, oil and timber-producing states voted no, hoping to preserve tax breaks for those industries. Speaker O'Neill, who supports the bill, called the vote a defeat for President Reagan because only 14 Republicans voted in favor of the President's number one legislative priority.

(O'Neill: "Today, with glee in their faces, Republican congressmen voted to humiliate the man who led them to victory. They showed their contempt for the White House by voting overwhelmingly against tax reform process.")

House Republican leaders who voted "no" today said it might not be possible to revive tax reform this year.

(Rep. Michel: "We certainly don't want just another bit of patchwork on a bad piece of basic legislation.")

After today's vote, President Reagan invited some reluctant House Republicans to the White House in an effort to save tax reform. But in a speech a short time later, all the President could do was plead.

(President: "We can't afford to wait. If we let tax reform die, I think it will be years before we can bring it back.")

There hasn't been much enthusiasm for tax reform here (the Capitol), but today's vote astonished the House. And tonight, frantic efforts to salvage the bill are underway here and at the White House.

(NBC-Lead)

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GRAMM-RUDMAN

Rather: It is not all talk and no action tonight at the White House and on Capitol Hill. The Senate now is poised to vote on and pass the Gramm-Rudman bill that's supposed to knock down the huge federal deficit to zip by 1990. It will most likely pass Congress, get signed by President Reagan, and most likely mean new, deep cuts for years to come in all kinds of government spending, including cuts in defense dollars that President Reagan previously resisted.

CBS's David Martin reports on the Pentagon's search for ways to eliminate some \$5 billion from this year's budget: Despite the cutbacks, Gramm-Rudman's effect on the nation's security is unlikely to be noticed until after 1986.

(Harlen Ullman of the Center for Strategic Studies: "Cutting back on five billion dollars is a relatively small percent....")

(Former Defense Secretary James Schlesinger: "The problem is not a single year. The problem is a pattern, which we can now foresee, of defense either being constant or falling rather than rising as had been expected.")

Gramm-Rudman could require cuts of \$30 billion in 1987, and that could send a powerful message abroad about the durability of the Reagan defense buildup.

(Former Defense official Robert Komer: "I think the perception in Moscow, in London, in Paris, in Bonn, will be that the Americans couldn't sustain a consistent defense buildup.")

(Schlesinger: "In terms of the bargaining position of the United States, for the Soviets to see a prospect of reduced defense expenditures weakens our negotiating position.")

Why would President Reagan sign a bill that threatens to bring his defense buildup to a grinding halt? Administration officials say he has no choice, that he simply does not have the votes in Congress to uphold a veto of Gramm-Rudman. The Pentagon is already working on a budget for next year that calls for a 3% increase in spending, but most experts agree the only way President Reagan can resume his defense buildup is to reduce the deficit by increasing taxes, a step he has said he will take only as a last resort. (CBS-2)

ABC's Brit Hume: With the Congress on the verge of passing the bill and the President having endorsed it, the man whose department could lose the most from it had to endure a lunch on Capitol Hill today and inevitable questions on how he felt about it.

(Secretary Weinberger: "No, the President's statement supersedes everything. I always go along with the President.")

Late this afternoon, the bill's sponsor declared victory in advance.

(Sen. Gramm: "We won today on the Gramm-Rudman-Hollings balanced budget proposal.")

(Sen. Rudman: "This has passed the Congress because it is the most important item on the agenda of the American people.")

This bill would require the deficit be cut some \$56 billion next year. The President can probably get Congress to do some of the cutting on the non-defense side of the budget, but not a lot.

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Hume continues: And that leaves him a tough choice. He can let the automatic provisions of Gramm-Rudman take effect, with dire consequences for defense. Or he can go along with a tax increase that would break a campaign promise and allow Walter Mondale to say, "I told you so." (ABC-2)

NBC's John Dancy: Glenn of Ohio called it appallingly bad legislation. And Johnston of Louisiana complained the Senate was setting up a train wreck. What was clear to all was that a watershed had been reached.

(Sen. Gorton: "We are looking at one of the most fundamental changes in the way fiscal policy is managed in the United States in the 20th Century.")

(Sen. Sasser: "I think there's going to be blood all over the floor when we get around to trying to live up the mandate of Gramm-Rudman.")

In addition to cuts, Congress and the President could raise taxes.

(Sen. Levin: "We need additional revenues as well as additional cuts in spending in order to reduce these deficits.")

The amendment faces a certain early court challenge. Critics claim it violates the Constitution by giving up congressional powers to the President, permitting him to cut the budget.

(Alan Morrison, public interest lawyer: "It establishes a process that overrides existing laws. Automatic budget-cutting rules go into effect. That is simply not the way our founding fathers thought a law should be made.")

One of the bill's authors denies that.

(Rudman: "And it's the Congress who says to the President: 'You will now reduce what we appropriated by an even percent across the board.' This gives him no discretion whatsoever.")

So, like some modern Columbus, Congress is setting off with only the barest math of where it is going. It could find some new world of fiscal responsibility or it could fall off the edge. (NBC-2)

STOCKS

Jennings: It was a tremendous day on Wall Street. Heavy trading, lots of buying, and for the first time ever the market ended the day over the 1500 mark. (CBS-4, NBC-3, ABC-3)

PHILIPPINE ELECTION

Rather reports the tickets for February's election for president were finalized. The opposition ticket was formed when Cory Aquino reached an agreement to run with Salvador Laurel as the candidate for vice president. President Marcos picked as his running mate a former foreign minister he fired last March for opposing his policies. (ABC-4, NBC-7, CBS-10)

PORTABLE VIETNAM WAR MEMORIAL

ABC's Betsy Aaron reports on a 37-year-old Vietnam veteran who built a portable replica of the Vietnam War memorial. He will haul it around the country for whoever wants to see it. (ABC-10)

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LIE DETECTOR TESTS

Rather: The White House acknowledged today, but only after a newspaper reported it, that President Reagan has secretly signed a directive that orders lie detector tests for people with access to government secrets. The White House wouldn't say how many people could be subjected to the polygraph, but some reports said it could be thousands -- from members of the Cabinet right on down to the Pentagon and State Department employees. These tests could be used to track and stop not only espionage but also leaks to reporters. Opponents of the lie detector tests point out that they are unreliable, and say that even if they were reliable, they are a violation of every American's constitutional right to privacy. (ABC-5, CBS-3)

NBC's Chris Wallace: (TV Coverage: President walking to the OEOB.) The President signed the directive on November 1st, before the latest wave of spy cases. But his intent was clear: to stop the loss of U.S. secrets through espionage and news leaks. Earlier this week, the outgoing National Security Advisor put people handling secrets on notice.

(Robert McFarlane: "This is sensitive, and we're going to have to make special checks on you periodically. If you don't want to do that, then you shouldn't choose this line of work.")

Estimates are that 10,000 more people, from Cabinet secretaries to defense contractors, will be subject to polygraph exams. Mandatory tests for all seeking new security clearances. And random spot checks for those already clear. State Department workers will be affected most. A spokesman listed their strong objections.

(Gerald Lamberty: "That it doesn't work and that it invades everybody's privacy and nobody knows the limits to which it may be used.")

In the past, Secretary Shultz threatened to resign rather than be strapped to a lie detector. His spokesman was asked today whether he would agree to a test.

(Charles Redman: "I have no comment at this time.")

But others say the government must be able to protect its secrets.

(John Greaney of the Association of Former Intelligence Officers: "I don't think anyone should be exempt. I believe that access to classified material is not a right, it is a privilege.")

There are doubts, though, whether permitting more polygraph tests will increase national security. Last year the Pentagon had authority for 3,500 tests. It conducted fewer than 1,500.

(Rep. Schroeder: "You can't really say because we have this directive you can now turn out your night light, America is safe again. It isn't.")

But Mr. Reagan is not the first president to believe in polygraph testing. Back when Richard Nixon was president, he once said: "I don't know anything about polygraphs, but I know they'll scare the hell out of people." (NBC-4)

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FERRARO

Brokaw: Geraldine Ferraro announced today that she will not be running for the Senate seat held by D'Amato. She said she was forced into that decision by the failure of the Reagan Justice Department to complete its investigation of her congressional finances.

(ABC-6, NBC-5)

HEZBOLLAH/KGB

Brokaw: A French newspaper reported Soviet KGB agents in Beirut kidnapped a dozen radicals from the Hezbollah. This after four Soviet diplomats were kidnapped in September by Moslem fundamentalists, who killed one of them. The newspaper, citing Western intelligence sources, said the other three Soviets were released after the KGB shot one of the 12 Moslems and threatened to shoot the others one by one.

(NBC-9)

FARM TOWNS

CBS's Frank Courrier reports from Iowa on the aftermath of a deepening farm crisis, which is blamed for this week's murder-suicide, a crisis which keeps tearing at the social fabric of small towns and their spiritual roots.

(Woman: "If things continue as they are, we're not going to have any towns left.")

(CBS-6)

NORTHERN IRELAND

Rather: In Belfast, top British and Irish officials held their first meeting under the new agreement that gives Ireland a say in running Northern Ireland. But nearby, violent scuffles broke out between police and some 2,000 Protestant demonstrators.

(NBC-8, CBS-9)

JUSTICE STEWART

Jennings: Justice Stewart was buried today in Arlington National Cemetery. Among those present, Vice President Bush and Chief Justice Burger. Vice President Bush called Stewart one of the great justices and said there will be no dissent.

(ABC-9)

SELLING GORBACHEV

CBS's Bernard Goldberg reports on the selling of Soviet leader Gorbachev's book: A Time for Peace. Mikhail Gorbachev, the world's number one communist, the man who doesn't think much of capitalism, is being pitched to America the same way they pitch Johnny Mathis. It's selling like vodka in Vladivostok.

(CBS-14)

PEGGY GOLDWATER

Brokaw: Peggy Goldwater, wife of Sen. Goldwater, died in a Phoenix hospital. She was 76.

(NBC-6)

(Wednesday Evening, December 11, 1985)

WASTE: HONEY SUBSIDY

NBC's John Chancellor -- Commentary: If you look at some of the smaller parts of the farm bill, you begin to see what people are talking about when they say some government programs have gotten out of hand. Did you know that your friendly federal government is spending about \$100 million a year to subsidize honey bees? The money is shared by a handful of commercial beekeepers, about 2,000 lucky folks. The way the program works, the beekeepers make their biggest profit by letting the government acquire their honey. Last year the government bought 120 million pounds of the stuff, which is about 3/4 of all the honey produced in the U.S. Rather than let it rot they gave it away to the poor. But while the American government was buying most of the honey, American consumers were buying foreign honey, which is cheaper. Sales of imported honey have tripled in the last four years. This makes no sense, but it's been going on since 1981. The Administration wants it stopped. Even the Senate voted to stop it and the Senate hasn't killed a farm support program in 34 years. But some members of the House want to keep the program, so the beekeepers' bonanza may continue. And if it does, that would raise a question. If the Congress can't kill a giveaway program as bizarre as this one, just what can it do?

(NBC-11)

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EDITORIALS/COLUMNISTS

WHITE HOUSE STAFF DISSENSION

Rumors of Acrimony -- "Dissension in the ranks. That story, in various forms and permutations, has been the mainstay of White House coverage throughout the Reagan Administration. Because that interpretation has been given every change, from redecorating offices to replacing the secretary of state, it is almost impossible now to separate the real from the imagined....

Why is the story so attractive? Perhaps because it offers a chance to attack the Reagan Administration without attacking the popular President personally. Liberals learned quickly that complaints aimed against Mr. Reagan fell on unsympathetic ears, and conservatives have been understandably reluctant to criticize their champion directly, even when they disagreed with some of his policies. So the old Washington game of watching the palace for staff coups was joined in earnest, providing a convenient receptacle for all blame during the Reagan years."

(Birmingham News, 12/6)

BURFORD

Burford Tells the Truth -- "While contending that Reagan is the best President the nation could have in terms of overall policy, she said on NBC's 'Today' show, 'The uncomfortable conclusion that I arrived at was that he really does not have a commitment to the environment...' Burford's comments most likely will be dealt with in the same way the White House deals with most criticism: ignoring it, ridiculing the author or pointing to the 1984 election results as justifying anything. But there is no environmental policy, just as there is no energy policy and a variety of other no-policies. These agencies are driven primarily by budget policy, and that policy is to cut where you can and rationalize it by saying that there is no justification for such spending." (Los Angeles Times, 12/11)

GRAMM-RUDMAN

Best of a Bad Bargain -- "Gramm-Rudman wouldn't be needed if Congress and the Administration had the political courage and will to do what is needed to bring federal borrowing under control. That the measure stands on the verge of passage is a pitiful commentary on the paucity of commitment and statesmanship these days in the nation's capital."

(Dallas Times Herald, 12/10)

Playing Budget Poker with Marked Cards -- "This [Gramm-Rudman] bill is designed to fool the voters into thinking that Congress fixed the deficits, without forcing actual recorded votes on cutting specific programs. At its least harmful then, Gramm-Rudman is no more than an order by Congress to itself to end the deficits -- later. Then after the 1986 elections, either they'll find a real solution or repeal Gramm-Rudman, no harm done."

(Philadelphia Inquirer, 12/11)

EDITORIALS/COLUMNISTS (continued)

BUDGET

Time for a Constitutional Crisis -- "Congress is staging its usual end-of-session Bacchanalia, claiming to balance the budget while greasing the pork from sea to shining sea. The system is broke, and we need to start fixing it. President Reagan, into his second term and at the peak of his popularity, ought to veto everything in sight and retire to the ranch, leaving Congress to spend Christmas picking up the pieces...."

The President has two tools, the veto and the Bully Pulpit. He has the Geneva summit behind him, and a 65% approval rating in the polls, and the timing is right for taking a chance at offending narrow constituencies by asserting the general interest. If Mr. Reagan boldly shocks the system now, there is just a chance that this Congress will come back in January in a more serious frame of mind. And if not, he will still have framed the issues, and can ask the voters next fall to give him a new Congress."

(Wall Street Journal, 12/11)

TAX REFORM

Beyond Tax Reform -- "Federal tax reform was never going to produce the simple, fair, economically neutral tax system promised in the campaign rhetoric. On the contrary, the Administration's tax-reform proposal -- more than a year in the drafting -- is riddled with the kinds of exceptions and compromises that have always complicated the tax code. And so is the alternative tax-reform proposal hammered out over the last few months by the House Ways and Means Committee....It's hard to believe it's been worth the months of agonizing that have gone into these two proposals, or the months still ahead to reconcile them."

(Sacramento Bee, 12/2)

MCFARLANE

McFarlane Served Ably In a Difficult Position -- "The influence of turf feuding on McFarlane's decision could, of course, be exaggerated. McFarlane has had a pressure-cooker job for two years, and he may be merely seeking a less demanding and more financially rewarding position in the private field. He deserves the President's grateful thanks for his years of public service."

(Buffalo News, 12/6)

BEGGS

Grant, Harding, Reagan? -- "Historians differ on whether the administration of Ulysses Grant or that of Warren Harding was the sleaziest in American history. It is still too early to say confidently that Ronald Reagan's Administration will rank with those, but it certainly has been making a strong run in that direction. The case of NASA administrator James Beggs is only the latest link in a chain that, depending on how various actions are counted, includes nearly 50 examples of illegal or unethical behavior."

(Des Moines Register, 12/6)

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