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News Summary

OFFICE OF THE PRESS SECRETARY

WEDNESDAY, DECEMBER 18, 1985 -- 6 a.m. EST EDITION

TODAY'S HEADLINES

NATIONAL NEWS

House Passes Tax-Overhaul Bill, Overcoming GOP Rebellion -- The voice vote was a joint victory for President Reagan and Rep. Rostenkowski, who tugged and coaxed members of both parties into voting for legislation few of them deeply wanted. (Washington Post, Baltimore Sun, AP, UPI, Reuter)

Stopgap Spending Bill Of Three Days Voted; Reagan Keeps Workers On Job -- Congress yesterday approved emergency funding to avert shutdown of many government agencies. (Washington Post, Baltimore Sun, Reuter)

Reagan Vetoes Limits On Imports -- A White House official said the President delayed the veto signing because "it would just cloud things up" ... in the midst of the tax debate. (AP, Washington Post)

INTERNATIONAL NEWS

Angry Shultz Denounces Terrorism -- Secretary Shultz, pounding a table in red-faced anger, told Yugoslav's foreign minister the Achille Lauro hijacking was terrorist murder "not justified by any cause that I know of." (Washington Post, New York Times, AP, UPI, Reuter)

NETWORK NEWS (Tuesday Evening)

TAX REFORM -- The House again will vote on tax overhaul.

TRADE BILL -- President Reagan will veto the trade bill.

SPENDING BILL -- The House approved a short-term spending bill which will keep much of the government running.

AIR SAFETY -- If you thought the Army and Air Force were no longer using charters, think again.

Needle points

Congress may get something done on the farm-price support program, toxic-waste cleanup, tax overhaul and a \$2-trillion debt ceiling. The national legislature's most powerful motivating force is now at work: the desire to recess.

The Orange County Register

Wednesday, December 11, 1985

NATIONAL NEWS

HOUSE PASSES TAX-OVERHAUL BILL, OVERCOMING GOP REBELLION

The House last night passed and sent to the Senate the most sweeping overhaul of the income tax system in more than 40 years, after Republican rebels made a final, unsuccessful attempt to bury the bill.

Final passage came after Republican opponents tried to send the "flawed" bill back to the Ways and Means Committee on a recommittal motion, a move designed to kill it. The motion failed, 256 to 171, and the House quickly approved the bill without a roll-call vote.

(Anne Swardson, Washington Post, A1)

House Passes Overhaul Of Federal Tax System

Passage of the 1,379-page bill came a day after President Reagan pleaded with House Republicans in an extraordinary trip to Capitol Hill to support the bill.

On the key recommittal vote, 49 Republicans voted against the Republican-led effort, one shy of the number President Reagan had promised the House leadership would support tax reform.

(Stephen Nordlinger, Baltimore Sun, A1)

Reagan Jawboned His Way To Tax Turnaround, Lawmakers Say

President Reagan jawboned his way to the rescue of his tax overhaul effort with his dramatic visit to Capitol Hill and a campaign of persuasion that lasted until the final hours, GOP lawmakers say.

If there were Republicans with qualms remaining about a vote for the Democrat-drafted measure, it didn't show; the House shunned a role-call and passed the bill on a voice vote and sent it to the Senate.

(Mike Robinson, AP)

House Turnabout Sends Reagan's Sweeping Tax Overhaul Bill To Senate

House Speaker O'Neill said his party had "rescued tax reform from the jaws of big-business Republicans" and "delivered on our historic commitment to tax fairness."

Reagan is counting on the Senate to reshape the bill more to his liking, but Sen. Dole cautioned against setting expectations too high.

(Jim Luther, AP)

House Approves Tax Reform Bill

President Reagan's vision of a new tax code for America, surviving incredible odds, is going to the Senate next year following House approval of a historic bill to cut rates and make business shoulder more of the burden. Approval came, surprisingly, on a voice vote when no one asked for a roll call.

(Joseph Mianowany, UPI)

Reagan Credited For Turning Around Republicans On Tax Bill

On a surprise voice vote, the House passed and sent to the Senate the broadest overhaul of the income tax system since it was created 72 years ago. Shortly after the vote, Reagan congratulated lawmakers of both political parties for their work on the bill, but stressed that he still wanted revisions made in it before it reaches his desk.

(Jacqueline Frank, Reuter)

KEMP PLAYED CRUCIAL ROLE IN SAVING BILL

Scrambling to save the bill late last week, the White House belatedly brought Rep. Jack Kemp (R-N.Y.) a prospective 1988 presidential candidate, into the process, and in the ensuing few days he emerged as a major player in turning the vote around. "He was very important, very important," said Rep. Guy Vander Jagt (R-Mich.). "He played a pivotal role."

(Baltimore Sun, A1)

BRIEF DEFECTION ON TAX BILL PAINS MICHEL

Yesterday, Michel returned -- at least part way -- to the Reagan fold by working to allow the bill to come up for debate and a vote. But he still opposed the measure on its merits and voted against it.

(Margaret Shapiro, Washington Post, A8)

STOPGAP SPENDING BILL OF 3 DAYS VOTED;
REAGAN KEEPS WORKERS ON JOB

Congress yesterday approved three-day emergency funding to avert shutdown of many government agencies today as the House and Senate scrambled to revive a catchall spending bill that was killed by a rambunctious House shortly after funds ran out late Monday.

Even though the agencies were technically out of business yesterday, the White House ordered workers to stay on the job while Congress considered stopgap funding to continue operations while a new spending compromise is worked out.

(Helen Dewar, Washington Post, A1)

Congress Approves Spending Authority Through Tomorrow

Acting under threats that government workers at several agencies would be sent home today unless Congress approved at least a short-term spending measure, the House voted 334-74 yesterday to approve a bill providing funds to keep the government in business through tomorrow night.

(Nancy Schwerzler, Baltimore Sun, A1)

Reagan Signs New Spending Bill, Avoids Government Shutdown

The legislation, which provides breathing space for the government to operate pending permanent action, was passed by Congress late Tuesday and immediately sent to the President. The temporary funding was part of a multi-billion dollar bill, which covers such programs as defense, foreign aid, transportation and the interior.

(Reuter)

REAGAN VETOES TEXTILE BILL IN CLIMAX TO TRADE BATTLE

President Reagan, meeting a midnight deadline, vetoed major trade legislation to curb textile, apparel and shoe imports, declaring that "the economic and human costs of such a bill run far too high."

Industry supporters conceded Tuesday night they lacked for now the two-thirds support needed to override the long-threatened veto.

(Mike Robinson, AP)

President Vetoes Limits On Imports

President Reagan last night vetoed a bill sharply limiting imports of textiles, shoes and copper, but he delayed the action until the last hour to avoid antagonizing House members whose support he was seeking on tax overhaul legislation.

(Stuart Auerbach, Washington Post, A1)

U.S. SLIPS DEEPER INTO TRADING DEBT

The United States slipped deeper into debt to foreign creditors in the third quarter as the balance of payments deficit grew to \$30.5 billion, the Commerce Department reported Tuesday.

All told, economists estimate that the United States is a net debtor to the rest of the world to the tune of \$33 billion.

(Stuart Auerbach, Washington Post, H1)

DRAFT OF REAGAN BUDGET FOR 1987 SEES END TO I.C.C. AFTER 100 YEARS

President Reagan's draft budget for the fiscal year 1987 would reduce the staff of the Social Security Administration, abolish the Interstate Commerce Commission and end federal support for the Agricultural Extension Service.

The commerce commission, established in 1887, is the oldest federal regulatory agency. The Extension Service gives technical and scientific advice to farmers across the country.

(New York Times, A1)

FORMER NAVY OFFICIAL CLEARED IN CONFLICT CASE

Former assistant Navy secretary George A. Sawyer was cleared yesterday of charges that he concealed his job interviews with a major defense contractor during his final months in the Pentagon. Sawyer, now a vice president of that firm, General Dynamics Corp., broke into a broad grin as a federal jury in Alexandria announced it had found him not guilty of violating two provisions of the federal conflict-of-interest law.

(Caryle Murphy, Washington Post, A1)

HUGS FOR THE HOLIDAYS

Nancy Reagan paid her annual Christmas visit to Children's Hospital Medical Center Tuesday, and although she eventually ran out of Huggins -- the highly huggable dolls donated for the occasion -- she never ran out of hugs. Mrs. Reagan didn't go home empty-handed. There were cards -- including a specially framed one by Chris Schaum, 6, that proclaimed "Share the Spirit" -- posters wishing her a Merry Christmas, and a red carnation, which she tucked into a buttonhole in her jacket.

(Donnie Radcliffe, Washington Post, D3)

HOUSING STARTS DROP 12.2% IN NOVEMBER

Starts of construction of new housing dropped 12.2 percent in November, their sharpest fall in more than two years, the Commerce Department reported yesterday. The sharp decline was blamed by industry analysts on unusually bad weather around the country that prevented much construction activity from taking place. However, housing starts thus far have been lackluster, economists said.

(Washington Post, H1)

CONSERVATIVE BLACK LEADER HITS REAGAN POLICIES

Glenn Loury, a professor of politics at Harvard University and an increasingly frequent commentator on race issues in the press and in conservative forums, told a National Press Club luncheon the Reagan Administration is right in criticizing liberal social programs.

But the Administration is wrong in its alternative of "a de facto doctrine of 'benign neglect'" toward "the extraordinary waste of human potential" among black inner-city poor, he said.

(Isaiah Poole, Washington Times, A1)

EMPLOYEE COMPENSATION FOR INJURY MAY BE CUT

The Labor Department is considering dropping a requirement that the government make lump-sum payments to civilian federal employees for the work-related loss of seven parts of the body, including male sex organs, breasts, kidneys and lungs, a union official said yesterday.

Still in the discussion stage, the proposal is based on a belief that the seven organs are not necessary for the production of income, according to sources in the department, who spoke only on condition they not be identified.

(Pete Yost, Washington Post, A25)

19 BENCH APPOINTMENTS ARE APPROVED BY SENATE

The Senate approved the nomination of former senator James L. Buckley (R-N.Y.) to the U.S. Court of Appeals here Tuesday, the 19th judge confirmed in two days after a partisan feud was resolved. The logjam was broken by a political deal in which Senate Republicans agreed to allow the Democrats more time to investigate the backgrounds of future judicial nominees.

(Howard Kurtz, Washington Post, A25)

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INTERNATIONAL NEWS

ANGRY SHULTZ DENOUNCES TERRORISM

BELGRADE, Yugoslavia -- Secretary Shultz, pounding a table in red-faced anger, tonight publicly told Yugoslavia's foreign minister that the hijacking of the Achille Lauro cruise ship in October was an instance of terrorist murder, "not justified by any cause that I know of."

Shultz's outburst occurred at a joint news conference after the minister, Raif Dizdarevic, said Yugoslavia distinguishes between terrorism and "the struggle against colonialism, against aggression, and racism."

(John Goshko, Washington Post, A1)

Shultz Is Angered At Yugoslav View About Terrorism

Mr. Shultz said that he and Yugoslav officials had discussed the various issues of terrorism and the Abbas case in their private talks. Americans and Yugoslavs later said that the discussions had not been confrontational in nature.

After his outburst, Shultz turned to Mr. Dizdarevic and said quietly, "You probably feel the same way."

(Bernard Gwertzman, New York Times, A1)

Shultz Admonishes Countries Not To Give Refuge To Terrorists

Secretary Shultz, on the final stop of a six-nation European tour, strongly admonished countries to stop giving terrorists "a place to hide." But the Secretary angrily slammed his hand on the table at a news conference Tuesday at the suggestion of Yugoslavia's foreign minister, Raif Dizdarevic, that the causes of terrorism be considered in how to treat terrorists.

(Henry Gottlieb, AP)

Shultz Outburst On Terrorism Jolts Yugoslav Visit

.... Banging his fist on the table, Shultz added: "It's wrong. And the international community must step up to this problem and deal with it. There must be no place to hide."

(William Scally, Reuter)

Shultz Heads Home After Angrily Denouncing Terrorism

The usually mild-mannered Secretary of State became furious Tuesday at a remark by Dizdarevic suggesting there might be some justification -- or at least a reasonable motive behind -- terrorism.

Shultz's outburst clouded what had been a smooth, non-controversial visit to Belgrade. The United States has had warm relations with Yugoslavia since the late 1940s.

(Matthew Quinne, UPI)

DEBTORS SEEK MORE LOAN FUNDS

MONTEVIDEO, Paraguay -- Latin American debtor nations Tuesday called on both commercial banks and international lending institutions to sharply increase their lending as part of an emergency plan to rejuvenate their economies. The 11 debtor nations, meeting for the fourth time in 18 months, hinted that they might consider alternative solutions to their economic problems if they failed to receive more help from the United States and other industrial nations. (Washington Post, H1)

ISRAEL UNEASY ABOUT POLLARD SPY CASE AND U.S. REACTION TO IT

JERUSALEM -- An Israeli government lawyer said the unwillingness of many government officials to discuss the Pollard case is partly the manifestation of embarrassment.

"It's not a subject people like to talk about," he said. "When you're caught with your pants down you shut up. Everybody is aware of the fact that the relationship is all important. We've got to get this thing behind us." (Washington Post, A20)

SENATE URGED TO RATIFY CHINA TREATY

PEKING -- U.S. companies stand to lose millions of dollars in lost business if the Senate fails to ratify a tax treaty with China by the end of the year, according to the American Chamber of Commerce here. President Reagan signed the proposed tax treaty during his visit to Peking in April 1984, and transmitted it to the Senate the following August. The Senate Foreign Relations Committee recently approved the treaty, but Sen. Helms (R-N.C.) has delayed a vote by the full Senate.

(Washington Post, H1)

U.S., MEXICO OK DATA BANK TO HELP CURB DRUG TRAFFICKING

Attorney General Edwin Meese III and Mexican Attorney General Sergio Garcia Ramirez, ending a day of private talks yesterday in San Antonio, Texas, proposed the joint formation of an "international data base" to assist in the war on drugs.

Mr. Meese -- who oversees the Drug Enforcement Administration as attorney general -- said the proposed international data base would contain pools of information similar to intelligence networks operated by U.S. federal agencies. (John McCaslin, Washington Times, A3)

U.S. CREATES ANTITERRORIST MEDICAL UNITS

The Defense Department has in Europe what amounts to a system of medical SWAT teams ready to fly to the care of terrorism victims anywhere on that continent or in the Mideast, the Pentagon's top health official said Tuesday. (AP story, Washington Post, A21)

ANTI-CRUISE PROTEST STAGED NEAR LONDON

GREENHAM COMMON -- Antinuclear protesters built a barricade and set it on fire at the main gate of a U.S. Air Force base today in an attempt to block a returning convoy of nuclear cruise missiles, police said.
(AP story, Washington Post, A22)

GUATEMALAN VOWS "ACTIVE NEUTRALITY"

President-elect Vinicio Cerezo of Guatemala, promising a newly democratic and humanitarian future for his beleaguered nation, made the diplomatic rounds here yesterday to stake out a position of "active neutrality" in Central America's festering conflicts.

Cerezo, 42, a self-described "moderate leftist" met for 20 minutes with Vice President Bush, who accepted an invitation to attend Cerezo's inaugural Jan. 14.
(Joanne Omang, Washington Post, A28)

FRENCH MINISTER STEPS UP ATTACK ON SDI AFTER U.S. VISIT

PARIS -- France's Socialist government stepped up its criticism of President Reagan's Strategic Defense Initiative today, predicting that it would lead to a new round in the nuclear arms race and weaken the security of Western Europe.

The sweeping French criticism of SDI was contained in a full-page interview by the Paris newspaper Le Monde of Defense Minister Paul Quiles on his return from talks in Washington with U.S. officials. It marked the most comprehensive critique of American plans for a space-age missile defense system yet delivered by a Western leader.

(Michael Dobbs, Washington Post, A23)

MARCOS MAY CANCEL FEBRUARY 7 ELECTION IF HE SEES DEFEAT, SEN. KERRY SAYS

Five U.S. election specialists who returned from the Philippines last weekend have said privately that President Marcos may cancel elections scheduled for February if he does not believe that he can win, a member of the Senate Foreign Relations Committee said yesterday.

Sen. John Kerry (D-Mass.) said the bipartisan team has affirmed his public assertions that "Kerry is not going to run in any election he is not going to win."
(Patrick Tyler, Washington Post, A24)

AQUINO REMARK THREATENS FILIPINO CANDIDATES

MANILA -- Warnings by opposition presidential candidate Corazon Aquino that she would put Philippine President Marcos on trial if she wins an election set for February are causing alarm both in the Marcos camp and among her own supporters.

Aquino has said repeatedly that she seeks justice, not vengeance, in the case of her late husband, Benigno S. Aquino, Jr., who was assassinated at the Manila International Airport in August 1983 in the custody of military guards. (Washington Post, A24)

GANDHI'S PARTY LOSING IN DIVIDED ASSAM

GAUHATI, India -- Partial returns in yesterday's statewide elections in this ethnically divided northeastern state of Assam showed Indian Prime Minister Rajiv Gandhi's ruling party running behind a new party formed by native Assamese. (AP story, Washington Post, A20)

-End of A-Section-

NETWORK NEWS SUMMARY

(Tuesday Evening)

TAX REFORM

CBS's Dan Rather: Don't stop me if you've heard this one because you have, but it is time-warp time again in the nation's capital. From going nowhere fast, guess what's back on the fast track tonight from the White House to Congress? Phil Jones reports the House, after a personal house call and arm-twisting session for Republicans by President Reagan yesterday, yes, the House is again getting ready to vote again tonight on a bracket to bracket, top to bottom, coast to coast, federal tax overhaul bill.

(TV coverage of the floor of the House: "A bill to reform the internal revenue laws of the United States.")

CBS's Phil Jones: Tax reform, an issue with almost as many lives as the proverbial cat, is alive having finally cleared all the parliamentary hurdles. Today 70 Republicans joined Democrats in allowing tax reform to procede.

(TV coverage of Rep. Robert Michel: "Well, I think if it were your President you'd make that kind of appeal too.")

Speaker O'Neill went to the House well to heighten the pressure and drama.

(O'Neill: "This is going to please the average citizen of America because what does he long for in the great Democracy of ours? He longs for fairness.")

House Democratic whips kept the heat on the members throughout the day and several Republicans received invitations to see the President as the White House worked to get votes for the Democratic bill. To break the Republican revolt, the President promised he would demand changes in any final bill. There is a top individual tax rate of 38% in the bill written by Democrats, the President wants 35%. The top corporate rate 36%, Mr. Reagan wants 33%. A new \$2,000 exemption would go only to those not itemizing. The President wants it for all tax payers. The House bill drops six million poor from the tax rolls and shifts the tax burden to businesses. Republicans want corporations protected more to prevent an economic slowdown.

(TV coverage of Rep. Dan Rostenkowski: "It is an act of fairness to the millions of Americans for whom taxes have long been the measure of faith in our way of life." Rep. Judd Gregg: "The President has said that were this bill to come to his desk today in its present form, he would veto it. How can he ask us as a House to pass such a bill?")

Final votes will not come until later tonight, but as one opposing Republican put it, the lesson is: When you finally get the President's attention, he's hard to beat.

(CBS-Lead)

(Tuesday Evening)

ABC's Peter Jennings: This the night the House of Representatives will decide on tax reform. After all sorts of arm twisting by President Reagan, the plan to overhaul the country's aging tax code is finally being debated on the floor of the House. The debate will go until later this evening. While tax reform is still alive largely because of President Reagan's high-risk lobbying yesterday, final passage is far from certain.

ABC's Charles Gibson: Such a change. Six days ago the House refused to take up tax reform. Today, a complete reversal. Six days ago, only 14 Republicans voted to consider it. Today, after the President's dramatic lobbying effort on the Hill, 70 Republicans voted to take up the issue. That was enough.

(TV coverage of Rep. Jack Kemp: "What has changed, I want to say to my colleagues, is that the President is now directly involved in this process that he personally asked us yesterday to support.")

But while the House has taken up the issue, passage of tax reform is no sure thing. The final vote comes tonight. The President last night called Tip O'Neill to say he had the 50 Republican votes for tax reform that the speaker said were needed to pass the bill.

(TV coverage of Larry Speakes: "Our position is they asked, and we delivered. We lived up to our end of the bargain.")

(TV coverage of Speaker Tip O'Neill: "I'm just sick and tired of the White House now trying to put the onus that it's up to Tip O'Neill to pass the bill. It's not up to me to pass the bill. It's not my bill and I had nothing to do with writing it.")

In other words, those who were huddled off the House floor counting votes, both Democrats and Republicans, are looking to avoid blame should the tax bill finally go down to defeat. Top Administration officials have been on the Hill all day, looking for one or two last votes. It will likely be that close.

(TV coverage of Donald Regan: "We are not there as yet, but we are not giving up. We are still working.")

(TV coverage of Newt Gingrich: "I think they are very, very apprehensive about the vote tonight on final passage. I think it is still up in the air.")

The speaker, asking members to support the bill, called it the best chance for comprehensive tax reform he has seen in 33 years in the Congress, and comprehensive it is.... But the President wants modifications in the bill. He wrote House Republican leaders tonight that he'll veto tax reform if the Senate doesn't change what he hopes will pass the House tonight. (ABC-Lead)

NBC's Tom Brokaw: On Capitol Hill tonight, the U.S. House is getting ready for a showdown vote on the biggest rewrite of the tax laws in this country in a generation. President Reagan calls it the top priority of his second term. A key test vote came earlier this afternoon, and as John Dancy reports now, the White House pulled out all the stops and won.

(Tuesday Evening)

NBC's John Dancy: It was tense. President Reagan's aides counted votes in a Capitol office just off the House floor, counted nervously. The vote would show finally whether Mr. Reagan's visit to the Capitol had paid off. A steady stream of Congressmen came and went to another room, meeting with White House Chief of Staff Donald Regan. (TV coverage of Regan: "We are not there as yet, but we are not giving up. We are still working.")

Working successfully in many cases. Olympia Snowe of Maine voted against the President last week, and with him today on a vote to bring the tax revision plan to the House floor for debate.

(TV coverage of Snowe: "We do have to respect his appeal in bringing forth this issue for consideration in the Congress.")

On the House floor, there were signs the appeals were working. Republican Leader Bob Michel voted against even considering the tax bill last week, but today:

(TV coverage of Michel: "Today is a new day.")

Under House procedure, a majority must first agree on rules for the debate. Democrats appealed for Republicans not to block the floor debate.

(TV coverage of Rep. Dan Rostenkowski: "The worst defeat for this House is to go home and tell tax payers that we didn't have the courage even to debate tax reform on the floor of the House.")

The appeals worked. The House voted 258 to 168 to bring tax reform to floor for a vote. The President's personal appeal picked up 56 Republican votes over last week's total of 14. But the process is not over. As the backroom vote counting went on, the House debated the merits of tax revision itself, and the Administration stepped up the pressure sending Secretary James Baker to the Capitol to lobby personally. So the debate goes on, but tonight there is a new problem. Some Democrats who supported the tax bill first time around have now jumped ship, so the vote, when it comes, is likely to be close. (NBC-4)

TRADE BILL

Rather: When and if the White House-Congressional chaos smoke finally clears tonight, at least one thing may be certain, President Reagan will go ahead and veto the trade bill. That's the one Congress passed trying to protect made in the USA textile, shoe and copper products. The bill would cut the cheaper imports from abroad, but President Reagan is against it. He says he's convinced this will invite foreign retaliation, says Congress was misguided in passing the bill in the first place and that he will veto it. (CBS-2)

SPENDING BILL

Jennings: In the final rush to finish all the business, the House today approved a short term spending bill which will keep much of the Government running. The Senate is expected to do the same shortly. (ABC-2)

(Tuesday Evening)

NBC COMMENTARY

Brokaw: Wherever President Reagan goes, of course, he makes news.

Yesterday he made two important journeys and they are the subject of John Chancellor's commentary tonight.

NBC's John Chancellor: If you had to pick one day that best described the second Presidential term of Ronald Reagan, yesterday would have been the day. His schedule was a perfect illustration of his strength and his weaknesses. The President journeyed to Ft. Campbell, Ky., where he met and prayed with the families of the soldiers killed in the plane crash in Newfoundland. It was Ronald Reagan at his best, carrying out a difficult Presidential assignment. Millions saw it on television and said to themselves this is a decent and caring man. That made it good politics. Ceremony is an important part of the Presidency, and he is masterful at ceremony. But the job also involves competence, and White House incompetence made necessary the other journey the President made yesterday. Mr. Reagan and his staff, having bungled their relations with their fellow party members in the House, had allowed an historic Republican rebellion to occur. He was forced to go, hat in hand, to Capitol Hill to plead for votes on the tax reform bill. As he was begging for help, the Democrats hung the lame duck sign around his neck. The mishandling of these Republicans over a period of months will haunt the Administration. There are really two Presidents Reagan, the graceful communicator and the ill-informed executive. He is able to inspire, but his nonchalance about details gets him into trouble. He has made people feel good about the country, while running up more debt than his predecessors put together. It has worked so far, but a few more days like yesterday and the difference between his personality and his performance could become his biggest problem.

(NBC-12)

SHULTZ/YUGOSLAVIA

Brokaw: Terrorism and the hijacking of the Achille Lauro were on

Secretary Shultz's mind today while he visited Yugoslavia. On the last leg of his European trip, Shultz laid a wreath at the grave of the late President Tito and then later attacked the country's current leaders for permitting the suspected mastermind of the hijacking to escape through Yugoslavia.

(TV coverage of Shultz: "Hijacking the Italian ship, murdering an American, torturing and holding a whole bunch of other Americans is not justified by any cause that I know of. There is no connection with any cause. It's wrong.")

(NBC-5)

GEORGE SAWYER

Rather: A federal jury in Virginia today acquitted former assistant U.S.

Navy Secretary George Sawyer of both felony counts against him, charges related to his job hunting contacts with giant defense contractor General Dynamics while still working for the Navy.

(CBS-6)

(Tuesday Evening)

CRASH INVESTIGATION

Rather reports air crash investigators in Canada now say the mystery of why that Arrow Air DC-8 went down and killed 256 Americans may not be solved any time soon. But if you thought in the mean time the Army and Air Force were no longer using charter flights for our troops, think again.

CBS's Lem Tucker reports the Air Force reiterated today that its main job is carrying cargo, that charters will continue carrying most U.S. troops. In fact, Arrow Air is still flying troops. The company has flown nine charters, more than 500 troops since the fatal crash. (TV coverage of Robert Sims: "We do not have basis for suspending Arrow at this point not having the results of the investigation and I know of no immediate plans to do that.")

Now most of the easy theories have pretty much been ruled out, contaminated fuel, icing on the wings, overweight, and it may be months, if ever, before we know for sure what happened and why.

(NBC-2, ABC-3, CBS-8)

AIR SAFETY

Jennings reports concern about safety in increasingly crowded skies has led to a call for help today from Capitol Hill. Seven Senators have introduced a resolution calling on the government to re-hire some of the air traffic controllers who were fired four years ago after illegally going on strike. The present day critics of air safety procedures fear that the shortage of qualified air traffic controllers, and the increase in traffic, could mean a major air disaster is inevitable.

ABC's Peter Lance reports Delta captain Henry Duffy is the President of the airline pilots association.

(Duffy: "The overall problem is too much traffic for too few controllers.")

It's a problem made worse since 1981 when more 11,000 air traffic controllers were fired after a strike found illegal by the courts. The government now admits there are more planes flying and not enough controllers to watch them, and while they say that safety has not been compromised, Secretary Dole announced:

(TV coverage of Dole: "In fiscal year 1986 we expect to add approximately 480 more people to the existing controller work force and fiscal '87 will see a further increase.")

Nearly 1,000 new controllers will be hired, but they won't be fully qualified for several years. This internal FAA memo obtained by ABC News shows that the number of fully qualified controllers at seven major air traffic centers is little more than half what it was before the strike. Why not let some of the experienced controllers that went out on strike come back?

(TV coverage of FAA's Donald Engen: "For a number of reasons. First of all, and primarily, that was a Presidential decision made in 1981 and only the President can make that determination.")

(Tuesday Evening)

Lance continues: In the past, the President has insisted that the strike was illegal and the controllers would never come back.

(1981 TV coverage of the President: "What lesser action can there be. The law is very explicit. They are violating the law.")

With the number of near misses nearly double what they were when the controllers went out on strike, the pressure to bring at least some of them back into the system is mounting every day, but the FAA is resisting, and critics like Congressman Guy Molinari have been making some grave predictions.

(Molinari: "My concern is that it is going to take a tragedy to force them to move.") (ABC-4)

HOUSING STARTS

Rather: Housing starts, which had been wandering from basement to attic and back in recent months, took another plunge today. The Commerce Department reports that housing construction fell 12.2% in November, the sharpest decline since March. This report says that building permits, which signal future activity, dipped 2.4% last month. (CBS-11)

WALL STREET

Jennings reports on Wall Street stocks took a breather. The Dow lost about eight and a half points. The trading stayed very active. (ABC-9)

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EDITORIALS/COLUMNISTS

GRAMM-RUDMAN

Gramm-Rudman-Thatcher -- "By moving 400,000 jobs to the private sector, Mrs. Thatcher has flattened the national treasury by 7.7 billion pounds. Her motto: 'If you can sell it, sell it. If you can't sell it, give it away.' The United States may not have nearly so much to privatize, but Gramm-Rudman should force budget-crafters to dump everything they can. That should mean selling off Conrail, National and Dulles Airports, parts of the Social Security and Medicare systems, and just about everything not bolted down in Washington." (Washington Times, 12/17)

Dracula Lives -- "When the President signed the Gramm-Rudman-Hollings deficit-reduction bill last week, you may have assumed that a stake had been driven through the heart of Dracula. Don't believe it. Dracula lives. Even as it approved Gramm-Rudman, Congress continued on its big-spending path as it raced toward its holiday recess." (Detroit News, 12/15)

Gramm-Rudman-Hollings is key to focus on spending -- "So Congress has passed its 'stop me before I spend again' deficit reduction plan. Sort of. The original proposal for automatic, across-the-board spending cuts where agreement can't be reached has been passed between Senate and House and altered aplenty. Now it's more of a 'stop us, sort of, before we spend again, particularly if it's for defense.' There's also a large dose of 'we can change this if the cuts are too painful.'" (Atlanta Journal and Constitution, 12/15)

A triumph of neoliberalism -- "The Gramm-Rudman deficit-reducing device is now law. Congress has handed the keys to its own form-fitting straitjacket over to President Reagan with words he has waited to hear: 'Stop us before we spend again.'" (Boston Globe, 12/16)

FARM BILL

Save the Cows! -- "If Mr. Reagan vetoes this bill he will hear outraged screams from Capitol Hill. Farm-state politicians claim they have done the best they could, given the political constraints of the moment. But it isn't good enough, simply because it continues to threaten farming itself with paralysis.... Mr. Reagan needs rather badly to remind the country that it still has a President. A good way to start would be vetoing the farm bill." (Wall Street Journal, 12/17)

MIA's

Reagan's call to Seattle vet -- "Our congratulations to Gino Casanova. His self-appointed mission, to spark renewed public attention to the Vietnam MIA issue, has been accomplished.... By recognizing the efforts of Casanova and his group, West Coast Veterans, the Administration has joined the publicity campaign to remind the nation that more than 2,400 Americans never came home from that tragic war." (Seattle Post-Intelligencer, 12/8)



News Summary

OFFICE OF THE PRESS SECRETARY

WEDNESDAY, DECEMBER 18, 1985 -- 6 a.m. EST EDITION

TODAY'S HEADLINES

NATIONAL NEWS

House Passes Tax-Overhaul Bill, Overcoming GOP Rebellion -- The voice vote was a joint victory for President Reagan and Rep. Rostenkowski, who tugged and coaxed members of both parties into voting for legislation few of them deeply wanted. (Washington Post, Baltimore Sun, AP, UPI, Reuter)

Stopgap Spending Bill Of Three Days Voted; Reagan Keeps Workers On Job -- Congress yesterday approved emergency funding to avert shutdown of many government agencies. (Washington Post, Baltimore Sun, Reuter)

Reagan Vetoes Limits On Imports -- A White House official said the President delayed the veto signing because "it would just cloud things up" ... in the midst of the tax debate. (AP, Washington Post)

INTERNATIONAL NEWS

Angry Shultz Denounces Terrorism -- Secretary Shultz, pounding a table in red-faced anger, told Yugoslav's foreign minister the Achille Lauro hijacking was terrorist murder "not justified by any cause that I know of." (Washington Post, New York Times, AP; UPI, Reuter)

NETWORK NEWS (Tuesday Evening)

TAX REFORM -- The House again will vote on tax overhaul.

TRADE BILL -- President Reagan will veto the trade bill.

SPENDING BILL -- The House approved a short-term spending bill which will keep much of the government running.

AIR SAFETY -- If you thought the Army and Air Force were no longer using charters, think again.

Needle points

Congress may get something done on the farm-price support program, toxic-waste cleanup, tax overhaul and a \$2-trillion debt ceiling. The national legislature's most powerful motivating force is now at work: the desire to recess.

The Orange County Register

Wednesday, December 11, 1985

NATIONAL NEWS

HOUSE PASSES TAX-OVERHAUL BILL, OVERCOMING GOP REBELLION

The House last night passed and sent to the Senate the most sweeping overhaul of the income tax system in more than 40 years, after Republican rebels made a final, unsuccessful attempt to bury the bill.

Final passage came after Republican opponents tried to send the "flawed" bill back to the Ways and Means Committee on a recommittal motion, a move designed to kill it. The motion failed, 256 to 171, and the House quickly approved the bill without a roll-call vote.

(Anne Swardson, Washington Post, A1)

House Passes Overhaul Of Federal Tax System

Passage of the 1,379-page bill came a day after President Reagan pleaded with House Republicans in an extraordinary trip to Capitol Hill to support the bill.

On the key recommittal vote, 49 Republicans voted against the Republican-led effort, one shy of the number President Reagan had promised the House leadership would support tax reform.

(Stephen Nordlinger, Baltimore Sun, A1)

Reagan Jawboned His Way To Tax Turnaround, Lawmakers Say

President Reagan jawboned his way to the rescue of his tax overhaul effort with his dramatic visit to Capitol Hill and a campaign of persuasion that lasted until the final hours, GOP lawmakers say.

If there were Republicans with qualms remaining about a vote for the Democrat-drafted measure, it didn't show; the House shunned a role-call and passed the bill on a voice vote and sent it to the Senate.

(Mike Robinson, AP)

House Turnabout Sends Reagan's Sweeping Tax Overhaul Bill To Senate

House Speaker O'Neill said his party had "rescued tax reform from the jaws of big-business Republicans" and "delivered on our historic commitment to tax fairness."

Reagan is counting on the Senate to reshape the bill more to his liking, but Sen. Dole cautioned against setting expectations too high.

(Jim Luther, AP)

House Approves Tax Reform Bill

President Reagan's vision of a new tax code for America, surviving incredible odds, is going to the Senate next year following House approval of a historic bill to cut rates and make business shoulder more of the burden. Approval came, surprisingly, on a voice vote when no one asked for a roll call.

(Joseph Mianowany, UPI)

Reagan Credited For Turning Around Republicans On Tax Bill

On a surprise voice vote, the House passed and sent to the Senate the broadest overhaul of the income tax system since it was created 72 years ago. Shortly after the vote, Reagan congratulated lawmakers of both political parties for their work on the bill, but stressed that he still wanted revisions made in it before it reaches his desk.

(Jacqueline Frank, Reuter)

KEMP PLAYED CRUCIAL ROLE IN SAVING BILL

Scrambling to save the bill late last week, the White House belatedly brought Rep. Jack Kemp (R-N.Y.) a prospective 1988 presidential candidate, into the process, and in the ensuing few days he emerged as a major player in turning the vote around. "He was very important, very important," said Rep. Guy Vander Jagt (R-Mich.). "He played a pivotal role."

(Baltimore Sun, A1)

BRIEF DEFECTION ON TAX BILL PAINS MICHEL

Yesterday, Michel returned -- at least part way -- to the Reagan fold by working to allow the bill to come up for debate and a vote. But he still opposed the measure on its merits and voted against it.

(Margaret Shapiro, Washington Post, A8)

STOPGAP SPENDING BILL OF 3 DAYS VOTED;
REAGAN KEEPS WORKERS ON JOB

Congress yesterday approved three-day emergency funding to avert shutdown of many government agencies today as the House and Senate scrambled to revive a catchall spending bill that was killed by a rambunctious House shortly after funds ran out late Monday.

Even though the agencies were technically out of business yesterday, the White House ordered workers to stay on the job while Congress considered stopgap funding to continue operations while a new spending compromise is worked out.

(Helen Dewar, Washington Post, A1)

Congress Approves Spending Authority Through Tomorrow

Acting under threats that government workers at several agencies would be sent home today unless Congress approved at least a short-term spending measure, the House voted 334-74 yesterday to approve a bill providing funds to keep the government in business through tomorrow night.

(Nancy Schwerzler, Baltimore Sun, A1)

Reagan Signs New Spending Bill, Avoids Government Shutdown

The legislation, which provides breathing space for the government to operate pending permanent action, was passed by Congress late Tuesday and immediately sent to the President. The temporary funding was part of a multi-billion dollar bill, which covers such programs as defense, foreign aid, transportation and the interior.

(Reuter)

REAGAN VETOES TEXTILE BILL IN CLIMAX TO TRADE BATTLE

President Reagan, meeting a midnight deadline, vetoed major trade legislation to curb textile, apparel and shoe imports, declaring that "the economic and human costs of such a bill run far too high."

Industry supporters conceded Tuesday night they lacked for now the two-thirds support needed to override the long-threatened veto.

(Mike Robinson, AP)

President Vetoes Limits On Imports

President Reagan last night vetoed a bill sharply limiting imports of textiles, shoes and copper, but he delayed the action until the last hour to avoid antagonizing House members whose support he was seeking on tax overhaul legislation.

(Stuart Auerbach, Washington Post, A1)

U.S. SLIPS DEEPER INTO TRADING DEBT

The United States slipped deeper into debt to foreign creditors in the third quarter as the balance of payments deficit grew to \$30.5 billion, the Commerce Department reported Tuesday.

All told, economists estimate that the United States is a net debtor to the rest of the world to the tune of \$33 billion.

(Stuart Auerbach, Washington Post, H1)

DRAFT OF REAGAN BUDGET FOR 1987 SEES END TO I.C.C. AFTER 100 YEARS

President Reagan's draft budget for the fiscal year 1987 would reduce the staff of the Social Security Administration, abolish the Interstate Commerce Commission and end federal support for the Agricultural Extension Service.

The commerce commission, established in 1887, is the oldest federal regulatory agency. The Extension Service gives technical and scientific advice to farmers across the country.

(New York Times, A1)

FORMER NAVY OFFICIAL CLEARED IN CONFLICT CASE

Former assistant Navy secretary George A. Sawyer was cleared yesterday of charges that he concealed his job interviews with a major defense contractor during his final months in the Pentagon. Sawyer, now a vice president of that firm, General Dynamics Corp., broke into a broad grin as a federal jury in Alexandria announced it had found him not guilty of violating two provisions of the federal conflict-of-interest law.

(Caryle Murphy, Washington Post, A1)

HUGS FOR THE HOLIDAYS

Nancy Reagan paid her annual Christmas visit to Children's Hospital Medical Center Tuesday, and although she eventually ran out of Huggins -- the highly huggable dolls donated for the occasion -- she never ran out of hugs. Mrs. Reagan didn't go home empty-handed. There were cards -- including a specially framed one by Chris Schaum, 6, that proclaimed "Share the Spirit" -- posters wishing her a Merry Christmas, and a red carnation, which she tucked into a buttonhole in her jacket.

(Donnie Radcliffe, Washington Post, D3)

HOUSING STARTS DROP 12.2% IN NOVEMBER

Starts of construction of new housing dropped 12.2 percent in November, their sharpest fall in more than two years, the Commerce Department reported yesterday. The sharp decline was blamed by industry analysts on unusually bad weather around the country that prevented much construction activity from taking place. However, housing starts thus far have been lackluster, economists said.

(Washington Post, H1)

CONSERVATIVE BLACK LEADER HITS REAGAN POLICIES

Glenn Loury, a professor of politics at Harvard University and an increasingly frequent commentator on race issues in the press and in conservative forums, told a National Press Club luncheon the Reagan Administration is right in criticizing liberal social programs.

But the Administration is wrong in its alternative of "a de facto doctrine of 'benign neglect'" toward "the extraordinary waste of human potential" among black inner-city poor, he said.

(Isaiah Poole, Washington Times, A1)

EMPLOYEE COMPENSATION FOR INJURY MAY BE CUT

The Labor Department is considering dropping a requirement that the government make lump-sum payments to civilian federal employees for the work-related loss of seven parts of the body, including male sex organs, breasts, kidneys and lungs, a union official said yesterday.

Still in the discussion stage, the proposal is based on a belief that the seven organs are not necessary for the production of income, according to sources in the department, who spoke only on condition they not be identified.

(Pete Yost, Washington Post, A25)

19 BENCH APPOINTMENTS ARE APPROVED BY SENATE

The Senate approved the nomination of former senator James L. Buckley (R-N.Y.) to the U.S. Court of Appeals here Tuesday, the 19th judge confirmed in two days after a partisan feud was resolved. The logjam was broken by a political deal in which Senate Republicans agreed to allow the Democrats more time to investigate the backgrounds of future judicial nominees.

(Howard Kurtz, Washington Post, A25)

INTERNATIONAL NEWS

ANGRY SHULTZ DENOUNCES TERRORISM

BELGRADE, Yugoslavia -- Secretary Shultz, pounding a table in red-faced anger, tonight publicly told Yugoslavia's foreign minister that the hijacking of the Achille Lauro cruise ship in October was an instance of terrorist murder, "not justified by any cause that I know of."

Shultz's outburst occurred at a joint news conference after the minister, Raif Dizdarevic, said Yugoslavia distinguishes between terrorism and "the struggle against colonialism, against aggression, and racism."

(John Goshko, Washington Post, A1)

Shultz Is Angered At Yugoslav View About Terrorism

Mr. Shultz said that he and Yugoslav officials had discussed the various issues of terrorism and the Abbas case in their private talks. Americans and Yugoslavs later said that the discussions had not been confrontational in nature.

After his outburst, Shultz turned to Mr. Dizdarevic and said quietly, "You probably feel the same way."

(Bernard Gwertzman, New York Times, A1)

Shultz Admonishes Countries Not To Give Refuge To Terrorists

Secretary Shultz, on the final stop of a six-nation European tour, strongly admonished countries to stop giving terrorists "a place to hide." But the Secretary angrily slammed his hand on the table at a news conference Tuesday at the suggestion of Yugoslavia's foreign minister, Raif Dizdarevic, that the causes of terrorism be considered in how to treat terrorists.

(Henry Gottlieb, AP)

Shultz Outburst On Terrorism Jolts Yugoslav Visit

.... Banging his fist on the table, Shultz added: "It's wrong. And the international community must step up to this problem and deal with it. There must be no place to hide."

(William Scally, Reuter)

Shultz Heads Home After Angrily Denouncing Terrorism

The usually mild-mannered Secretary of State became furious Tuesday at a remark by Dizdarevic suggesting there might be some justification -- or at least a reasonable motive behind -- terrorism.

Shultz's outburst clouded what had been a smooth, non-controversial visit to Belgrade. The United States has had warm relations with Yugoslavia since the late 1940s.

(Matthew Quinne, UPI)

DEBTORS SEEK MORE LOAN FUNDS

MONTEVIDEO, Paraguay -- Latin American debtor nations Tuesday called on both commercial banks and international lending institutions to sharply increase their lending as part of an emergency plan to rejuvenate their economies. The 11 debtor nations, meeting for the fourth time in 18 months, hinted that they might consider alternative solutions to their economic problems if they failed to receive more help from the United States and other industrial nations. (Washington Post, H1)

ISRAEL UNEASY ABOUT POLLARD SPY CASE AND U.S. REACTION TO IT

JERUSALEM -- An Israeli government lawyer said the unwillingness of many government officials to discuss the Pollard case is partly the manifestation of embarrassment.

"It's not a subject people like to talk about," he said. "When you're caught with your pants down you shut up. Everybody is aware of the fact that the relationship is all important. We've got to get this thing behind us." (Washington Post, A20)

SENATE URGED TO RATIFY CHINA TREATY

PEKING -- U.S. companies stand to lose millions of dollars in lost business if the Senate fails to ratify a tax treaty with China by the end of the year, according to the American Chamber of Commerce here. President Reagan signed the proposed tax treaty during his visit to Peking in April 1984, and transmitted it to the Senate the following August. The Senate Foreign Relations Committee recently approved the treaty, but Sen. Helms (R-N.C.) has delayed a vote by the full Senate.

(Washington Post, H1)

U.S., MEXICO OK DATA BANK TO HELP CURB DRUG TRAFFICKING

Attorney General Edwin Meese III and Mexican Attorney General Sergio Garcia Ramirez, ending a day of private talks yesterday in San Antonio, Texas, proposed the joint formation of an "international data base" to assist in the war on drugs.

Mr. Meese -- who oversees the Drug Enforcement Administration as attorney general -- said the proposed international data base would contain pools of information similar to intelligence networks operated by U.S. federal agencies. (John McCaslin, Washington Times, A3)

U.S. CREATES ANTITERRORIST MEDICAL UNITS

The Defense Department has in Europe what amounts to a system of medical SWAT teams ready to fly to the care of terrorism victims anywhere on that continent or in the Mideast, the Pentagon's top health official said Tuesday. (AP story, Washington Post, A21)

ANTI-CRUISE PROTEST STAGED NEAR LONDON

GREENHAM COMMON -- Antinuclear protesters built a barricade and set it on fire at the main gate of a U.S. Air Force base today in an attempt to block a returning convoy of nuclear cruise missiles, police said.

(AP story, Washington Post, A22)

GUATEMALAN VOWS "ACTIVE NEUTRALITY"

President-elect Vinicio Cerezo of Guatemala, promising a newly democratic and humanitarian future for his beleaguered nation, made the diplomatic rounds here yesterday to stake out a position of "active neutrality" in Central America's festering conflicts.

Cerezo, 42, a self-described "moderate leftist" met for 20 minutes with Vice President Bush, who accepted an invitation to attend Cerezo's inaugural Jan. 14.

(Joanne Omang, Washington Post, A28)

FRENCH MINISTER STEPS UP ATTACK ON SDI AFTER U.S. VISIT

PARIS -- France's Socialist government stepped up its criticism of President Reagan's Strategic Defense Initiative today, predicting that it would lead to a new round in the nuclear arms race and weaken the security of Western Europe.

The sweeping French criticism of SDI was contained in a full-page interview by the Paris newspaper Le Monde of Defense Minister Paul Quiles on his return from talks in Washington with U.S. officials. It marked the most comprehensive critique of American plans for a space-age missile defense system yet delivered by a Western leader.

(Michael Dobbs, Washington Post, A23)

MARCOS MAY CANCEL FEBRUARY 7 ELECTION IF HE SEES DEFEAT, SEN. KERRY SAYS

Five U.S. election specialists who returned from the Philippines last weekend have said privately that President Marcos may cancel elections scheduled for February if he does not believe that he can win, a member of the Senate Foreign Relations Committee said yesterday.

Sen. John Kerry (D-Mass.) said the bipartisan team has affirmed his public assertions that "Kerry is not going to run in any election he is not going to win."

(Patrick Tyler, Washington Post, A24)

AQUINO REMARK THREATENS FILIPINO CANDIDATES

MANILA -- Warnings by opposition presidential candidate Corazon Aquino that she would put Philippine President Marcos on trial if she wins an election set for February are causing alarm both in the Marcos camp and among her own supporters.

Aquino has said repeatedly that she seeks justice, not vengeance, in the case of her late husband, Benigno S. Aquino, Jr., who was assassinated at the Manila International Airport in August 1983 in the custody of military guards. (Washington Post, A24)

GANDHI'S PARTY LOSING IN DIVIDED ASSAM

GAUHATI, India -- Partial returns in yesterday's statewide elections in this ethnically divided northeastern state of Assam showed Indian Prime Minister Rajiv Gandhi's ruling party running behind a new party formed by native Assamese. (AP story, Washington Post, A20)

-End of A-Section-

NETWORK NEWS SUMMARY

(Tuesday Evening)

TAX REFORM

CBS's Dan Rather: Don't stop me if you've heard this one because you have, but it is time-warp time again in the nation's capital. From going nowhere fast, guess what's back on the fast track tonight from the White House to Congress? Phil Jones reports the House, after a personal house call and arm-twisting session for Republicans by President Reagan yesterday, yes, the House is again getting ready to vote again tonight on a bracket to bracket, top to bottom, coast to coast, federal tax overhaul bill.

(TV coverage of the floor of the House: "A bill to reform the internal revenue laws of the United States.")

CBS's Phil Jones: Tax reform, an issue with almost as many lives as the proverbial cat, is alive having finally cleared all the parliamentary hurdles. Today 70 Republicans joined Democrats in allowing tax reform to procede.

(TV coverage of Rep. Robert Michel: "Well, I think if it were your President you'd make that kind of appeal too.")

Speaker O'Neill went to the House well to heighten the pressure and drama.

(O'Neill: "This is going to please the average citizen of America because what does he long for in the great Democracy of ours? He longs for fairness.")

House Democratic whips kept the heat on the members throughout the day and several Republicans received invitations to see the President as the White House worked to get votes for the Democratic bill. To break the Republican revolt, the President promised he would demand changes in any final bill. There is a top individual tax rate of 38% in the bill written by Democrats, the President wants 35%. The top corporate rate 36%, Mr. Reagan wants 33%. A new \$2,000 exemption would go only to those not itemizing. The President wants it for all tax payers. The House bill drops six million poor from the tax rolls and shifts the tax burden to businesses. Republicans want corporations protected more to prevent an economic slowdown.

(TV coverage of Rep. Dan Rostenkowski: "It is an act of fairness to the millions of Americans for whom taxes have long been the measure of faith in our way of life." Rep. Judd Gregg: "The President has said that were this bill to come to his desk today in its present form, he would veto it. How can he ask us as a House to pass such a bill?")

Final votes will not come until later tonight, but as one opposing Republican put it, the lesson is: When you finally get the President's attention, he's hard to beat. (CBS-Lead)

(Tuesday Evening)

ABC's Peter Jennings: This the night the House of Representatives will decide on tax reform. After all sorts of arm twisting by President Reagan, the plan to overhaul the country's aging tax code is finally being debated on the floor of the House. The debate will go until later this evening. While tax reform is still alive largely because of President Reagan's high-risk lobbying yesterday, final passage is far from certain.

ABC's Charles Gibson: Such a change. Six days ago the House refused to take up tax reform. Today, a complete reversal. Six days ago, only 14 Republicans voted to consider it. Today, after the President's dramatic lobbying effort on the Hill, 70 Republicans voted to take up the issue. That was enough.

(TV coverage of Rep. Jack Kemp: "What has changed, I want to say to my colleagues, is that the President is now directly involved in this process that he personally asked us yesterday to support.")

But while the House has taken up the issue, passage of tax reform is no sure thing. The final vote comes tonight. The President last night called Tip O'Neill to say he had the 50 Republican votes for tax reform that the speaker said were needed to pass the bill.

(TV coverage of Larry Speakes: "Our position is they asked, and we delivered. We lived up to our end of the bargain.")

(TV coverage of Speaker Tip O'Neill: "I'm just sick and tired of the White House now trying to put the onus that it's up to Tip O'Neill to pass the bill. It's not up to me to pass the bill. It's not my bill and I had nothing to do with writing it.")

In other words, those who were huddled off the House floor counting votes, both Democrats and Republicans, are looking to avoid blame should the tax bill finally go down to defeat. Top Administration officials have been on the Hill all day, looking for one or two last votes. It will likely be that close.

(TV coverage of Donald Regan: "We are not there as yet, but we are not giving up. We are still working.")

(TV coverage of Newt Gingrich: "I think they are very, very apprehensive about the vote tonight on final passage. I think it is still up in the air.")

The speaker, asking members to support the bill, called it the best chance for comprehensive tax reform he has seen in 33 years in the Congress, and comprehensive it is.... But the President wants modifications in the bill. He wrote House Republican leaders tonight that he'll veto tax reform if the Senate doesn't change what he hopes will pass the House tonight. (ABC-Lead)

NBC's Tom Brokaw: On Capitol Hill tonight, the U.S. House is getting ready for a showdown vote on the biggest rewrite of the tax laws in this country in a generation. President Reagan calls it the top priority of his second term. A key test vote came earlier this afternoon, and as John Dancy reports now, the White House pulled out all the stops and won.

(Tuesday Evening)

NBC's John Dancy: It was tense. President Reagan's aides counted votes in a Capitol office just off the House floor, counted nervously. The vote would show finally whether Mr. Reagan's visit to the Capitol had paid off. A steady stream of Congressmen came and went to another room, meeting with White House Chief of Staff Donald Regan. (TV coverage of Regan: "We are not there as yet, but we are not giving up. We are still working.")

Working successfully in many cases. Olympia Snowe of Maine voted against the President last week, and with him today on a vote to bring the tax revision plan to the House floor for debate.

(TV coverage of Snowe: "We do have to respect his appeal in bringing forth this issue for consideration in the Congress.")

On the House floor, there were signs the appeals were working. Republican Leader Bob Michel voted against even considering the tax bill last week, but today:

(TV coverage of Michel: "Today is a new day.")

Under House procedure, a majority must first agree on rules for the debate. Democrats appealed for Republicans not to block the floor debate.

(TV coverage of Rep. Dan Rostenkowski: "The worst defeat for this House is to go home and tell tax payers that we didn't have the courage even to debate tax reform on the floor of the House.")

The appeals worked. The House voted 258 to 168 to bring tax reform to floor for a vote. The President's personal appeal picked up 56 Republican votes over last week's total of 14. But the process is not over. As the backroom vote counting went on, the House debated the merits of tax revision itself, and the Administration stepped up the pressure sending Secretary James Baker to the Capitol to lobby personally. So the debate goes on, but tonight there is a new problem. Some Democrats who supported the tax bill first time around have now jumped ship, so the vote, when it comes, is likely to be close. (NBC-4)

TRADE BILL

Rather: When and if the White House-Congressional chaos smoke finally clears tonight, at least one thing may be certain, President Reagan will go ahead and veto the trade bill. That's the one Congress passed trying to protect made in the USA textile, shoe and copper products. The bill would cut the cheaper imports from abroad, but President Reagan is against it. He says he's convinced this will invite foreign retaliation, says Congress was misguided in passing the bill in the first place and that he will veto it. (CBS-2)

SPENDING BILL

Jennings: In the final rush to finish all the business, the House today approved a short term spending bill which will keep much of the Government running. The Senate is expected to do the same shortly. (ABC-2)

(Tuesday Evening)

NBC COMMENTARY

Brokaw: Wherever President Reagan goes, of course, he makes news.

Yesterday he made two important journeys and they are the subject of John Chancellor's commentary tonight.

NBC's John Chancellor: If you had to pick one day that best described the second Presidential term of Ronald Reagan, yesterday would have been the day. His schedule was a perfect illustration of his strength and his weaknesses. The President journeyed to Ft. Campbell, Ky., where he met and prayed with the families of the soldiers killed in the plane crash in Newfoundland. It was Ronald Reagan at his best, carrying out a difficult Presidential assignment. Millions saw it on television and said to themselves this is a decent and caring man. That made it good politics. Ceremony is an important part of the Presidency, and he is masterful at ceremony. But the job also involves competence, and White House incompetence made necessary the other journey the President made yesterday. Mr. Reagan and his staff, having bungled their relations with their fellow party members in the House, had allowed an historic Republican rebellion to occur. He was forced to go, hat in hand, to Capitol Hill to plead for votes on the tax reform bill. As he was begging for help, the Democrats hung the lame duck sign around his neck. The mishandling of these Republicans over a period of months will haunt the Administration. There are really two Presidents Reagan, the graceful communicator and the ill-informed executive. He is able to inspire, but his nonchalance about details gets him into trouble. He has made people feel good about the country, while running up more debt than his predecessors put together. It has worked so far, but a few more days like yesterday and the difference between his personality and his performance could become his biggest problem.

(NBC-12)

SHULTZ/YUGOSLAVIA

Brokaw: Terrorism and the hijacking of the Achille Lauro were on

Secretary Shultz's mind today while he visited Yugoslavia. On the last leg of his European trip, Shultz laid a wreath at the grave of the late President Tito and then later attacked the country's current leaders for permitting the suspected mastermind of the hijacking to escape through Yugoslavia.

(TV coverage of Shultz: "Hijacking the Italian ship, murdering an American, torturing and holding a whole bunch of other Americans is not justified by any cause that I know of. There is no connection with any cause. It's wrong.")

(NBC-5)

GEORGE SAWYER

Rather: A federal jury in Virginia today acquitted former assistant U.S.

Navy Secretary George Sawyer of both felony counts against him, charges related to his job hunting contacts with giant defense contractor General Dynamics while still working for the Navy.

(CBS-6)

(Tuesday Evening)

CRASH INVESTIGATION

Rather reports air crash investigators in Canada now say the mystery of why that Arrow Air DC-8 went down and killed 256 Americans may not be solved any time soon. But if you thought in the mean time the Army and Air Force were no longer using charter flights for our troops, think again.

CBS's Lem Tucker reports the Air Force reiterated today that its main job is carrying cargo, that charters will continue carrying most U.S. troops. In fact, Arrow Air is still flying troops. The company has flown nine charters, more than 500 troops since the fatal crash. (TV coverage of Robert Sims: "We do not have basis for suspending Arrow at this point not having the results of the investigation and I know of no immediate plans to do that.")

Now most of the easy theories have pretty much been ruled out, contaminated fuel, icing on the wings, overweight, and it may be months, if ever, before we know for sure what happened and why.

(NBC-2, ABC-3, CBS-8)

AIR SAFETY

Jennings reports concern about safety in increasingly crowded skies has led to a call for help today from Capitol Hill. Seven Senators have introduced a resolution calling on the government to re-hire some of the air traffic controllers who were fired four years ago after illegally going on strike. The present day critics of air safety procedures fear that the shortage of qualified air traffic controllers, and the increase in traffic, could mean a major air disaster is inevitable.

ABC's Peter Lance reports Delta captain Henry Duffy is the President of the airline pilots association.

(Duffy: "The overall problem is too much traffic for too few controllers.")

It's a problem made worse since 1981 when more 11,000 air traffic controllers were fired after a strike found illegal by the courts. The government now admits there are more planes flying and not enough controllers to watch them, and while they say that safety has not been compromised, Secretary Dole announced:

(TV coverage of Dole: "In fiscal year 1986 we expect to add approximately 480 more people to the existing controller work force and fiscal '87 will see a further increase.")

Nearly 1,000 new controllers will be hired, but they won't be fully qualified for several years. This internal FAA memo obtained by ABC News shows that the number of fully qualified controllers at seven major air traffic centers is little more than half what it was before the strike. Why not let some of the experienced controllers that went out on strike come back?

(TV coverage of FAA's Donald Engen: "For a number of reasons. First of all, and primarily, that was a Presidential decision made in 1981 and only the President can make that determination.")

(Tuesday Evening)

Lance continues: In the past, the President has insisted that the strike was illegal and the controllers would never come back.

(1981 TV coverage of the President: "What lesser action can there be. The law is very explicit. They are violating the law.")

With the number of near misses nearly double what they were when the controllers went out on strike, the pressure to bring at least some of them back into the system is mounting every day, but the FAA is resisting, and critics like Congressman Guy Molinari have been making some grave predictions.

(Molinari: "My concern is that it is going to take a tragedy to force them to move.") (ABC-4)

HOUSING STARTS

Rather: Housing starts, which had been wandering from basement to attic and back in recent months, took another plunge today. The Commerce Department reports that housing construction fell 12.2% in November, the sharpest decline since March. This report says that building permits, which signal future activity, dipped 2.4% last month. (CBS-11)

WALL STREET

Jennings reports on Wall Street stocks took a breather. The Dow lost about eight and a half points. The trading stayed very active. (ABC-9)

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EDITORIALS/COLUMNISTS

GRAMM-RUDMAN

Gramm-Rudman-Thatcher -- "By moving 400,000 jobs to the private sector, Mrs. Thatcher has flattened the national treasury by 7.7 billion pounds. Her motto: 'If you can sell it, sell it. If you can't sell it, give it away.' The United States may not have nearly so much to privatize, but Gramm-Rudman should force budget-crafters to dump everything they can. That should mean selling off Conrail, National and Dulles Airports, parts of the Social Security and Medicare systems, and just about everything not bolted down in Washington." (Washington Times, 12/17)

Dracula Lives -- "When the President signed the Gramm-Rudman-Hollings deficit-reduction bill last week, you may have assumed that a stake had been driven through the heart of Dracula. Don't believe it. Dracula lives. Even as it approved Gramm-Rudman, Congress continued on its big-spending path as it raced toward its holiday recess." (Detroit News, 12/15)

Gramm-Rudman-Hollings is key to focus on spending -- "So Congress has passed its 'stop me before I spend again' deficit reduction plan. Sort of. The original proposal for automatic, across-the-board spending cuts where agreement can't be reached has been passed between Senate and House and altered aplenty. Now it's more of a 'stop us, sort of, before we spend again, particularly if it's for defense.' There's also a large dose of 'we can change this if the cuts are too painful.'" (Atlanta Journal and Constitution, 12/15)

A triumph of neoliberalism -- "The Gramm-Rudman deficit-reducing device is now law. Congress has handed the keys to its own form-fitting straitjacket over to President Reagan with words he has waited to hear: 'Stop us before we spend again.'" (Boston Globe, 12/16)

FARM BILL

Save the Cows! -- "If Mr. Reagan vetoes this bill he will hear outraged screams from Capitol Hill. Farm-state politicians claim they have done the best they could, given the political constraints of the moment. But it isn't good enough, simply because it continues to threaten farming itself with paralysis.... Mr. Reagan needs rather badly to remind the country that it still has a President. A good way to start would be vetoing the farm bill." (Wall Street Journal, 12/17)

MIA's

Reagan's call to Seattle vet -- "Our congratulations to Gino Casanova. His self-appointed mission, to spark renewed public attention to the Vietnam MIA issue, has been accomplished.... By recognizing the efforts of Casanova and his group, West Coast Veterans, the Administration has joined the publicity campaign to remind the nation that more than 2,400 Americans never came home from that tragic war." (Seattle Post-Intelligencer, 12/8)