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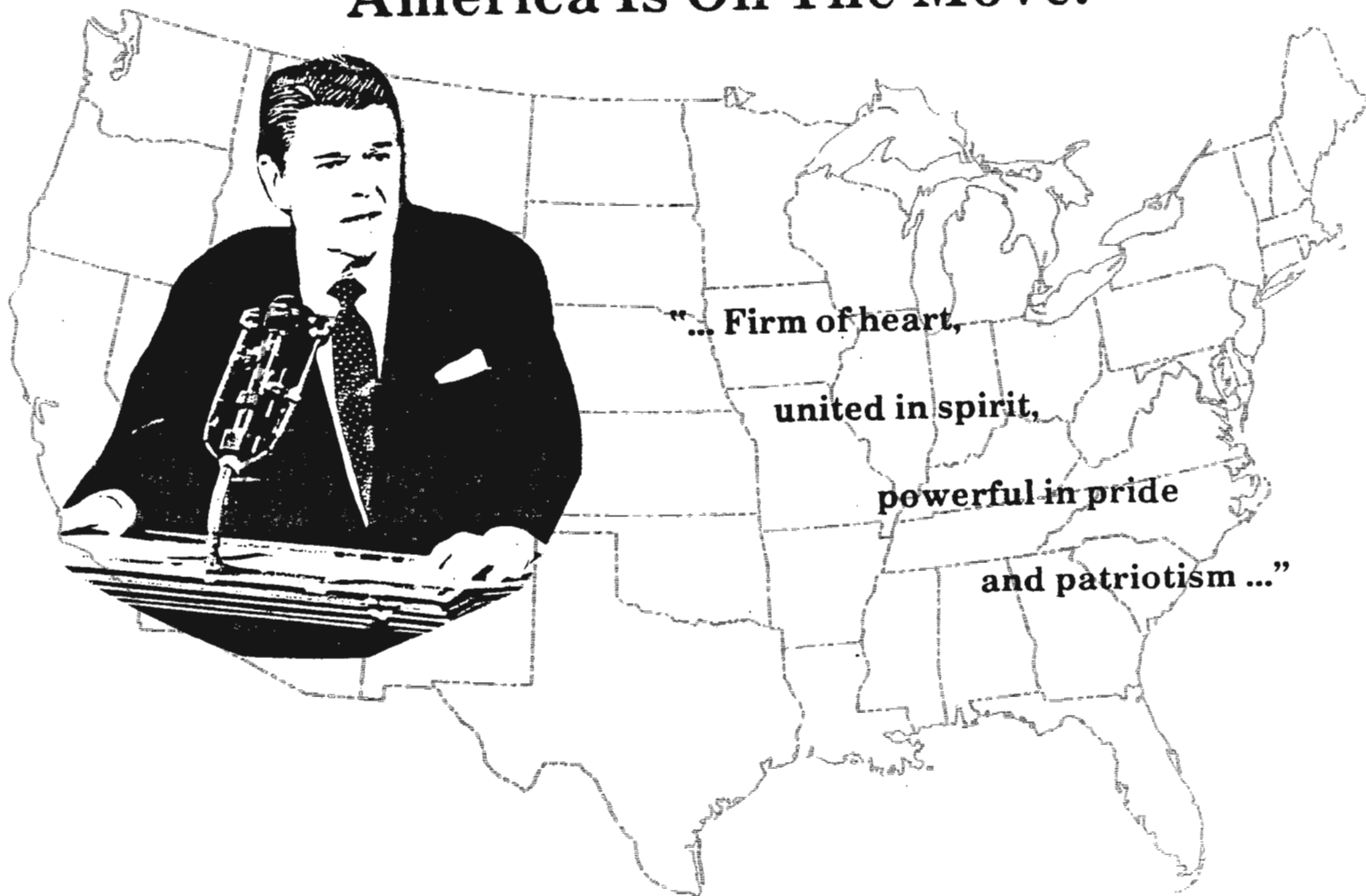


News Summary

OFFICE OF THE PRESS SECRETARY

WEDNESDAY, FEBRUARY 5, 1986 — 6:00 a.m. EST EDITION

America Is On The Move!



President Ronald Reagan
State of the Union Address
February 4, 1986

*This Summary is prepared Monday through Friday by the White House News Summary Staff.
For complete stories or information, please call 456-2950.*

REAGAN APPEALS FOR UNITED EFFORT TO CUT SPENDING

President Reagan urged Republicans and Democrats on Tuesday night to unite to control government spending, saying, "It's time we reduced the federal budget and left the family budget alone."

In his annual State of the Union speech to Congress, Mr. Reagan singled out support of the American family as a big theme for the rest of his second term. (Kansas City Times, A1)

-- The Kansas City Times also ran a sidebar on the four young heroes the President mentioned and another story on the Democrats' response.

REAGAN PLEDGES WELFARE CHANGE; UPBEAT SPEECH CALLS NATION STRONGER

President Reagan issued a sweeping call Tuesday night in his fifth State of the Union message for an "agenda for the future" that includes many of his past proposals plus new federal studies on the problems of poverty, catastrophic illness, and currency instability.

(Minneapolis Star & Tribune, A1)

REAGAN'S STATE OF UNION ADDRESS CALLS FOR REDUCTION IN SPENDING, SAYS TAX RISE ISN'T WAY TO TRIM DEFICIT

Striking his familiar twin themes of optimism and resolve, President Reagan urged Congress and the American people to "go forward" with the Reagan revolution. Delivering the annual State of the Union message to Congress, Mr. Reagan last night issued a strong call for Congress to meet the "historic opportunity" posed by the Gramm-Rudman deficit-reduction law -- "forcing the government to live within its means." He also fired rhetorical volleys at those in Congress who have called for increased taxes to help balance the budget. (Robert Merry, Wall Street Journal, A58)

REAGAN'S MESSAGE APPEALS FOR UNITY TO CURB SPENDING

President Reagan appealed to Republicans and Democrats tonight to unite in an effort to control Government spending, saying, "It's time we reduced the Federal budget and left the family budget alone." Mr. Reagan singled out support of the American family as a major theme of the remainder of his second term. He sighted the family as the "moral core" of a restoration of the nation's confidence in the future.

(Bernard Weinraub, New York Times, A1)

REAGAN ORDERS STUDY TO BREAK WELFARE "WEB"

President Reagan last night ordered a comprehensive study of the nation's welfare system and other support programs for the poor, saying that poor families would break the cycle of poverty only by escaping what he called "the spider's web of dependency."

(Robert Timberg, Baltimore Sun, A1)

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STATE OF THE UNION

REAGAN GIVES WELFARE ISSUES NEW PRIORITY

President Reagan, in his fifth State of the Union address, said Tuesday night the breakdown of the family structure among welfare recipients has reached crisis proportions and promised to devise a strategy to break "the spider's web of dependency."

(AP story, Montgomery Advertiser, A1)

-- The Montgomery Advertiser also ran a box summarizing the main parts of the speech, a sidebar on the four young heroes the President mentioned, and a sidebar on congressional reaction.

UPBEAT REAGAN URGES REFORM FOR WELFARE, HEALTH INSURANCE

President Reagan, in an upbeat State of the Union speech that urged Americans to "reach for the stars," Tuesday night promised sweeping studies aimed at reforming the nation's welfare programs and expanding health insurance plans to pay for serious illnesses.

(Hartford Courant, A1)

-- The Hartford Courant also ran excerpts from the speech and a sidebar on the President's plan to cut the cost of catastrophic illness insurance.

REAGAN ORDERS WELFARE OVERHAUL; Salutes Agenda of Future

President Reagan Tuesday night directed his Administration to develop a welfare strategy to help the poor "escape the spider's web of dependency" and to work with private insurers to develop affordable insurance against the cost of catastrophic illness.

(AP story, Indianapolis Star, A1)

-- The Indianapolis Star also included stories on reaction of the Indiana congressional delegation, which split along party lines, as well as a story, "Demos Blame Deficit on Reagan; Proclaim His Political 'Era' Over."

REAGAN'S AGENDA FOR THE FUTURE

President Reagan issued a sweeping call Tuesday night in his fifth State of the Union address for an "agenda for the future" that includes many of his past proposals plus new federal studies on the problems of poverty, catastrophic illness and currency instability.

(Des Moines Register, A1)

-- The Des Moines Register also ran an "At a Glance" box containing major points of the speech and a sidebar on Democratic reaction. The Register also ran a page one story by Knight-Ridder entitled, "Pentagon Seeks Record 1987 Budget."

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POVERTY, HEALTH STUDIES ON REAGAN AGENDA

President Reagan issued a sweeping call last night in his fifth State of the Union message for an "agenda for the future" that includes many of his past proposals plus new federal studies on the problems of poverty, catastrophic illness and currency instability.

In a nationally televised speech that celebrated American accomplishments and purposefully avoided painful budgetary details, the President urged Congress to cut the domestic budget and continue to increase military spending. He also appealed for passage of "an historic tax reform providing new opportunity for all" and repeated his opposition to tax increases, even though earlier in the day he had opened the door to a possible imposition of an oil import fee.

(Lou Cannon, Washington Post, A1)

Reagan Hails "Great American Comeback"

President Reagan, hailing "the great American comeback" in his State of the Union message, last night called for deep domestic spending cuts to balance the federal budget, welfare reform and increased aid for anti-communist rebels. Mr. Reagan pledged to meet the challenges ahead by keeping the faith with his bedrock conservative principles and by breaking free from "failed policies."

(Jeremiah O'Leary, Washington Times, A1)

For the fifth time since taking office, President Reagan last night focused on the economy -- the area of his greatest success -- as he sought to set the tone for the new congressional year. As in his past State of the Union speeches, the President touched only briefly on foreign affairs, despite his summit with Mikhail Gorbachev just three months ago.

Despite the upbeat tone, the President raised several nagging issues last night that he first wrangled with as California governor but has been able to solve as President -- the growing cost of the federal welfare system and the need to provide a more efficient system of catastrophic health care.

(Mary Belcher and Marc Lerner, Washington Times, A1)

Reagan: America's Getting "Stronger Every Day"

President Reagan, declaring that America is growing "stronger every day" has sent Congress a national agenda that pledges a "great American comeback" of traditional values and peace through military strength.

In a State of the Union message to Congress Tuesday, the President pledged to keep the nation on a course of economic health through tax reform, fair trade and especially the mandates of the Gramm-Rudman budget balancing law.

(Helen Thomas, UPI)

State of the Union

President Reagan, in his fifth State of the Union address, said Tuesday night the breakdown of the family structure among welfare recipients has reached crisis proportions and promised to devise a strategy to break "the spider's web of dependency." He delivered, as expected, a generally upbeat report on a nation he said is "growing stronger every day." He concluded with a salute to four young heroes who watched the speech with the First Lady.

(Michael Putzel, AP)

Reagan's Medicine May Swallow Hard

President Reagan pronounced the American body politic well on the road to good health in his State of the Union speech, but he may find the patient less than eager to swallow the medicine he says is needed to complete the cure.

Just as Reagan's diagnosis of what is best for the country did not change, neither did the potential for resistance from his live audience, a House of Representatives controlled by Democrats and a Senate with a sometimes wobbly Republican majority. As advertised, the speech was long on broad rhetoric, but it also carried some specifics that looked like certain bitter pills for Congress. (Arnold Sawislak, UPI)

Numbers Will Fill in Reagan's Upbeat Words

The words President Reagan offered the nation in his State of the Union address, even by his customary upbeat standards, overflowed with imagery in which all problems are swept aside by the "American Dream." But it will require volumes of numbers to complete the picture.

In the speech he delivered to joint session of Congress and the American people Tuesday night, Reagan talked about the need to "redefine government's role." But he did not get into the details of such definitions in his annual address. The best place to look for Reagan's vision of the role of the federal government would be found in the budget he is sending to Congress today. (Donald Rothberg, AP)

DOOR OF OPPORTUNITY SHUT, DEMOCRATS SAY

Sidestepping a direct attack on President Reagan, Democrats last night blamed his policies for the deficits that they said leave the country behind the eight ball as it enters "the post-Reagan era" with the election 1986. In their response to Reagan's upbeat State of the Union message, the opposition party argued in a variety of accents that Reagan's "failed fiscal policies" and massive trade deficits have "closed the door of opportunity" to farmers, small businessmen and young job-seekers.

The Republicans, as expected, praised the President's message, while carefully minimizing the disagreements many have expressed with the tax-revision plan and budget priorities at the center of Reagan's domestic program. (David Broder, Washington Post, A7)

HOMELESS ADVOCATE DISAGREES WITH REAGAN

Homeless advocate Mitch Snyder delivered a "State of the Homeless" speech at his downtown shelter where he sharply criticized President Reagan's view of the State of the Union. "We see a government, irresponsible and inefficient, cheerfully spending \$600 for toilet seats and \$8,000 for hammers for an already-bloated military, while at the same time, merciless slashing housing, food and jobs programs," Snyder told a small gathering of shelter residents Tuesday. (Julie Brienza, UPI)

INTERNATIONAL NEWS

U.S. JETS/SOVIET BOMBERS

ANCHORAGE, Alaska -- Two U.S. fighter jets scrambled to intercept two Soviet bombers flying over international waters and kept them from penetrating U.S. air space near Alaska, the Air Force revealed Tuesday. The two Soviet bombers were flying in close formation between 80 and 90 miles northeast of Point Barrow and were on a course that would have penetrated U.S. air space, Major Darrel Hayes said.

Hayes said the Soviet planes were flying parallel to the Alaska coast until the F-15s arrived. Then "they (the Soviet planes) turned around and headed elsewhere."
(Jeff Berliner, UPI)

PRESIDENT EASES OPPOSITION TO OIL TAX

President Reagan signaled for the first time yesterday that he might be willing accept an import fee if the new revenue is used for tax revision legislation and not to reduce the deficit. Reagan's comments in remarks to newspaper correspondents before his State of the Union message last night appear to open the door to use the oil import tax in the Senate version of tax overhaul legislation to offset revenue losses.

The Senate is attempting to construct a bill that would meet Reagan's demands for deeper tax rate reductions for business and individuals than the House tax revision plan provides.

(David Hoffman, Washington Post, A1)

DRAFT PROPOSAL BY HHS SECRETARY WOULD BAR FOREIGNERS WITH AIDS

HHS Secretary Bowen has proposed that foreigners who suffer from AIDS be denied entry to the United States, despite evidence that there is no foolproof, routine method of testing for exposure to the disease. If Bowen's proposal becomes law after review by other federal agencies, foreign citizens applying for visas would have to be tested for antibodies of the acquired immune deficiency syndrome, even though there are questions about the capability of doctors in some nations to administer screening tests.

(Juan William, Washington Post, A4)

PROTECTING EMBASSIES STRESSED

A controversial \$4.4 billion program of security improvements to protect U.S. embassies and official buildings abroad from terrorist attacks is urgently needed despite tight budget restrictions, Secretary Shultz said yesterday. The plan would involve \$2.7 billion to buy land, construct new embassies and rebuild facilities at 66 locations around the world, according to State Department documents.

The balance of the \$4.4 billion would be used, among other things, to buy armored cars, train security guards and protect foreign diplomats in the United States.

(Joanne Omang, Washington Post, A8)

MAJOR EAST-WEST SPY SWAP IS CONFIRMED

BONN -- East and West Germany today confirmed a major spy swap would take place soon, and diplomatic sources said Soviet dissident Anatoly Scharansky would be included. West German Chancellor Kohl today confirmed that the swap was in the offing and Western diplomatic sources said the Soviet Union would include Scharansky in the exchange next week to make sure he was seen as a spy. (Reuter story, Washington Post, A16)

Kohl Confirms East-West Spy Swap in Offing

BONN -- Speaking to foreign correspondents here, Mr. Kohl said President Reagan and Mikhail Gorbachev had effectively paved the way for a prisoner exchange at the Geneva summit last year, but he refused to say when it would be. "If I wanted to ruin the exchange, I would tell the truth about it here and now," Kohl said. "There have always been spy exchanges and that's why it is being done now." (Washington Times, A7)

Kremlin Wants \$2 Million for Shcharansky

BONN -- Chancellor Kohl indirectly confirmed an impending spy swap involving Anatoly Shcharansky, but a newspaper said today the Kremlin has made tough new demands, including a \$2 million ransom. Bild reported the Soviet Union has insisted on a \$2 million ransom for Shcharansky and demanding release of 11 high-ranking East Bloc spies -- three more than originally called for in the deal. (UPI)

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NATIONAL NEWS

2 JUDICIAL NOMINEES ASSAILED

Liberals and civil rights activists are kicking off their 1986 campaign against President Reagan's judicial nominees with an assault on two who they say have tried to chill minority voting rights.

Jefferson Sessions, the U.S. attorney in Mobile, Ala., has been the focus of considerable controversy for his unsuccessful prosecution of three black civil rights activists on voting-fraud charges. Opponents also have mobilized a hearing today on Sidney Fitzwater, a state district judge in Texas, for his role in a 1982 sign-posting incident.

(Howard Kurtz, Washington Post, A4)

COURT NOMINEE WITHDRAWS

Former OMB general counsel Michael Horowitz, citing personal and professional concerns, has taken himself out of the running for a seat on the U.S. Court of Appeals here, sources said yesterday. Horowitz, who had been under consideration for the key judgeship since early October, told Administration officials on Monday that he had decided to become a senior partner in a large Washington law firm.

President Reagan has already named five members of the 12-member panel, often called the nation's second most powerful court, after the Supreme Court.

(Al Kamen, Washington Post, A4)

REAGAN SEEKING 8% INCREASE, AFTER INFLATION, FOR PENTAGON

President Reagan says he wants only a "modest" increase in defense spending next year of 3 percent above inflation, but the budget he sends to Congress today actually seeks an 8 percent increase above inflation, according to Administration officials.

Reagan's proposed 3 percent increase is based on the higher budget resolution levels approved last summer, and ignores the cuts made since then, including cuts imposed by the new balanced-budget law. When measured against the actual spending authority for this year, \$278.4 billion, Reagan will be seeking an increase of 8.2 percent, to \$311.6 billion officials said.

(David Hoffman, Washington Post, A8)

Reagan Seeks \$311.6 Billion Pentagon Budget in 1987

President Reagan's \$311.6 billion 1987 Pentagon budget sent to Congress today calls for a major increase in "Star Wars" research and projects \$1.8 trillion in U.S. military spending over the next five years. The budget -- facing almost certain cuts in deficit conscious lawmakers -- asks for \$4.8 billion for 1987 research on Reagan's anti-missile SDI, commonly called Star Wars, compared to \$2.7 billion this year.

(Charles Aldinger, Reuter)

STOCKMAN SAYS FEDERAL DEFICIT IS GOP FAULT, TOO

David Stockman has once again caught the eye of his former boss, President Reagan. According to a White House official, Reagan "hit the roof" this week when he saw a newspaper account of an interview with Stockman to be published in Penthouse magazine. In the interview, Stockman says Republicans as well as Democrats are to blame for the mounting federal deficit. "After four years, I am convinced that a large share of the problem is us," Stockman says. "By that, I mean Republicans." (Washington Post, A17)

SENATE VOTES TO APPROVE CONRAIL SALE

The Senate has voted 54 to 39 to approve the sale of Conrail to Norfolk Southern Corp. for \$1.2 billion, a merger which would create the nation's largest railroad. The bill must now go to the House of Representatives where it faces strong opposition. (Robert Green, Reuter)

NANCY REAGAN HEADS SHUTTLE CHILDREN'S TRUST FUND

First Lady Nancy Reagan has agreed to serve as the honorary head of a trust fund for the children of the astronauts killed in the space shuttle Challenger explosion, officials of the fund announced. Elaine Crispen, the First Lady's Press Secretary, confirmed Reagan had agreed to serve as chairwoman of the fund. (UPI)

PLAYBOY

NEW YORK -- The magazine that made the nude centerfold famous now has the President's son on its writing staff. President Reagan's son Ron was named contributing editor at Playboy on Tuesday, Executive Editor Barry Golson announced. "Although there was skepticism at first, Ron Reagan's articles for Playboy have made converts of us all," Golson said. "His lively writing style and privileged perspective have evolved into a promising career in journalism. He has a modern writing style and a perceptive wit that our readers appreciate," Golson said. "We are taking this association seriously and expect to be publishing Ron's work for many years." (UPI)

BUCHANAN SAYS GOP MUST TAP "SPIRITUAL REVIVAL"

Patrick Buchanan says the Republican Party must tap "the spiritual revival" and "new patriotism" fostered by President Reagan if it wants to keep winning elections. Unless the GOP maintains its commitment to conservatism, the "Reagan Revolution" could become an "interlude" in continued liberal domination of the nation, he said Tuesday at the annual convention of the National Religious Broadcasters.

Buchanan, who was presented with a "distinguished service award" by the broadcasters, spoke at the convention's annual luncheon honoring members of the FCC. (David Anderson, UPI)

NETWORK NEWS SUMMARY

(Tuesday Evening, February 4, 1986)

STATE OF UNION/FEDERAL BUDGET

CBS's Dan Rather: President Reagan tonight delivers the State of the Union speech -- delayed by the space shuttle catastrophe -- a speech said to be optimistic in tone, short in length, and short on specifics. Within hours though, it will be followed by a long list of controversial proposed budget cuts. Cuts by the billions that apparently center on programs for the middle-class on down, while still calling for increased defense spending.

CBS's Bill Plante: The President's trillion dollar 1987 budget rolled off the presses as Mr. Reagan prepared to warn the nation tonight that if Congress tampers with his spending plan, family budgets will suffer. The President's men began an aggressive sales campaign for the budget. (TV coverage of Budget Director Jim Miller at the presses.) The Pentagon certainly will. Military spending could rise by 3% a year over inflation. To get the deficit down to \$144 billion, as required by the new Gramm-Rudman-Hollings law, the budget slashes spending for dozens of programs which now benefit the poor and middle-class -- such as Medicare, student loans and Amtrak. A lot of people in Congress don't want to make these kinds of cuts, especially in an election year.

(Sen. Warren Rudman: "I think the President's attitude is he's going to hang in there tough and compromise at the last possible moment.") But Democrats who will respond to Mr. Reagan tonight want compromise sooner, not later, even though they say they won't be the ones to call for new taxes.

(Rep. William Gray: "I think clearly those of us who serve on Capitol Hill know that the person who is at 1600 Pennsylvania Avenue has to holster the 44-magnum 'make my day' veto gun before anyone is going to seriously talk about revenue.")

And so the battle begins. The President will try to frame the debate in his favor tonight, even as some Democrats are calling his budget dead before arrival. You won't guess it by listening to the President tonight, but officials concede they'll eventually have to be some kind of budget compromise on defense spending and taxes. The question for politicians and taxpayers alike is: Will that compromise come soon enough to avoid political and fiscal chaos?

CBS' David Martin reports President Reagan is expected to go one step beyond the space shuttle tonight and call for development of a space plane that could fly at up to 25 times the speed of sound.... Pentagon officials say they hope to build a prototype space plane by the mid-1990s -- the latest in a series of experimental aircraft dating back to Chuck Yeager's X-1 which first broke the sound barrier. There is also a high degree of cost. The Pentagon plans to spend about \$500 million over the next three years developing the new technologies that would go into the space plane -- actually building one would cost an estimated \$2 billion. (CBS-4)

ABC's Peter Jennings: The President's message to Congress was -- as you know -- scheduled to be delivered last Tuesday until the space shuttle exploded. The President will have something to say about space travel this evening, but his focus will be on the economy.

ABC's Sam Donaldson: (TV Coverage of last year's State of the Union.) It was last year on this occasion that the President set the tone for his second term, pronouncing the nation renewed -- stronger, freer and more secure than ever. And indeed tonight, he'll continue that snappy, upbeat assessment -- saying America believes America is ready, America can win the race to the future, and we shall. In fact after appropriate words about the loss of the Challenger crew, the President will look ahead to a time when an aerospace plane might whisk ordinary citizens from New York to Tokyo in 25 minutes. In general terms, the President will review unfinished business from arms control to tax reform. He'll call for studies on world monetary reform, the U.S. welfare system, and a joint government private-sector insurance program for catastrophic illness. Only studies mind you. And he'll repeat his call for deficit reduction by budget cuts alone under the Gramm-Rudman-Hollings law, with no tax increases and higher defense spending. Mr. Reagan will talk about the family budget, and how government must -- like families -- live within its means. But in a speech cut to about half its usual length -- maybe only 20 minutes long tonight -- the President will not talk much about the hard cuts necessary to do that. (TV coverage of Budget Director Jim Miller at the presses.) Well, yes, there it is -- the President's new budget for Fiscal '87, being printed today for its trip up to Capitol Hill tomorrow with the painful numbers. Budget Director Miller insisting the deficit can be reduced the President's way. But the Democrats, rehearsing for their State of the Union response, which they'll deliver on television right after Mr. Reagan's speech, will say it can't.

(Rep. William Gray: "The question is not whether or not you want a strong America, it's whether or not we're going to borrow, borrow, borrow to pay for it.")

The Democrats can't hope to beat the President tonight on performance -- no one ever has -- they can only hope that when Mr. Reagan talks about winning the race for the future, they can persuade the country to pay for it now. (ABC-3)

Jennings: Once again, the State of the Nation. Today the President and the Democratic Party tell us what they think it is. But the state of the nation, as we all know, can be very personal. So ABC News conducted a poll: 45% of the people we talked to believe the country as a whole has improved during President Reagan's time in office. (Note: 27% said worse off; 27% said the same.)

But just one-third (33%) said their own situation had improved. (Note: 20% said worse off; 46% said the same.) Asked to rate the status of the economy: 56% said it is not so good or poor; 43% said it is good or excellent.

And the people we surveyed are almost evenly split on whether we are all headed in the right direction or not. (Note: 47% said right direction; 45% said wrong direction.) (ABC-11)

ABC's Jim Wooten reports not everyone is sharing in the recent economic growth.... Unemployment is the lowest since 1980, yet in 25 states, more jobless today than a year ago. Housing construction's on the rise, but home ownership -- once the centerpiece of the American dream -- has declined to the lowest percentage in nearly 20 years. Bank profits last year -- \$15 billion. And yet 120 banks failed -- more than any year since 1938 and 11,000 more are in serious trouble. At least 80,000 farmers are a year behind in loan payments to the Farmers Home Administration. And 27,000 others are more than three years delinquent. Personal income is up across the country, yet 32 million Americans still live in poverty -- a third of all blacks, one child in every five. In a country so comfortable to success, it is uncomfortable to acknowledge failure -- to hear that illiteracy and malnutrition are still very serious problems, that homicide is the leading cause of death for young black men, that infant mortality is higher for black babies than white, and that thousands of people sleep in the streets of America. Very uncomfortable, but undeniably a part of the State of the Union.

(ABC-12)

Brokaw: President Reagan comes to the Capitol tonight to deliver his State of the Union speech. He was preparing to give that speech last Tuesday when the space shuttle went down. Now, after a week of national mourning, he'll focus attention on national goals and family values, and his proposals for the future.

NBC's Chris Wallace: The shuttle accident may have delayed the speech for a week, but the President will emphasize tonight that the tragedy has not altered his commitment to the space program.

Tonight, Mr. Reagan will renew his pledge to keep the shuttle flying, as well as to build a manned space station and an aerospace plane that can travel up to 8,000 miles an hour. The President will also have new earthbound initiatives -- a study of the welfare system. The Federal government spends \$110 billion a year on welfare. Administration officials say if they just paid people \$60 billion directly, they could put everyone over the poverty line. The President will also announce studies of currency reform to lower the trade deficit, and of a new health insurance for catastrophic illness. But the emphasis tonight will be on cutting the budget -- a theme Mr. Reagan has previewed.

(President Reagan: "We've got to get government in shape for the 21st century and one of the ways that we plan to do that is by getting government out of activities it can no longer afford or shouldn't have been doing in the first place.")

The President will take a hard line, calling for big domestic cuts, a defense increase and no new taxes. He will say he's protecting the family budget over the federal budget. The President's pollster says casting the debate in those positive terms allows Mr. Reagan to avoid talking about painful cuts.

(Richard Wirthlin: "In a way, the President sets the expectations that both the Congress and the public have about what might or might not be accomplished and that offers some tremendous advantage to him.")

Wallace continues: In foreign policy Mr. Reagan will call for an arms deal with the Soviets, but restate his commitment to a Star Wars anti-missile plan. And he will urge Congress to support what he calls "Freedom Fighters," opposing Soviet-backed regimes from Afghanistan to Nicaragua. But the focus tonight will be on the budget and the President will give no sign he's about to compromise with Congress. Some aides say that he may eventually deal with Congress on both defense and taxes, but he clearly plans to play the cards he's got now for some time. (NBC-4)

Brokaw: Congressional Democrats didn't even wait to hear the President's words before taking issue with his priorities.

NBC's John Dancy: This may be a grand occasion of state for the President, but for Congress it's about as welcome as a trip to the dentist, because increasingly the State of the Union has become a budget message with the President outlining the spending cuts he wants. Today, even as the budget was rolling off of the presses, the Administration was starting to defend it.

(OMB's Miller: "This is a budget you're all going to love.")

But Democrats don't love it and they held a press conference, even before the President spoke, to condemn expected cuts in health programs for the elderly and poor while defense spending increases. Already, spending cuts in education are being felt just across the street from the Capitol, at the Library of Congress. Because of the cutbacks, the Library will reduce the hours it is open and cut book purchases by 13 percent. Almost three million retired federal employees have already felt the cuts; their cost-of-living adjustment has been canceled. So inevitably there is talk of new taxes instead of cutting spending. But who will go first in proposing taxes. Democrats say the President is trying to manipulate them.

(Rep. Barbara Boxer (D-Calif.): "He would like to see the Democrats come forward and be the first ones to say 'We need new taxes.' He's not going to see that happen.")

The Republicans don't want to talk taxes either.

(Sen. Rudy Boschwitz (R-Minn.): "There may have to be some new taxes, but we don't want to get out in front on that, because as soon as there is even the smell of additional taxes on the horizon, then it is very hard to reduce any spending increases.")

So new taxes seem to be up to the President and he keeps saying, "No, no, a thousand times no." But there are many people here, perhaps even a majority who think that ultimately the answer will be yes. (NBC-5)

OPEC/OIL PRICES

Brokaw: Some members of Congress have proposed a tax on oil imports to help balance the budget. Meanwhile the price of oil keeps falling. In Vienna today an OPEC meeting agreed to dump surplus oil on the world market in an effort to force those non-OPEC producers, like Great Britain, to cut their productions. World markets reacted by cutting the price of oil sharply. A barrel of North Sea crude oil now costs less than \$16. That's the lowest price since the 1970's. And in this country, the wholesale price of gasoline and heating oil fell below 50 cents a gallon. (NBC-6; CBS-6)

SPACE SHUTTLE

Rather reports CBS News has learned that searches and sonar sweeps appear to have turned up part of the Challenger's main crew quarters and belongings of some of the seven astronauts. Also believed found at the bottom of the Atlantic -- what could be a key piece of evidence about what went wrong.

CBS's Bruce Hall reports searchers apparently found at least a portion of shuttle's main crew compartment -- which is still on the ocean floor -- some of the personal effects of the astronauts and one of the crucial solid rocket boosters. NASA officials refused to comment on the findings.... There is confusion here on the status of NASA's interim investigation board, which appears to have been put out of business by the appointment of a presidential commission. Still, the analysis of computer information collected before and during the flight continues. (CBS-lead; ABC-4)

Brokaw reported there were two major developments in the shuttle investigation today. NASA officials say they may have located one of the Challenger's two solid rocket boosters. NBC correspondent Jay Barberi has learned that the human remains found definitely are those of the shuttle's crew members. (NBC-8)

ISRAEL/LIBYAN JET

Rather: Israeli warplanes today forced down a small, Libyan passenger jet on its way to Syria, but when the door was open, the people who came out were not the people Israeli intelligence thought they would be. And U.S. sources tonight say Israeli officials are embarrassed.

CBS's Don McNeil reports it seemed like a coup for Israeli intelligence.... But there were no terrorists -- only nine Syrian politicians.... The speed with which the Israeli government reacted to explain this interception is unprecedented -- perhaps to cover embarrassment in a gamble that didn't pay off. Said one Israeli official: "We tried for a big fish and we failed."

CBS's Bob Simon reports that what surprised many Americans was that Israeli intelligence could make a mistake.... The big fish Israeli intelligence thought were on that plane today are marked men -- starting now.

Rather: Syria condemned the Israeli interception as "air piracy." Libya said the same and also charged that U.S. warships helped the Israeli warplanes find their quarry. In Washington, officials denied any U.S. military involvement. (CBS-2)

ABC's Bob Zelnick reports Foreign Minister Shamir justified today's action. (FM Shamir: "If there are some suspicions and information that there are some people who are planning terrorist acts against Israel, Israel has the right to prevent such acts.") Particularly when they don't bag their prey, incidents like today's embarrass the Israelis, leading inevitably to international condemnation. But the Libyan jet is a symbol that the Israelis are willing to pay that price in order to give terrorists and those who shelter them no rest.

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ABC's Barrie Dunsmore reports Libyan television tonight said the Israeli action was taken in collusion with the U.S. and that the Sixth Fleet, which last week was deployed near Libya, had played a role. The U.S. denies this, saying that most of those ships are now back in Naples. However, there are credible reports today that the U.S. plans to resume its pressure on Khadafy by sending the fleet into Libya's disputed waters next week.

Jennings: Syrian officials are threatening retaliation against Israel. The chief of staff of Syria's armed forces is quoted as saying "We will answer this crime by teaching those who committed it a lesson they will not forget." (ABC-lead)

NBC's Tom Brokaw: From the Library of Congress, overlooking the nation's Capitol -- and it is in that building tonight that the President will deliver his State of the Union speech to a joint session of Congress, and as the President was making final preparations today, there was a dramatic development in the skies over the Middle East. The Israelis intercepted a small Libyan passenger jet and forced it to land, but apparently they didn't get what they were looking for.

NBC's Martin Fletcher reports from Tel Aviv that the Israelis believed the Libyan plane contained top PLO leaders but on board were nine minor Syrian politicians. Israel tracked the jet on its flight from Tripoli, where Colonel Khadafy had held a meeting of radical Arab and Palestinian groups and appealed for help in his fight against the United States. Two Israeli F-16's intercepted the plane, hoping that Abu Nidal was on board. Yitzak Shamir made no excuses for the mistake. Libyan Radio called the interception "an act of Zionist piracy," and accused the United States Sixth Fleet of helping the Israelis. The U.S. denied any involvement. After nearly five hours detention, the Libyan plane, with the Syrians on board, continued its journey to Damascus. (NBC-lead)

Brokaw: In Libya today, Khadafy presided at a gathering of radical Arab revolutionary groups and they issued a resolution pledging to form a suicide force which they said would strike American targets around the world if the United States attacks Libya. (NBC-2)

ANIMAL RESEARCH

Rather: As we reported last night, new guidelines set down by the Reagan Administration through the National Institutes of Health aim at improving the lot of animals used in medical research. The question tonight is what do those guidelines mean for the health of humans?

CBS's Terry Drinkwater reports at scores of universities and medical centers across the country, research using animals is being curtailed or stopped. And many experts worry the result will slow progress toward cures for human ills like cancer, heart and muscular disease and AIDS.... Some doctors and patients feel the government has gone too far. But animal lovers say there are other, better research methods. (CBS-9)

PHILIPPINES/AQUINO

CBS's Bill Redeker reports a quarter of a million people came to see and hear the housewife who could become president. It was the largest opposition rally in Philippine history and it is this sort of public enthusiasm that has given President Marcos the most serious political challenge of his career. Should Mrs. Aquino be able to deliver these large crowds to the polls on Friday and actually defeat the president, could she run this country which has been so completely controlled by him for the past 20 years? ... Aquino is intensely religious, and has made integrity and morality the theme of her campaign. That -- more than issues or experience -- has struck a responsive chord here. For those at today's massive rally who are eager for change, the political novice -- who's become a political phenomenon -- may not have to promise much more. (CBS-7)

Jennings reports a group of American observers left Washington today headed for the Philippines. The group headed by Sen. Richard Lugar is to report back to President Reagan on the presidential election in the Philippines which will begin Thursday night our time. In Manila today, a giant rally in support of opposition candidate Aquino. (ABC-5; NBC-13)

CHANCELLOR ON REAGAN

NBC's John Chancellor: Ronald Reagan this week is setting in motion the sixth year of his presidency, riding an unprecedented crest of popularity. Mr. Reagan is a man of the right wing; the most conservative occupant of the White House since Herbert Hoover. It might seem logical that this successful president would have had an effect on the way the American people see political issues -- that five years of Ronald Reagan would have produced a shift toward conservative ideas. The odd thing about the Reagan presidency is that this has not happened. The American people, ideologically, are exactly where they were when Ronald Reagan was elected. In his first month in office, back in 1981, the NBC News Poll showed that about a third of the voters described themselves as conservatives. When we asked the same question this month in 1986, the answer was the same. No change, either, in those who call themselves liberals or moderates. In the Reagan years, the ideological spectrum hasn't shifted an inch. Other polls confirm this. We find the same thing when we calculate support for gun control, for the right of a woman to have an abortion, or the passage of the equal rights amendment. In the past five years there has been no loss of support for these things, even though conservatives oppose them. No conservative tide in those figures. What has happened is that the American people have separated Mr. Reagan from his ideology. They admire him personally, but they reject many of the ideas he holds dear. The Great Communicator has been only partially successful. (NBC-16)

NBC's Fred Briggs reports that more and more people are suggesting that we swap the "Star Spangled Banner" for "America the Beautiful" as the National Anthem. (NBC-17)

EDITORIALS/COLUMNISTS

GRAMM-RUDMAN/BUDGET DEFICIT

Reagan's February Surprise -- "While we still reserve doubts about the constitutional efficacy of GRH's 'automatic sequestering' rules, we never doubted that its goals could be reached by restraining the growth in federal spending, rather than new taxes. Nor did the American people. Polls over the past couple of years have shown that the public prefers by a 2-to-1 margin spending cuts to tax increases as a way of reducing the deficit."
(Detroit News, 2/3)

Keep the Blade Sharp -- "This year's budget battle promises to be the bloodiest since Mr. Reagan took office, with the victors deciding our national spending priorities right up to 1991, the year of Gramm-Rudman's zero-deficit. Get out of the grindstone, Mr. President, and begin sharpening the ax."
(Washington Times, 2/4)

Reagan's Choice in Facing Budget and Trade Deficits -- "Only President Reagan is in a position to forge a compromise. Yet, reportedly, tomorrow he will ask Congress to boost military spending by 40 percent over five years while ending much of what government does domestically. That's a prescription for conflict, not compromise. It will prolong political stalemate, not repair economic erosion. The President wants to win on his terms, but the nation needs compromise."
(Philadelphia Inquirer, 2/4)

The Senate's Bad Tax Idea -- "Leading members of the Senate Finance Committee are considering the use of an oil import fee to help finance 'tax reform.' Administration officials concerned about the shaky math of the tax bill -- it is supposed to make a lot of people happy but not lose money -- are encouraging them. But it is a terrible idea.... Given the position of the president, there is only so much tax increasing Congress can expect to do this year in the best of circumstances. The committee would be wasting clout. To cut rates, cut preferences. That was a good idea last year in the House. It still is."
(Washington Post, 2/4)

Cuts Alone Won't Balance Our Budget -- "Congress -- and the president -- must face up to the hard, horrible truth: After they have done all the cutting that voters will tolerate, there still won't be enough money to erase the deficit. Rather than turn on the buzz saw, they must find ways to raise new revenues.... No one likes new taxes. They must be imposed 'only' as a last resort. But if we don't start to defeat the deficit now, our children will be buried in an avalanche of debts. If Congress does not cut the deficit wisely, we will be financially bankrupt -- and politically bankrupt as well."
(USA Today, 2/4)

Make a Slide Deal With Mexico -- "Like a dozen other poor countries, Mexico owes foreign banks billions that it cannot possibly repay in timely fashion. Unlike other debtors, Mexico has almost unlimited quantities of oil and a rich neighbor that remains critically dependent on foreign energy supplies. Isn't there room here for a special deal? ... It is hard to imagine a more cost-effective investment in national security -- and financial stability -- than helping Mexico to help us fill the strategic reserve."
(New York Times, 2/4)

STATE OF THE UNION

NETWORK REACTION FOLLOWING THE PRESIDENT'S ADDRESS

ABC's Peter Jennings: A standing ovation for the President from both sides of the House Chamber -- Democrats and Republicans -- as he spoke for almost 27 minutes. A shorter speech than is normal for the State of the Union. That's Mrs. Reagan and Trevor Farrell. A short speech, however, in which the President covered a great deal of territory. A very full agenda -- everything from defense to the President's view of welfare, to his remarks about the Challenger shuttle. He's going to support the new craft to fly from the United States to Tokyo in a couple of hours -- talked at great length about the economy, and it is, as Sam Donaldson, I think will confirm from the House Chamber -- the economy, the budget process particularly, Sam, which concerns the President and Congress tonight.

ABC's Sam Donaldson: You're exactly right. You notice there were no new initiatives in this speech that cost any money because there isn't any money. The country's broke, the President said, if not in so many words at least in talking about what needs to be done this year. And what needs to be done, he said, is persevere with cutting the budget by making budget cuts, not by raising taxes, that is to reduce the deficit, and not by reducing defense, that needs to be increased. He proposed in effect to go ahead with the Reagan agenda. He said it's an agenda for the future, but he might as well have said [interrupted] is what this speech was.

Jennings: The President being followed out of the House Chamber by Bob Dole, Jim Wright, the leaders respectively of the House and Senate, and by Robert Byrd on the left -- all of whom are going to be doing considerable battle in the ten months which is remaining before the midterm elections in 1986. Sam, the President's going to be 75 on Thursday and that is his usual, vigorous performance.

Donaldson: Well absolutely, Peter, you couldn't tell that he's 75. You would think he is certainly younger than you and I by the way he comes up with these speeches. He did appear to be on tonight. The Democrats are going to follow, as we've said, with their response, but they can't outperform the President. Now you notice, Peter, that the warm glances between the Speaker and the President there on television would suggest to people who didn't know better that they were on the same side. But Speaker O'Neill in fact has issued a statement which says that although the President's words were optimistic, his "stay the course" message was a disappointment. He issued that statement before the speech had even been given.

Jennings: Well the Democrats, Sam, are going to have a full bore shot at the President's programs when we come back....

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NETWORK REACTION (continued)

CBS's Dan Rather: ...Now, in case you joined us late, or were distracted for some reason, recapping very briefly some of the highlights of President Reagan's address tonight as he makes his way out.

The President picked up right where he left off last year, picking up his theme of America is back. Tonight he said, "We look out on a rising America." An America, President Reagan said, is on move. As had been indicated, there were few specifics in this State of the Union address.

And interestingly enough, one of the few outright pitches President Reagan made tonight for specific legislation is one that he has made before and is one that he's considered to be least likely to get. The President asked again for the so-called line-item veto. This would be an increase in presidential power, vis-a-vis the Congress. The President asked for the power to kill only the parts of bills that he doesn't like instead of having to veto the whole bill as is now the case.

The President asked for a study on how best to provide for catastrophic illness insurance for the elderly, long hospital stays that are relatively rare but not covered by Medicare and that can wipe out a family's finances. This is widely suspected to be possibly one of the focal issues for this year's congressional election. The President called for a study on the issue, but not, he didn't call for the plan outright that his own Health and Human Services secretary, Dr. Otis Bowen, is known to favor. Dr. Bowen has said that a modest, monthly rise in Medicare insurance rates, spread over millions of Medicare recipients, should cover the catastrophic illness costs of the relatively few who would need it. The President did not come out and say he'd back that. He called for a study on that issue.

The President spent a good deal of time in the address dwelling on what he called family values. Again, this is widely expected to be made an issue in this year's congressional elections by both parties. The President talked about family budgets and said there would be no new taxes. That, in quick summary form, was what the President's State of the Union address was centered upon.

Besides paying tribute to the seven fallen Challenger astronauts, the President made mention of several space programs. Besides going forward with shuttle missions, the President put in the plug for his space-based Star Wars defense and also for a separate program to build a new space plane. A kind of very far advanced Concorde -- a plane that would travel some 25 times the speed of sound. The President didn't mention the price tag; the Pentagon has pegged it at about \$2 billion for one of those space planes.

And the President, in what he said was a departure from his script tonight, paid tribute to the soon-to-depart member of Congress, one of his chief adversaries on the Hill, House Speaker Tip O'Neill. House Speaker O'Neill plans to retire from Congress when his current term is up. Now, there are of course other views of the State of the Union -- views tonight other than those just expressed by President Reagan. And in a moment, we'll have the State of the Union as seen and presented by the Democrats.

NETWORK REACTION (continued)

NBC's Tom Brokaw: President Reagan delivering a relatively brief State of the Union speech tonight, filled not so much with detail but with the ringing tones of a broad, thematic message that he wanted to deliver to this Congress and to the nation about what he hopes will come of the future. Hitting some familiar themes along the way: welfare overhaul, no tax increase, increased defense spending -- including the star wars program. And the President had a special message for those young people with Mrs. Reagan, of course, tonight; four heroic young people, all in their own fields. He also came out against abortion once again and he came out for a catastrophic illness program for elderly people. And he pledged to get an arms deal with the Soviet Union, if one can be reached -- where there is no cheating, as he put it.

The President now making his way out of the chamber. However any of these members feel about his policies, they almost all agree he is without peer when it comes to delivering this kind of a speech. Being led out by James T. Malloy, the House doorkeeper. Receiving kudos now from Sen. Simpson of Wyoming -- tall, balding man. Sen. Robert Dole right behind him, in the red tie, who is charged now with carrying the President's program through the Senate. They have some fairly sharp differences. Sen. Dole thinks that there may be a tax increase in our future in an effort to balance the budget; the President saying once again tonight he doesn't think it will be necessary if we cut all the federal spending that can be cut....

It promises to be an interesting matchup over the next 11 months or so. The President sending a budget that will arrive tomorrow in Congress -- many members saying it's DOA, dead on arrival, unrealistic, because it increases defense spending, cuts too many domestic programs, and does not call for a tax increase of some kind or another. There is still the celebrated memory, of course, of President Reagan when he was Governor Reagan of California and when he ran for his first term in office he was dead set against tax withholding, which they didn't have in California at that time, and he said, "My feet are cast in concrete." And then when he took office and discovered that they had a serious cash-flow problem, the President privately agreed with his advisers that they would have to have withholding taxes and so he came out and announced, "What you hear is the sound of concrete breaking around my feet." Now there are some in Washington who believe that he may have to take a similar stand in terms of his pledge not to raise taxes of any kind. He has talked some about there can be a tax increase of one kind or another, but it must be revenue neutral, that is it must not increase the tax burden on most Americans.

So the President tonight setting the stage for what will come later tomorrow, that is when his budget message arrives here, it will be filled with detail outlining what we have heard here tonight -- calling for that increase in defense spending, for the overhaul of the welfare program, also for the President's tax reform program as he outlined it, and his continuing commitment to the space program one week after the crash of the shuttle, saying the shuttle will go forward, so will the space station, and something he described as the Orient Express.

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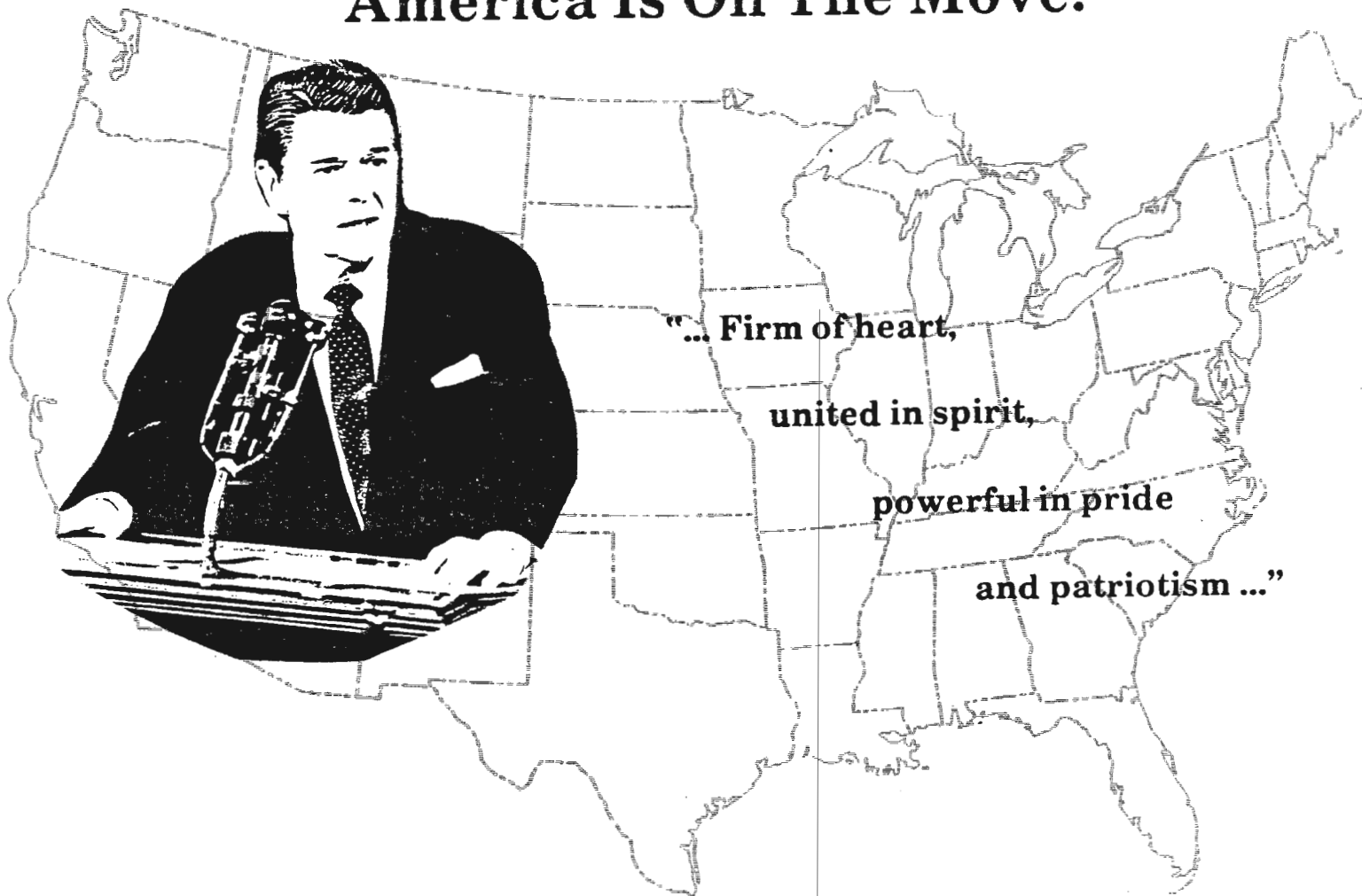


News Summary

OFFICE OF THE PRESS SECRETARY

WEDNESDAY, FEBRUARY 5, 1986 — 6:00 a.m. EST EDITION

America Is On The Move!



President Ronald Reagan
State of the Union Address
February 4, 1986

STATE OF THE UNION

REAGAN GIVES WELFARE ISSUES NEW PRIORITY

President Reagan, in his fifth State of the Union address, said Tuesday night the breakdown of the family structure among welfare recipients has reached crisis proportions and promised to devise a strategy to break "the spider's web of dependency."

(AP story, Montgomery Advertiser, A1)

-- The Montgomery Advertiser also ran a box summarizing the main parts of the speech, a sidebar on the four young heroes the President mentioned, and a sidebar on congressional reaction.

UPBEAT REAGAN URGES REFORM FOR WELFARE, HEALTH INSURANCE

President Reagan, in an upbeat State of the Union speech that urged Americans to "reach for the stars," Tuesday night promised sweeping studies aimed at reforming the nation's welfare programs and expanding health insurance plans to pay for serious illnesses.

(Hartford Courant, A1)

-- The Hartford Courant also ran excerpts from the speech and a sidebar on the President's plan to cut the cost of catastrophic illness insurance.

REAGAN ORDERS WELFARE OVERHAUL; Salutes Agenda of Future

President Reagan Tuesday night directed his Administration to develop a welfare strategy to help the poor "escape the spider's web of dependency" and to work with private insurers to develop affordable insurance against the cost of catastrophic illness.

(AP story, Indianapolis Star, A1)

-- The Indianapolis Star also included stories on reaction of the Indiana congressional delegation, which split along party lines, as well as a story, "Demos Blame Deficit on Reagan; Proclaim His Political 'Era' Over."

REAGAN'S AGENDA FOR THE FUTURE

President Reagan issued a sweeping call Tuesday night in his fifth State of the Union address for an "agenda for the future" that includes many of his past proposals plus new federal studies on the problems of poverty, catastrophic illness and currency instability.

(Des Moines Register, A1)

-- The Des Moines Register also ran an "At a Glance" box containing major points of the speech and a sidebar on Democratic reaction. The Register also ran a page one story by Knight-Ridder entitled, "Pentagon Seeks Record 1987 Budget."

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REAGAN APPEALS FOR UNITED EFFORT TO CUT SPENDING

President Reagan urged Republicans and Democrats on Tuesday night to unite to control government spending, saying, "It's time we reduced the federal budget and left the family budget alone."

In his annual State of the Union speech to Congress, Mr. Reagan singled out support of the American family as a big theme for the rest of his second term. (Kansas City Times, A1)

-- The Kansas City Times also ran a sidebar on the four young heroes the President mentioned and another story on the Democrats' response.

REAGAN PLEDGES WELFARE CHANGE; UPBEAT SPEECH CALLS NATION STRONGER

President Reagan issued a sweeping call Tuesday night in his fifth State of the Union message for an "agenda for the future" that includes many of his past proposals plus new federal studies on the problems of poverty, catastrophic illness, and currency instability.

(Minneapolis Star & Tribune, A1)

REAGAN'S STATE OF UNION ADDRESS CALLS FOR REDUCTION IN SPENDING, SAYS TAX RISE ISN'T WAY TO TRIM DEFICIT

Striking his familiar twin themes of optimism and resolve, President Reagan urged Congress and the American people to "go forward" with the Reagan revolution. Delivering the annual State of the Union message to Congress, Mr. Reagan last night issued a strong call for Congress to meet the "historic opportunity" posed by the Gramm-Rudman deficit-reduction law -- "forcing the government to live within its means." He also fired rhetorical volleys at those in Congress who have called for increased taxes to help balance the budget. (Robert Merry, Wall Street Journal, A58)

REAGAN'S MESSAGE APPEALS FOR UNITY TO CURB SPENDING

President Reagan appealed to Republicans and Democrats tonight to unite in an effort to control Government spending, saying, "It's time we reduced the Federal budget and left the family budget alone." Mr. Reagan singled out support of the American family as a major theme of the remainder of his second term. He sighted the family as the "moral core" of a restoration of the nation's confidence in the future.

(Bernard Weinraub, New York Times, A1)

REAGAN ORDERS STUDY TO BREAK WELFARE "WEB"

President Reagan last night ordered a comprehensive study of the nation's welfare system and other support programs for the poor, saying that poor families would break the cycle of poverty only by escaping what he called "the spider's web of dependency."

(Robert Timberg, Baltimore Sun, A1)

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POVERTY, HEALTH STUDIES ON REAGAN AGENDA

President Reagan issued a sweeping call last night in his fifth State of the Union message for an "agenda for the future" that includes many of his past proposals plus new federal studies on the problems of poverty, catastrophic illness and currency instability.

In a nationally televised speech that celebrated American accomplishments and purposefully avoided painful budgetary details, the President urged Congress to cut the domestic budget and continue to increase military spending. He also appealed for passage of "an historic tax reform providing new opportunity for all" and repeated his opposition to tax increases, even though earlier in the day he had opened the door to a possible imposition of an oil import fee.

(Lou Cannon, Washington Post, A1)

Reagan Hails "Great American Comeback"

President Reagan, hailing "the great American comeback" in his State of the Union message, last night called for deep domestic spending cuts to balance the federal budget, welfare reform and increased aid for anti-communist rebels. Mr. Reagan pledged to meet the challenges ahead by keeping the faith with his bedrock conservative principles and by breaking free from "failed policies."

(Jeremiah O'Leary, Washington Times, A1)

For the fifth time since taking office, President Reagan last night focused on the economy -- the area of his greatest success -- as he sought to set the tone for the new congressional year. As in his past State of the Union speeches, the President touched only briefly on foreign affairs, despite his summit with Mikhail Gorbachev just three months ago.

Despite the upbeat tone, the President raised several nagging issues last night that he first wrangled with as California governor but has been able to solve as President -- the growing cost of the federal welfare system and the need to provide a more efficient system of catastrophic health care.

(Mary Belcher and Marc Lerner, Washington Times, A1)

Reagan: America's Getting "Stronger Every Day"

President Reagan, declaring that America is growing "stronger every day" has sent Congress a national agenda that pledges a "great American comeback" of traditional values and peace through military strength.

In a State of the Union message to Congress Tuesday, the President pledged to keep the nation on a course of economic health through tax reform, fair trade and especially the mandates of the Gramm-Rudman budget balancing law.

(Helen Thomas, UPI)

State of the Union

President Reagan, in his fifth State of the Union address, said Tuesday night the breakdown of the family structure among welfare recipients has reached crisis proportions and promised to devise a strategy to break "the spider's web of dependency." He delivered, as expected, a generally upbeat report on a nation he said is "growing stronger every day." He concluded with a salute to four young heroes who watched the speech with the First Lady.

(Michael Putzel, AP)

Reagan's Medicine May Swallow Hard

President Reagan pronounced the American body politic well on the road to good health in his State of the Union speech, but he may find the patient less than eager to swallow the medicine he says is needed to complete the cure.

Just as Reagan's diagnosis of what is best for the country did not change, neither did the potential for resistance from his live audience, a House of Representatives controlled by Democrats and a Senate with a sometimes wobbly Republican majority. As advertised, the speech was long on broad rhetoric, but it also carried some specifics that looked like certain bitter pills for Congress. (Arnold Sawislak, UPI)

Numbers Will Fill in Reagan's Upbeat Words

The words President Reagan offered the nation in his State of the Union address, even by his customary upbeat standards, overflowed with imagery in which all problems are swept aside by the "American Dream." But it will require volumes of numbers to complete the picture.

In the speech he delivered to joint session of Congress and the American people Tuesday night, Reagan talked about the need to "redefine government's role." But he did not get into the details of such definitions in his annual address. The best place to look for Reagan's vision of the role of the federal government would be found in the budget he is sending to Congress today. (Donald Rothberg, AP)

DOOR OF OPPORTUNITY SHUT, DEMOCRATS SAY

Sidestepping a direct attack on President Reagan, Democrats last night blamed his policies for the deficits that they said leave the country behind the eight ball as it enters "the post-Reagan era" with the election 1986. In their response to Reagan's upbeat State of the Union message, the opposition party argued in a variety of accents that Reagan's "failed fiscal policies" and massive trade deficits have "closed the door of opportunity" to farmers, small businessmen and young job-seekers.

The Republicans, as expected, praised the President's message, while carefully minimizing the disagreements many have expressed with the tax-revision plan and budget priorities at the center of Reagan's domestic program. (David Broder, Washington Post, A7)

HOMELESS ADVOCATE DISAGREES WITH REAGAN

Homeless advocate Mitch Snyder delivered a "State of the Homeless" speech at his downtown shelter where he sharply criticized President Reagan's view of the State of the Union. "We see a government, irresponsible and inefficient, cheerfully spending \$600 for toilet seats and \$8,000 for hammers for an already-bloated military, while at the same time, merciless slashing housing, food and jobs programs," Snyder told a small gathering of shelter residents Tuesday. (Julie Brienza, UPI)

INTERNATIONAL NEWS

U.S. JETS/SOVIET BOMBERS

ANCHORAGE, Alaska -- Two U.S. fighter jets scrambled to intercept two Soviet bombers flying over international waters and kept them from penetrating U.S. air space near Alaska, the Air Force revealed Tuesday. The two Soviet bombers were flying in close formation between 80 and 90 miles northeast of Point Barrow and were on a course that would have penetrated U.S. air space, Major Darrel Hayes said.

Hayes said the Soviet planes were flying parallel to the Alaska coast until the F-15s arrived. Then "they (the Soviet planes) turned around and headed elsewhere."
(Jeff Berliner, UPI)

PRESIDENT EASES OPPOSITION TO OIL TAX

President Reagan signaled for the first time yesterday that he might be willing accept an import fee if the new revenue is used for tax revision legislation and not to reduce the deficit. Reagan's comments in remarks to newspaper correspondents before his State of the Union message last night appear to open the door to use the oil import tax in the Senate version of tax overhaul legislation to offset revenue losses.

The Senate is attempting to construct a bill that would meet Reagan's demands for deeper tax rate reductions for business and individuals than the House tax revision plan provides.

(David Hoffman, Washington Post, A1)

DRAFT PROPOSAL BY HHS SECRETARY WOULD BAR FOREIGNERS WITH AIDS

HHS Secretary Bowen has proposed that foreigners who suffer from AIDS be denied entry to the United States, despite evidence that there is no foolproof, routine method of testing for exposure to the disease. If Bowen's proposal becomes law after review by other federal agencies, foreign citizens applying for visas would have to be tested for antibodies of the acquired immune deficiency syndrome, even though there are questions about the capability of doctors in some nations to administer screening tests.

(Juan William, Washington Post, A4)

PROTECTING EMBASSIES STRESSED

A controversial \$4.4 billion program of security improvements to protect U.S. embassies and official buildings abroad from terrorist attacks is urgently needed despite tight budget restrictions, Secretary Shultz said yesterday. The plan would involve \$2.7 billion to buy land, construct new embassies and rebuild facilities at 66 locations around the world, according to State Department documents.

The balance of the \$4.4 billion would be used, among other things, to buy armored cars, train security guards and protect foreign diplomats in the United States.

(Joanne Omang, Washington Post, A8)

MAJOR EAST-WEST SPY SWAP IS CONFIRMED

BONN -- East and West Germany today confirmed a major spy swap would take place soon, and diplomatic sources said Soviet dissident Anatoly Scharansky would be included. West German Chancellor Kohl today confirmed that the swap was in the offing and Western diplomatic sources said the Soviet Union would include Scharansky in the exchange next week to make sure he was seen as a spy. (Reuter story, Washington Post, A16)

Kohl Confirms East-West Spy Swap in Offing

BONN -- Speaking to foreign correspondents here, Mr. Kohl said President Reagan and Mikhail Gorbachev had effectively paved the way for a prisoner exchange at the Geneva summit last year, but he refused to say when it would be. "If I wanted to ruin the exchange, I would tell the truth about it here and now," Kohl said. "There have always been spy exchanges and that's why it is being done now." (Washington Times, A7)

Kremlin Wants \$2 Million for Shcharansky

BONN -- Chancellor Kohl indirectly confirmed an impending spy swap involving Anatoly Shcharansky, but a newspaper said today the Kremlin has made tough new demands, including a \$2 million ransom. Bild reported the Soviet Union has insisted on a \$2 million ransom for Shcharansky and demanding release of 11 high-ranking East Bloc spies -- three more than originally called for in the deal. (UPI)

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NATIONAL NEWS

2 JUDICIAL NOMINEES ASSAILED

Liberals and civil rights activists are kicking off their 1986 campaign against President Reagan's judicial nominees with an assault on two who they say have tried to chill minority voting rights.

Jefferson Sessions, the U.S. attorney in Mobile, Ala., has been the focus of considerable controversy for his unsuccessful prosecution of three black civil rights activists on voting-fraud charges. Opponents also have mobilized a hearing today on Sidney Fitzwater, a state district judge in Texas, for his role in a 1982 sign-posting incident.

(Howard Kurtz, Washington Post, A4)

COURT NOMINEE WITHDRAWS

Former OMB general counsel Michael Horowitz, citing personal and professional concerns, has taken himself out of the running for a seat on the U.S. Court of Appeals here, sources said yesterday. Horowitz, who had been under consideration for the key judgeship since early October, told Administration officials on Monday that he had decided to become a senior partner in a large Washington law firm.

President Reagan has already named five members of the 12-member panel, often called the nation's second most powerful court, after the Supreme Court.

(Al Kamen, Washington Post, A4)

REAGAN SEEKING 8% INCREASE, AFTER INFLATION, FOR PENTAGON

President Reagan says he wants only a "modest" increase in defense spending next year of 3 percent above inflation, but the budget he sends to Congress today actually seeks an 8 percent increase above inflation, according to Administration officials.

Reagan's proposed 3 percent increase is based on the higher budget resolution levels approved last summer, and ignores the cuts made since then, including cuts imposed by the new balanced-budget law. When measured against the actual spending authority for this year, \$278.4 billion, Reagan will be seeking an increase of 8.2 percent, to \$311.6 billion officials said.

(David Hoffman, Washington Post, A8)

Reagan Seeks \$311.6 Billion Pentagon Budget in 1987

President Reagan's \$311.6 billion 1987 Pentagon budget sent to Congress today calls for a major increase in "Star Wars" research and projects \$1.8 trillion in U.S. military spending over the next five years. The budget -- facing almost certain cuts in deficit conscious lawmakers -- asks for \$4.8 billion for 1987 research on Reagan's anti-missile SDI, commonly called Star Wars, compared to \$2.7 billion this year.

(Charles Aldinger, Reuter)

STOCKMAN SAYS FEDERAL DEFICIT IS GOP FAULT, TOO

David Stockman has once again caught the eye of his former boss, President Reagan. According to a White House official, Reagan "hit the roof" this week when he saw a newspaper account of an interview with Stockman to be published in Penthouse magazine. In the interview, Stockman says Republicans as well as Democrats are to blame for the mounting federal deficit. "After four years, I am convinced that a large share of the problem is us," Stockman says. "By that, I mean Republicans." (Washington Post, A17)

SENATE VOTES TO APPROVE CONRAIL SALE

The Senate has voted 54 to 39 to approve the sale of Conrail to Norfolk Southern Corp. for \$1.2 billion, a merger which would create the nation's largest railroad. The bill must now go to the House of Representatives where it faces strong opposition. (Robert Green, Reuter)

NANCY REAGAN HEADS SHUTTLE CHILDREN'S TRUST FUND

First Lady Nancy Reagan has agreed to serve as the honorary head of a trust fund for the children of the astronauts killed in the space shuttle Challenger explosion, officials of the fund announced. Elaine Crispin, the First Lady's Press Secretary, confirmed Reagan had agreed to serve as chairwoman of the fund. (UPI)

PLAYBOY

NEW YORK -- The magazine that made the nude centerfold famous now has the President's son on its writing staff. President Reagan's son Ron was named contributing editor at Playboy on Tuesday, Executive Editor Barry Golson announced. "Although there was skepticism at first, Ron Reagan's articles for Playboy have made converts of us all," Golson said. "His lively writing style and privileged perspective have evolved into a promising career in journalism. He has a modern writing style and a perceptive wit that our readers appreciate," Golson said. "We are taking this association seriously and expect to be publishing Ron's work for many years." (UPI)

BUCHANAN SAYS GOP MUST TAP "SPIRITUAL REVIVAL"

Patrick Buchanan says the Republican Party must tap "the spiritual revival" and "new patriotism" fostered by President Reagan if it wants to keep winning elections. Unless the GOP maintains its commitment to conservatism, the "Reagan Revolution" could become an "interlude" in continued liberal domination of the nation, he said Tuesday at the annual convention of the National Religious Broadcasters.

Buchanan, who was presented with a "distinguished service award" by the broadcasters, spoke at the convention's annual luncheon honoring members of the FCC. (David Anderson, UPI)

NETWORK NEWS SUMMARY

(Tuesday Evening, February 4, 1986)

STATE OF UNION/FEDERAL BUDGET

CBS's Dan Rather: President Reagan tonight delivers the State of the Union speech -- delayed by the space shuttle catastrophe -- a speech said to be optimistic in tone, short in length, and short on specifics. Within hours though, it will be followed by a long list of controversial proposed budget cuts. Cuts by the billions that apparently center on programs for the middle-class on down, while still calling for increased defense spending.

CBS's Bill Plante: The President's trillion dollar 1987 budget rolled off the presses as Mr. Reagan prepared to warn the nation tonight that if Congress tampers with his spending plan, family budgets will suffer. The President's men began an aggressive sales campaign for the budget. (TV coverage of Budget Director Jim Miller at the presses.) The Pentagon certainly will. Military spending could rise by 3% a year over inflation. To get the deficit down to \$144 billion, as required by the new Gramm-Rudman-Hollings law, the budget slashes spending for dozens of programs which now benefit the poor and middle-class -- such as Medicare, student loans and Amtrak. A lot of people in Congress don't want to make these kinds of cuts, especially in an election year.

(Sen. Warren Rudman: "I think the President's attitude is he's going to hang in there tough and compromise at the last possible moment.") But Democrats who will respond to Mr. Reagan tonight want compromise sooner, not later, even though they say they won't be the ones to call for new taxes.

(Rep. William Gray: "I think clearly those of us who serve on Capitol Hill know that the person who is at 1600 Pennsylvania Avenue has to holster the 44-magnum 'make my day' veto gun before anyone is going to seriously talk about revenue.")

And so the battle begins. The President will try to frame the debate in his favor tonight, even as some Democrats are calling his budget dead before arrival. You won't guess it by listening to the President tonight, but officials concede they'll eventually have to be some kind of budget compromise on defense spending and taxes. The question for politicians and taxpayers alike is: Will that compromise come soon enough to avoid political and fiscal chaos?

CBS' David Martin reports President Reagan is expected to go one step beyond the space shuttle tonight and call for development of a space plane that could fly at up to 25 times the speed of sound.... Pentagon officials say they hope to build a prototype space plane by the mid-1990s -- the latest in a series of experimental aircraft dating back to Chuck Yeager's X-1 which first broke the sound barrier. There is also a high degree of cost. The Pentagon plans to spend about \$500 million over the next three years developing the new technologies that would go into the space plane -- actually building one would cost an estimated \$2 billion. (CBS-4)

ABC's Peter Jennings: The President's message to Congress was -- as you know -- scheduled to be delivered last Tuesday until the space shuttle exploded. The President will have something to say about space travel this evening, but his focus will be on the economy.

ABC's Sam Donaldson: (TV Coverage of last year's State of the Union.) It was last year on this occasion that the President set the tone for his second term, pronouncing the nation renewed -- stronger, freer and more secure than ever. And indeed tonight, he'll continue that snappy, upbeat assessment -- saying America believes America is ready, America can win the race to the future, and we shall. In fact after appropriate words about the loss of the Challenger crew, the President will look ahead to a time when an aerospace plane might whisk ordinary citizens from New York to Tokyo in 25 minutes. In general terms, the President will review unfinished business from arms control to tax reform. He'll call for studies on world monetary reform, the U.S. welfare system, and a joint government private-sector insurance program for catastrophic illness. Only studies mind you. And he'll repeat his call for deficit reduction by budget cuts alone under the Gramm-Rudman-Hollings law, with no tax increases and higher defense spending. Mr. Reagan will talk about the family budget, and how government must -- like families -- live within its means. But in a speech cut to about half its usual length -- maybe only 20 minutes long tonight -- the President will not talk much about the hard cuts necessary to do that. (TV coverage of Budget Director Jim Miller at the presses.) Well, yes, there it is -- the President's new budget for Fiscal '87, being printed today for its trip up to Capitol Hill tomorrow with the painful numbers. Budget Director Miller insisting the deficit can be reduced the President's way. But the Democrats, rehearsing for their State of the Union response, which they'll deliver on television right after Mr. Reagan's speech, will say it can't.

(Rep. William Gray: "The question is not whether or not you want a strong America, it's whether or not we're going to borrow, borrow, borrow to pay for it.")

The Democrats can't hope to beat the President tonight on performance -- no one ever has -- they can only hope that when Mr. Reagan talks about winning the race for the future, they can persuade the country to pay for it now. (ABC-3)

Jennings: Once again, the State of the Nation. Today the President and the Democratic Party tell us what they think it is. But the state of the nation, as we all know, can be very personal. So ABC News conducted a poll: 45% of the people we talked to believe the country as a whole has improved during President Reagan's time in office. (Note: 27% said worse off; 27% said the same.)

But just one-third (33%) said their own situation had improved. (Note: 20% said worse off; 46% said the same.) Asked to rate the status of the economy: 56% said it is not so good or poor; 43% said it is good or excellent.

And the people we surveyed are almost evenly split on whether we are all headed in the right direction or not. (Note: 47% said right direction; 45% said wrong direction.) (ABC-11)

ABC's Jim Wooten reports not everyone is sharing in the recent economic growth.... Unemployment is the lowest since 1980, yet in 25 states, more jobless today than a year ago. Housing construction's on the rise, but home ownership -- once the centerpiece of the American dream -- has declined to the lowest percentage in nearly 20 years. Bank profits last year -- \$15 billion. And yet 120 banks failed -- more than any year since 1938 and 11,000 more are in serious trouble. At least 80,000 farmers are a year behind in loan payments to the Farmers Home Administration. And 27,000 others are more than three years delinquent. Personal income is up across the country, yet 32 million Americans still live in poverty -- a third of all blacks, one child in every five. In a country so comfortable to success, it is uncomfortable to acknowledge failure -- to hear that illiteracy and malnutrition are still very serious problems, that homicide is the leading cause of death for young black men, that infant mortality is higher for black babies than white, and that thousands of people sleep in the streets of America. Very uncomfortable, but undeniably a part of the State of the Union.

(ABC-12)

Brokaw: President Reagan comes to the Capitol tonight to deliver his State of the Union speech. He was preparing to give that speech last Tuesday when the space shuttle went down. Now, after a week of national mourning, he'll focus attention on national goals and family values, and his proposals for the future.

NBC's Chris Wallace: The shuttle accident may have delayed the speech for a week, but the President will emphasize tonight that the tragedy has not altered his commitment to the space program.

Tonight, Mr. Reagan will renew his pledge to keep the shuttle flying, as well as to build a manned space station and an aerospace plane that can travel up to 8,000 miles an hour. The President will also have new earthbound initiatives -- a study of the welfare system. The Federal government spends \$110 billion a year on welfare. Administration officials say if they just paid people \$60 billion directly, they could put everyone over the poverty line. The President will also announce studies of currency reform to lower the trade deficit, and of a new health insurance for catastrophic illness. But the emphasis tonight will be on cutting the budget -- a theme Mr. Reagan has previewed.

(President Reagan: "We've got to get government in shape for the 21st century and one of the ways that we plan to do that is by getting government out of activities it can no longer afford or shouldn't have been doing in the first place.")

The President will take a hard line, calling for big domestic cuts, a defense increase and no new taxes. He will say he's protecting the family budget over the federal budget. The President's pollster says casting the debate in those positive terms allows Mr. Reagan to avoid talking about painful cuts.

(Richard Wirthlin: "In a way, the President sets the expectations that both the Congress and the public have about what might or might not be accomplished and that offers some tremendous advantage to him.")

Wallace continues: In foreign policy Mr. Reagan will call for an arms deal with the Soviets, but restate his commitment to a Star Wars anti-missile plan. And he will urge Congress to support what he calls "Freedom Fighters," opposing Soviet-backed regimes from Afghanistan to Nicaragua. But the focus tonight will be on the budget and the President will give no sign he's about to compromise with Congress. Some aides say that he may eventually deal with Congress on both defense and taxes, but he clearly plans to play the cards he's got now for some time. (NBC-4)

Brokaw: Congressional Democrats didn't even wait to hear the President's words before taking issue with his priorities.

NBC's John Dancy: This may be a grand occasion of state for the President, but for Congress it's about as welcome as a trip to the dentist, because increasingly the State of the Union has become a budget message with the President outlining the spending cuts he wants. Today, even as the budget was rolling off of the presses, the Administration was starting to defend it.

(OMB's Miller: "This is a budget you're all going to love.")

But Democrats don't love it and they held a press conference, even before the President spoke, to condemn expected cuts in health programs for the elderly and poor while defense spending increases. Already, spending cuts in education are being felt just across the street from the Capitol, at the Library of Congress. Because of the cutbacks, the Library will reduce the hours it is open and cut book purchases by 13 percent. Almost three million retired federal employees have already felt the cuts; their cost-of-living adjustment has been canceled. So inevitably there is talk of new taxes instead of cutting spending. But who will go first in proposing taxes. Democrats say the President is trying to manipulate them.

(Rep. Barbara Boxer (D-Calif.): "He would like to see the Democrats come forward and be the first ones to say 'We need new taxes.' He's not going to see that happen.")

The Republicans don't want to talk taxes either.

(Sen. Rudy Boschwitz (R-Minn.): "There may have to be some new taxes, but we don't want to get out in front on that, because as soon as there is even the smell of additional taxes on the horizon, then it is very hard to reduce any spending increases.")

So new taxes seem to be up to the President and he keeps saying, "No, no, a thousand times no." But there are many people here, perhaps even a majority who think that ultimately the answer will be yes. (NBC-5)

OPEC/OIL PRICES

Brokaw: Some members of Congress have proposed a tax on oil imports to help balance the budget. Meanwhile the price of oil keeps falling. In Vienna today an OPEC meeting agreed to dump surplus oil on the world market in an effort to force those non-OPEC producers, like Great Britain, to cut their productions. World markets reacted by cutting the price of oil sharply. A barrel of North Sea crude oil now costs less than \$16. That's the lowest price since the 1970's. And in this country, the wholesale price of gasoline and heating oil fell below 50 cents a gallon. (NBC-6; CBS-6)

SPACE SHUTTLE

Rather reports CBS News has learned that searches and sonar sweeps appear to have turned up part of the Challenger's main crew quarters and belongings of some of the seven astronauts. Also believed found at the bottom of the Atlantic -- what could be a key piece of evidence about what went wrong.

CBS's Bruce Hall reports searchers apparently found at least a portion of shuttle's main crew compartment -- which is still on the ocean floor -- some of the personal effects of the astronauts and one of the crucial solid rocket boosters. NASA officials refused to comment on the findings.... There is confusion here on the status of NASA's interim investigation board, which appears to have been put out of business by the appointment of a presidential commission. Still, the analysis of computer information collected before and during the flight continues. (CBS-lead; ABC-4)

Brokaw reported there were two major developments in the shuttle investigation today. NASA officials say they may have located one of the Challenger's two solid rocket boosters. NBC correspondent Jay Barberi has learned that the human remains found definitely are those of the shuttle's crew members. (NBC-8)

ISRAEL/LIBYAN JET

Rather: Israeli warplanes today forced down a small, Libyan passenger jet on its way to Syria, but when the door was open, the people who came out were not the people Israeli intelligence thought they would be. And U.S. sources tonight say Israeli officials are embarrassed.

CBS's Don McNeil reports it seemed like a coup for Israeli intelligence.... But there were no terrorists -- only nine Syrian politicians.... The speed with which the Israeli government reacted to explain this interception is unprecedented -- perhaps to cover embarrassment in a gamble that didn't pay off. Said one Israeli official: "We tried for a big fish and we failed."

CBS's Bob Simon reports that what surprised many Americans was that Israeli intelligence could make a mistake.... The big fish Israeli intelligence thought were on that plane today are marked men -- starting now.

Rather: Syria condemned the Israeli interception as "air piracy." Libya said the same and also charged that U.S. warships helped the Israeli warplanes find their quarry. In Washington, officials denied any U.S. military involvement. (CBS-2)

ABC's Bob Zelnick reports Foreign Minister Shamir justified today's action. (FM Shamir: "If there are some suspicions and information that there are some people who are planning terrorist acts against Israel, Israel has the right to prevent such acts.") Particularly when they don't bag their prey, incidents like today's embarrass the Israelis, leading inevitably to international condemnation. But the Libyan jet is a symbol that the Israelis are willing to pay that price in order to give terrorists and those who shelter them no rest.

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ABC's Barrie Dunsmore reports Libyan television tonight said the Israeli action was taken in collusion with the U.S. and that the Sixth Fleet, which last week was deployed near Libya, had played a role. The U.S. denies this, saying that most of those ships are now back in Naples. However, there are credible reports today that the U.S. plans to resume its pressure on Khadafy by sending the fleet into Libya's disputed waters next week.

Jennings: Syrian officials are threatening retaliation against Israel. The chief of staff of Syria's armed forces is quoted as saying "We will answer this crime by teaching those who committed it a lesson they will not forget."
(ABC-lead)

NBC's Tom Brokaw: From the Library of Congress, overlooking the nation's Capitol -- and it is in that building tonight that the President will deliver his State of the Union speech to a joint session of Congress, and as the President was making final preparations today, there was a dramatic development in the skies over the Middle East. The Israelis intercepted a small Libyan passenger jet and forced it to land, but apparently they didn't get what they were looking for.

NBC's Martin Fletcher reports from Tel Aviv that the Israelis believed the Libyan plane contained top PLO leaders but on board were nine minor Syrian politicians. Israel tracked the jet on its flight from Tripoli, where Colonel Khadafy had held a meeting of radical Arab and Palestinian groups and appealed for help in his fight against the United States. Two Israeli F-16's intercepted the plane, hoping that Abu Nidal was on board. Yitzak Shamir made no excuses for the mistake. Libyan Radio called the interception "an act of Zionist piracy," and accused the United States Sixth Fleet of helping the Israelis. The U.S. denied any involvement. After nearly five hours detention, the Libyan plane, with the Syrians on board, continued its journey to Damascus.
(NBC-lead)

Brokaw: In Libya today, Khadafy presided at a gathering of radical Arab revolutionary groups and they issued a resolution pledging to form a suicide force which they said would strike American targets around the world if the United States attacks Libya.
(NBC-2)

ANIMAL RESEARCH

Rather: As we reported last night, new guidelines set down by the Reagan Administration through the National Institutes of Health aim at improving the lot of animals used in medical research. The question tonight is what do those guidelines mean for the health of humans?

CBS's Terry Drinkwater reports at scores of universities and medical centers across the country, research using animals is being curtailed or stopped. And many experts worry the result will slow progress toward cures for human ills like cancer, heart and muscular disease and AIDS.... Some doctors and patients feel the government has gone too far. But animal lovers say there are other, better research methods.
(CBS-9)

PHILIPPINES/AQUINO

CBS's Bill Redeker reports a quarter of a million people came to see and hear the housewife who could become president. It was the largest opposition rally in Philippine history and it is this sort of public enthusiasm that has given President Marcos the most serious political challenge of his career. Should Mrs. Aquino be able to deliver these large crowds to the polls on Friday and actually defeat the president, could she run this country which has been so completely controlled by him for the past 20 years? ... Aquino is intensely religious, and has made integrity and morality the theme of her campaign. That -- more than issues or experience -- has struck a responsive chord here. For those at today's massive rally who are eager for change, the political novice -- who's become a political phenomenon -- may not have to promise much more. (CBS-7)

Jennings reports a group of American observers left Washington today headed for the Philippines. The group headed by Sen. Richard Lugar is to report back to President Reagan on the presidential election in the Philippines which will begin Thursday night our time. In Manila today, a giant rally in support of opposition candidate Aquino. (ABC-5; NBC-13)

CHANCELLOR ON REAGAN

NBC's John Chancellor: Ronald Reagan this week is setting in motion the sixth year of his presidency, riding an unprecedented crest of popularity. Mr. Reagan is a man of the right wing; the most conservative occupant of the White House since Herbert Hoover. It might seem logical that this successful president would have had an effect on the way the American people see political issues -- that five years of Ronald Reagan would have produced a shift toward conservative ideas. The odd thing about the Reagan presidency is that this has not happened. The American people, ideologically, are exactly where they were when Ronald Reagan was elected. In his first month in office, back in 1981, the NBC News Poll showed that about a third of the voters described themselves as conservatives. When we asked the same question this month in 1986, the answer was the same. No change, either, in those who call themselves liberals or moderates. In the Reagan years, the ideological spectrum hasn't shifted an inch. Other polls confirm this. We find the same thing when we calculate support for gun control, for the right of a woman to have an abortion, or the passage of the equal rights amendment. In the past five years there has been no loss of support for these things, even though conservatives oppose them. No conservative tide in those figures. What has happened is that the American people have separated Mr. Reagan from his ideology. They admire him personally, but they reject many of the ideas he holds dear. The Great Communicator has been only partially successful. (NBC-16)

NBC's Fred Briggs reports that more and more people are suggesting that we swap the "Star Spangled Banner" for "America the Beautiful" as the National Anthem. (NBC-17)

EDITORIALS/COLUMNISTS

GRAMM-RUDMAN/BUDGET DEFICIT

Reagan's February Surprise -- "While we still reserve doubts about the constitutional efficacy of GRH's 'automatic sequestering' rules, we never doubted that its goals could be reached by restraining the growth in federal spending, rather than new taxes. Nor did the American people. Polls over the past couple of years have shown that the public prefers by a 2-to-1 margin spending cuts to tax increases as a way of reducing the deficit." (Detroit News, 2/3)

Keep the Blade Sharp -- "This year's budget battle promises to be the bloodiest since Mr. Reagan took office, with the victors deciding our national spending priorities right up to 1991, the year of Gramm-Rudman's zero-deficit. Get out of the grindstone, Mr. President, and begin sharpening the ax." (Washington Times, 2/4)

Reagan's Choice in Facing Budget and Trade Deficits -- "Only President Reagan is in a position to forge a compromise. Yet, reportedly, tomorrow he will ask Congress to boost military spending by 40 percent over five years while ending much of what government does domestically. That's a prescription for conflict, not compromise. It will prolong political stalemate, not repair economic erosion. The President wants to win on his terms, but the nation needs compromise." (Philadelphia Inquirer, 2/4)

The Senate's Bad Tax Idea -- "Leading members of the Senate Finance Committee are considering the use of an oil import fee to help finance 'tax reform.' Administration officials concerned about the shaky math of the tax bill -- it is supposed to make a lot of people happy but not lose money -- are encouraging them. But it is a terrible idea.... Given the position of the president, there is only so much tax increasing Congress can expect to do this year in the best of circumstances. The committee would be wasting clout. To cut rates, cut preferences. That was a good idea last year in the House. It still is." (Washington Post, 2/4)

Cuts Alone Won't Balance Our Budget -- "Congress -- and the president -- must face up to the hard, horrible truth: After they have done all the cutting that voters will tolerate, there still won't be enough money to erase the deficit. Rather than turn on the buzz saw, they must find ways to raise new revenues.... No one likes new taxes. They must be imposed 'only' as a last resort. But if we don't start to defeat the deficit now, our children will be buried in an avalanche of debts. If Congress does not cut the deficit wisely, we will be financially bankrupt -- and politically bankrupt as well." (USA Today, 2/4)

Make a Slide Deal With Mexico -- "Like a dozen other poor countries, Mexico owes foreign banks billions that it cannot possibly repay in timely fashion. Unlike other debtors, Mexico has almost unlimited quantities of oil and a rich neighbor that remains critically dependent on foreign energy supplies. Isn't there room here for a special deal? ... It is hard to imagine a more cost-effective investment in national security -- and financial stability -- than helping Mexico to help us fill the strategic reserve." (New York Times, 2/4)

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STATE OF THE UNION

NETWORK REACTION FOLLOWING THE PRESIDENT'S ADDRESS

ABC's Peter Jennings: A standing ovation for the President from both sides of the House Chamber -- Democrats and Republicans -- as he spoke for almost 27 minutes. A shorter speech than is normal for the State of the Union. That's Mrs. Reagan and Trevor Farrell. A short speech, however, in which the President covered a great deal of territory. A very full agenda -- everything from defense to the President's view of welfare, to his remarks about the Challenger shuttle. He's going to support the new craft to fly from the United States to Tokyo in a couple of hours -- talked at great length about the economy, and it is, as Sam Donaldson, I think will confirm from the House Chamber -- the economy, the budget process particularly, Sam, which concerns the President and Congress tonight.

ABC's Sam Donaldson: You're exactly right. You notice there were no new initiatives in this speech that cost any money because there isn't any money. The country's broke, the President said, if not in so many words at least in talking about what needs to be done this year. And what needs to be done, he said, is persevere with cutting the budget by making budget cuts, not by raising taxes, that is to reduce the deficit, and not by reducing defense, that needs to be increased. He proposed in effect to go ahead with the Reagan agenda. He said it's an agenda for the future, but he might as well have said [interrupted] is what this speech was.

Jennings: The President being followed out of the House Chamber by Bob Dole, Jim Wright, the leaders respectively of the House and Senate, and by Robert Byrd on the left -- all of whom are going to be doing considerable battle in the ten months which is remaining before the midterm elections in 1986. Sam, the President's going to be 75 on Thursday and that is his usual, vigorous performance.

Donaldson: Well absolutely, Peter, you couldn't tell that he's 75. You would think he is certainly younger than you and I by the way he comes up with these speeches. He did appear to be on tonight. The Democrats are going to follow, as we've said, with their response, but they can't outperform the President. Now you notice, Peter, that the warm glances between the Speaker and the President there on television would suggest to people who didn't know better that they were on the same side. But Speaker O'Neill in fact has issued a statement which says that although the President's words were optimistic, his "stay the course" message was a disappointment. He issued that statement before the speech had even been given.

Jennings: Well the Democrats, Sam, are going to have a full bore shot at the President's programs when we come back....

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NETWORK REACTION (continued)

CBS's Dan Rather: ...Now, in case you joined us late, or were distracted for some reason, recapping very briefly some of the highlights of President Reagan's address tonight as he makes his way out.

The President picked up right where he left off last year, picking up his theme of America is back. Tonight he said, "We look out on a rising America." An America, President Reagan said, is on move. As had been indicated, there were few specifics in this State of the Union address.

And interestingly enough, one of the few outright pitches President Reagan made tonight for specific legislation is one that he has made before and is one that he's considered to be least likely to get. The President asked again for the so-called line-item veto. This would be an increase in presidential power, vis-a-vis the Congress. The President asked for the power to kill only the parts of bills that he doesn't like instead of having to veto the whole bill as is now the case.

The President asked for a study on how best to provide for catastrophic illness insurance for the elderly, long hospital stays that are relatively rare but not covered by Medicare and that can wipe out a family's finances. This is widely suspected to be possibly one of the focal issues for this year's congressional election. The President called for a study on the issue, but not, he didn't call for the plan outright that his own Health and Human Services secretary, Dr. Otis Bowen, is known to favor. Dr. Bowen has said that a modest, monthly rise in Medicare insurance rates, spread over millions of Medicare recipients, should cover the catastrophic illness costs of the relatively few who would need it. The President did not come out and say he'd back that. He called for a study on that issue.

The President spent a good deal of time in the address dwelling on what he called family values. Again, this is widely expected to be made an issue in this year's congressional elections by both parties. The President talked about family budgets and said there would be no new taxes. That, in quick summary form, was what the President's State of the Union address was centered upon.

Besides paying tribute to the seven fallen Challenger astronauts, the President made mention of several space programs. Besides going forward with shuttle missions, the President put in the plug for his space-based Star Wars defense and also for a separate program to build a new space plane. A kind of very far advanced Concorde -- a plane that would travel some 25 times the speed of sound. The President didn't mention the price tag; the Pentagon has pegged it at about \$2 billion for one of those space planes.

And the President, in what he said was a departure from his script tonight, paid tribute to the soon-to-depart member of Congress, one of his chief adversaries on the Hill, House Speaker Tip O'Neill. House Speaker O'Neill plans to retire from Congress when his current term is up. Now, there are of course other views of the State of the Union -- views tonight other than those just expressed by President Reagan. And in a moment, we'll have the State of the Union as seen and presented by the Democrats.

NETWORK REACTION (continued)

NBC's Tom Brokaw: President Reagan delivering a relatively brief State of the Union speech tonight, filled not so much with detail but with the ringing tones of a broad, thematic message that he wanted to deliver to this Congress and to the nation about what he hopes will come of the future. Hitting some familiar themes along the way: welfare overhaul, no tax increase, increased defense spending -- including the star wars program. And the President had a special message for those young people with Mrs. Reagan, of course, tonight; four heroic young people, all in their own fields. He also came out against abortion once again and he came out for a catastrophic illness program for elderly people. And he pledged to get an arms deal with the Soviet Union, if one can be reached -- where there is no cheating, as he put it.

The President now making his way out of the chamber. However any of these members feel about his policies, they almost all agree he is without peer when it comes to delivering this kind of a speech. Being led out by James T. Malloy, the House doorkeeper. Receiving kudos now from Sen. Simpson of Wyoming -- tall, balding man. Sen. Robert Dole right behind him, in the red tie, who is charged now with carrying the President's program through the Senate. They have some fairly sharp differences. Sen. Dole thinks that there may be a tax increase in our future in an effort to balance the budget; the President saying once again tonight he doesn't think it will be necessary if we cut all the federal spending that can be cut....

It promises to be an interesting matchup over the next 11 months or so. The President sending a budget that will arrive tomorrow in Congress -- many members saying it's DOA, dead on arrival, unrealistic, because it increases defense spending, cuts too many domestic programs, and does not call for a tax increase of some kind or another. There is still the celebrated memory, of course, of President Reagan when he was Governor Reagan of California and when he ran for his first term in office he was dead set against tax withholding, which they didn't have in California at that time, and he said, "My feet are cast in concrete." And then when he took office and discovered that they had a serious cash-flow problem, the President privately agreed with his advisers that they would have to have withholding taxes and so he came out and announced, "What you hear is the sound of concrete breaking around my feet." Now there are some in Washington who believe that he may have to take a similar stand in terms of his pledge not to raise taxes of any kind. He has talked some about there can be a tax increase of one kind or another, but it must be revenue neutral, that is it must not increase the tax burden on most Americans.

So the President tonight setting the stage for what will come later tomorrow, that is when his budget message arrives here, it will be filled with detail outlining what we have heard here tonight -- calling for that increase in defense spending, for the overhaul of the welfare program, also for the President's tax reform program as he outlined it, and his continuing commitment to the space program one week after the crash of the shuttle, saying the shuttle will go forward, so will the space station, and something he described as the Orient Express.



News Summary

OFFICE OF THE PRESS SECRETARY

WEDNESDAY, FEBRUARY 5, 1986

NEWSPAPER CLIPS

ON THE STATE OF THE UNION ADDRESS

FROM THE FOLLOWING NEWSPAPERS

- 1) Los Angeles Times -- "Economic Growth Likely for 1986," "Upbeat View Draws Challenge," "President Pledges 'Rock-Hard' Realism in Seeking Arms Pact"
- 2) Rocky Mountain News -- "Reagan Enemies Zero in on Trade, Budget Deficit"
- 3) Cleveland Plain Dealer -- "Family Life in Crisis, Reagan Says"
- 4) Denver Post -- "President Hails U.S. 'Comeback,'" "Dems Denounce Reagan Spending Plan," "Reagan Shines Spotlight on Four Young Heroes"
- 5) New York Times -- "The Forgotten World: The True State of the Union," "Democrats Focus on Reagan Policies," "New Course for Currency Policy Hinted," "Reagan Seeks Welfare Plan to Free Poor from Government Dependency"
- 6) New York Post -- "Democrats Attack Reagan for 'Spend & Borrow' Plan," "Reach for the Stars," "Capitol Stuff: They'll Start Spreading the Boos"
- 7) New York Daily News -- "Rich Nation, Poor Nation: Ron Makes Welfare His State of the Union Theme"
- 8) Atlanta Constitution -- "Reagan Calls Families Key to 'America Comeback'"

NOTE: This product is made up of two transmissions from Burrelle's News Express service, one 17-page package and another 12-page package. Articles from the New York Times and the New York Post appear in both transmissions.

LOS ANGELES TIMES FEB 5 1986

Borrow-and-Buy Binge Could Catch Up With U.S. Next Year

Economic Growth Likely for 1986

By TOM REDBURN, *Times Staff Writer*

WASHINGTON—Three times since World War II, Republican presidents have won landslide reelection victories. And, every time, the economy was sliding into a recession a year after the incumbent's triumph—every time until now.

In 1958, under Dwight D. Eisenhower, and in 1974, as Richard M. Nixon was entering the second year of his second term, economic downturns were under way. And the recessions contributed to the "six-year itch" among voters that cost Republicans dearly in off-year elections in those years. But, in 1986, President Reagan and his fellow Republicans—whatever their other problems—should not have to worry about the overall state of the economy.

Poised for Another Surge

As Reagan proudly pointed out in his State of the Union message, the U.S. economy appears to be poised for another surge in output.

"Tonight, the American people deserve our thanks for 37 straight months of economic growth, for sunrise firms and modernized industries creating 9 million new jobs in three years," Reagan declared. "The United States is the economic miracle, the model to which the world once again turns."

In fact, economic growth for the last year and a half has been weaker than the Administration had predicted, but now the economy is apparently escaping from the doldrums.

In contrast with widespread fears last summer that a downturn

was looming, economic analysts are now nearly unanimously convinced that no recession lies in wait before the election this November. And some of the most prescient forecasters see solid evidence that their unorthodox predictions of a strong economic rebound in 1986 are beginning to prove out.

"This recovery has been underestimated time and time again," said Irwin Kellner, chief economist at Manufacturers Hanover Bank in New York. "Not only is there no recession in sight, but things are looking very bright for 1986. The recent drop in oil prices should only add further strength to the resurgence of economic growth."

If the immediate outlook is favorable, however, the underlying problems of the economy remain troubling. And what hit Eisenhower and Nixon in their sixth years, many economists believe, could be lying in wait for Reagan in his seventh year—1987.

Slumps Amid Prosperity

This year, even as some regions of the country are enjoying renewed prosperity, others remain mired in a slump.

"If you look at the farm economy, textiles, mining, energy and timber, there are probably some 20 states that never really recovered from the recession (of 1981-82)," said Kevin Phillips, a noted conservative political analyst. "The Administration may have avoided the traditional Republican downturn for now, but, with some key sectors of the economy flirting with real deflation, the situation may be even more worrisome."

Moreover, many economists contend that, after four years in which unprecedented budget and trade deficits were largely offset by influxes of foreign capital, the United States is living not only on borrowed money but on borrowed time. It is eroding its future prosperity for the sake of today's carefree buying spree, those economists fear.

"We have been on a consumer binge," argues Walter W. Heller, former chief economic adviser to Presidents John F. Kennedy and Lyndon B. Johnson, "financed by the liquidation of our assets abroad,

by skyrocketing imports and by the lowest rate of national savings and investment since the 1930s."

Binge Still Alive

For good or ill, the binge still seems to have a lot of life left in it.

Consumers, despite mounting debts, continue to spend at a rate far above most analysts' expectations. Allen Sinai, the relatively cautious chief economist of Shearson Lehman Bros. in New York, now concedes that the consumer is "alive, well, kicking, spending, and not saving."

Business, after paring its inventories to the bone last year, appears to be starting to restock warehouses and retail shelves to keep up with this demand. And home building, long depressed by high borrowing costs, finally began to revive late last year after interest rates fell.

Moreover, the tide of imports that rose to fearsome heights last year and took billions of dollars in orders away from U.S. producers may now be cresting because the value of the U.S. dollar—almost unnoticed—has plunged about 25% since last March.

As a result of those forces, the groundwork has been laid for strong economic growth, which normally would last about a year.

"What most economists don't seem to remember is that the economy always grows in fits and starts," said David Levine, chief economist at Sanford C. Bernstein & Co., a Wall Street investment firm. "A boom would not be unusual at this stage of the recovery; it is practically inevitable."

Yet, even with a robust economy likely this year, the White House and Congress remain headed for a showdown this fall over how to meet the deficit requirements of the Gramm-Rudman balanced budget law that could drastically reshape the economic landscape in 1987.

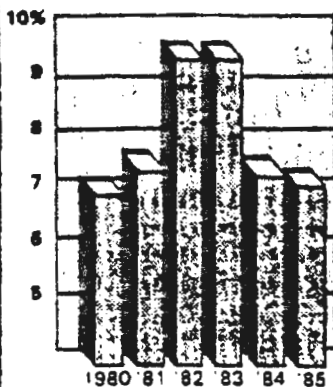
The longer-term economic dilemma confronting lawmakers is

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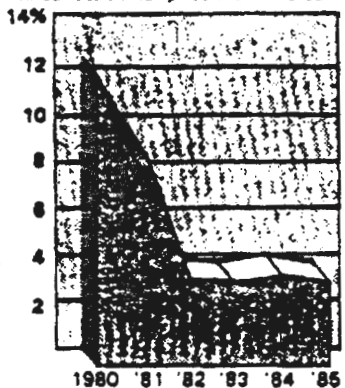
THE STATE OF THE UNION

Unemployment Rate



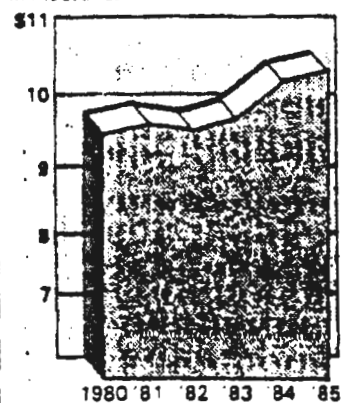
Inflation

Annual consumer price index increase



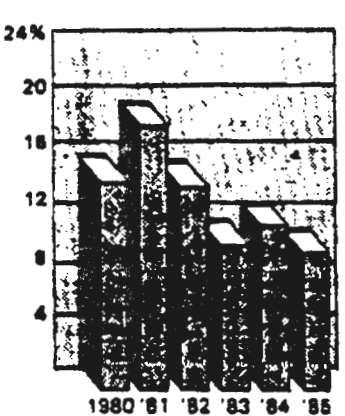
Per Capita Income

After tax income in 1982 dollars in thousands



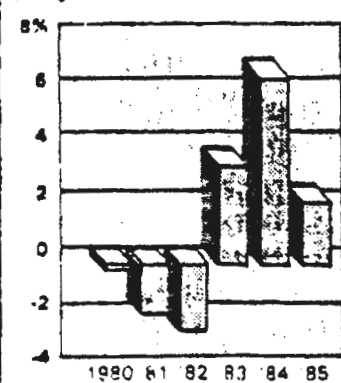
Interest Rates

Average prime rate charged by banks



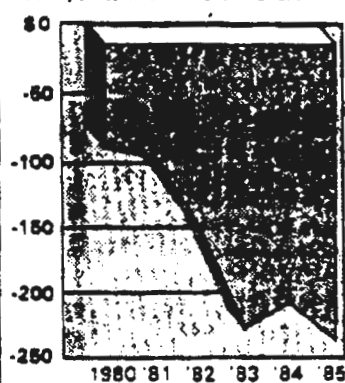
Economic Growth

Change in real GNP



Budget Deficit

Fiscal years, in billions of dollars



Source: Council of Economic Advisors

DAVID PUCKETT / Los Angeles Times

bleak: The government cannot afford to cut the deficit, many economists argue, but it cannot afford not to, either.

With the deficit currently providing more than a \$200-billion stimulus, slashing it to Gramm-Rudman's \$144-billion target for fiscal 1987, which begins on Oct. 1, could substantially weaken the economy next year.

Rise in Interest Rates

But, avoiding serious belt-tightening measures could be just as deadly, because the Federal Reserve might be forced to react to financial market disappointments over another failure to control the deficit by allowing interest rates to rise. That would threaten the recovery next year.

"The problems facing the economy are largely political in nature," Manufacturers Hanover Bank's Kellner said. "We've delayed the moment of reckoning on the deficit, but Gramm-Rudman suggests Congress and the Administration may not be able to avoid it much longer. One way or another, that could mean a lot of fiscal restraint hitting the economy really hard in 1987."

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LOS ANGELES TIMES FEB 5 1986

Democrats Deplore 'Reliance on Rhetoric'**Upbeat View Draws Challenge**

By BOB SECTER, Times Staff Writer

WASHINGTON—Democrats challenged the upbeat view contained in President Reagan's State of the Union address Tuesday night, lambasting Administration spending priorities as unrealistic and warning that the huge federal deficits amassed under Reagan could shatter the economic base of the American family.

"We can no longer rely on rhetoric which refuses to face the real world—which pretends that we can have unlimited military spending and unrestrained tax breaks and a balanced budget, all at the same time," said Sen. George J. Mitchell (D-Me.) as he moderated his party's official response to Reagan's speech.

The tone of the 20-minute videotaped response contrasted sharply with last year's, in which Democrats, still smarting from Reagan's landslide reelection victory, spent much of their time apologizing for their party's own past failures.

Democrats' Barbs

This year, however, they concentrated their barbs on the President, seeking to undercut his assertions that his policies bolster family values and create the "magic of opportunity" in the U.S. economy.

Reagan, in his speech delivered to a joint session of Congress earlier in the evening, had painted a glowing picture of a "great American comeback" spurred on by his tutelage.

The Democrats were short on specific proposals to counteract Reagan's policies and avoided several politically troublesome issues, including whether a tax increase might be needed. And they glossed over gritty foreign policy questions, including Reagan's controversial stands on nuclear disarmament and his so-called "Star Wars" space defense program.

Instead, they concentrated their salvos on lingering trade and economic weaknesses, where they think the Republicans are most vulnerable.

Both Reagan and his Democratic critics sought to pin the blame on each other for overspending and the sea of federal red ink in a foreshadowing of the fight that is



Associated Press

Charles S. Robb

sure to hover over the national budget debate throughout the year.

Reagan, in his speech, said: "We cannot win the race to the future shackled to a system that can't even pass a federal budget. We cannot win that race held back by horse-and-buggy programs that waste tax dollars and squander human potential."

But Mitchell, noting that the U.S. trade deficit soared to a record of nearly \$150 billion in 1985, countered: "The trade and budget deficits mean we are living on borrowed money—too much of it from foreigners. Living on borrowed money means living on borrowed time. The day of reckoning is not far off."

Strains on Families

In a reference to Reagan's pro-family theme, Mitchell argued that mounting trade and budget deficits could undercut the vitality of the American family and its traditional values.

"The best social service agency is a family that's together," the Maine senator said. "The best social program is a good job. But the policies of this Administration are having the opposite effect. They're driving more families into hard times and apart, and they're causing American jobs to move overseas."

Echoing that theme, House

Budget Committee Chairman William H. Gray III (D-Pa.) emphasized the strains that he said federal budget deficits will continue to place on the average family.

"When young couples go to buy their first home, they find their own government competing with them at the bank for mortgage money," Gray said. "Our farmers and factory workers are losing out to competitors because our goods abroad cost too much."

Gray continued: "In just five years, the Reagan Administration has doubled the national debt. . . . We've gone from being the greatest creditor nation to being the greatest debtor nation on Earth."

Referring to Reagan's plan to turn some government services over to the private sector to cut federal expenses, Gray said: "We don't have to sell off America piece by piece to lower the deficit—not if we make the right choices."

Familiar Theme

Another speaker, former Virginia Gov. Charles S. Robb, sounded a familiar theme in trying to distinguish his party from the Republicans.

"Since Jefferson's time, there've been two conflicting views about what makes America prosperous and strong," said Robb, son-in-law of former President Lyndon B. Johnson. "Some believe that a handful of elites drive our economy and that the rest of us should be satisfied with what trickles down."

One farm-state Democrat, Rep. Thomas A. Daschle of South Dakota, attacked the Administration's farm policies as the television screen showed pictures of Richard and Bonnie McBrayer, a fourth-generation farm couple who, the congressman said, were in danger of losing their land because of failed government policies.

"Now the Reagan Administration is saying, 'Tough luck,'" Daschle charged. "It's a familiar story, not just on the farm, but to families in Detroit, Youngstown and the Silicon Valley—working Americans doing everything they should, trying to make it in a world that's changing. President Reagan said precious little in his speech to

President Pledges 'Rock-Hard' Realism in Seeking Arms Pact

By ROBERT C. TOTH, Times Staff Writer

WASHINGTON—Two years ago in his State of the Union address, President Reagan broke with his harshly anti-Soviet past and called for negotiations toward a more stable relationship with Moscow as part of an "agenda for peace." So suspicious were the Soviets of an election-year ploy that Reagan had to repeat the offer on three more occasions before the Kremlin picked up the signal.

Tuesday night, with November's successful summit with Soviet leader Mikhail S. Gorbachev behind him, two more summits scheduled and the promise of significant arms control negotiations in the air, Reagan appeared to alter course again. He reaffirmed his determination to seek an agreement to reduce nuclear arms control. "If the Soviet government wants an agreement that truly reduces nuclear arms," he declared, "there will be an agreement."

At the same time, however, he repeated his intention to let his relationship with the Soviet Union be guided not by "childlike faith" but by "realism—rock-hard, clear-eyed, steady and sure."

Two-Track Strategy

Thus what emerged was further movement along Reagan's two-track strategy for dealing with the Kremlin:

—Continued pressure to increase American military might, which Reagan perceives as dangerously weakened by the decade of detente.

—Negotiating with Gorbachev on deep cuts in nuclear arms as the centerpiece of a potentially new relationship with Moscow.

"It is my hope that our fireside summit in Geneva and Mr. Gorbachev's upcoming visit to America can lead to a more stable relationship," the President said. But he was quick to add: "Our differences with a system that openly proclaims, and practices, an alleged right to command people's lives and to export its ideology by force are deep and abiding."

Never Closed the Door

As a review of his previous State of the Union addresses and other pronouncements shows, even at the height of his anti-Soviet rhetoric, Reagan never closed the door on negotiations with the Soviets. But it was after the Kremlin announced in 1983 that it could not do serious business with him that the President began to push for talks.

Now, whether thanks to Soviet economic and leadership problems or to astute Reagan tactics and luck—or all combined—that approach appears to be paying off. The commitment by the two super-power leaders to two more summits has given rise to hopes for substantive progress in arms control and a more stable—if not a much friendlier—relationship across the board.

Critics, who have underestimated Reagan before, now ask whether he will be clever enough to settle for only some of his professed goals—for radical reductions in offensive nuclear arms, for example, at the cost of some limit on "Star Wars" missile defense work—or refuse to compromise and risk getting nothing.

Other skeptics wonder whether the slow, brick-by-brick restoration

of civil relations with Moscow can go much further without an overarching roof, or comprehensive strategy, to give it greater focus. Reagan has shown no inclination toward grand concepts of this kind and may end his presidency with a hodgepodge of technical agreements without a broader political design that would provide coherence and improve prospects for long-term stability in U.S.-Soviet relations.

For example, progress is being made on government-to-government issues, such as disputes over the U.S.-Soviet maritime border and implementing the new cultural exchange agreement. Moscow also is easing its treatment in human rights cases. On another track, the Kremlin has put forward radical arms cut proposals—to which the Administration has yet to formulate a complete response. And while insisting that Moscow with-

draw from Afghanistan and restrain its surrogates elsewhere, the United States has not made it clear how the Kremlin would benefit

At home, some specialists argue, Reagan's ability to approach the Soviets in this way has been enhanced by a new public consensus that approves arms control negotiations but is more concerned about U.S. military weakness and Soviet strength. These specialists say this popular perception actually began to emerge in 1978, when the first real increase in U.S. defense spending in almost a decade occurred.

Restoring Strength

For his first two years in office, Reagan focused almost exclusively on restoring strength—to the nation's economy, as well as to the

Pentagon—rather than on negotiations. His first State of the Union address, in January, 1982, stressed expanding and improving the U.S. weapons arsenal.

"We have begun to restore that margin of military safety that insures peace," he said, and, "Our foreign policy is a policy of strength, fairness and balance," while the Soviets support "forces of oppression" and respect "only strength and resolve in their dealings with other nations."

As for arms talks, Reagan said then, "it is essential that we negotiate from a position of strength." He cited his November, 1981, offer to eliminate all intermediate-range nuclear missiles—the publicly proclaimed "zero option"—as evidence of U.S. sincerity. But that proposal would have cut Soviet missile forces far more than U.S. weapons and was widely dismissed as more a propaganda move than a realistic offer.

After two years, the tone began to moderate, however. "As we begin our third year," Reagan said in the 1983 message, "we have put

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in place a defense program that redeems the neglect of the past decade." Noting the change of leadership in Moscow, he added:

"We are prepared for a positive change in Soviet-American relations."

Still, the President seemed less than totally serious about a new opening to Moscow. His strategic arms offer a few months earlier—"significant reductions to equal and verifiable levels," as he put it—was again so weighted in this country's favor that, as his former secretary of state, Alexander M. Haig Jr., later said, it was almost designed to be non-negotiable.

In early 1983 too, he began to stress that Soviet behavior in the Third World was "linked" to U.S.-Soviet arms control and other aspects of the relationship. Moscow must resist acting against neighbors and must restrain its allies from more distant aggression, Reagan said, elaborating on a theme that has become known as "regional concerns" and has grown to be a specific item on the U.S.-Soviet agenda.

Nonetheless, 1983 became a turning point, according to a State Department official who monitored U.S.-Soviet affairs closely during the period. The White House began to act more confidently in foreign relations as the economy improved, as its rearmament program was adopted and as the alliance rebounded from its bitter divisions over the U.S. attempt to embargo Western goods that the Soviets needed for their Siberian gas pipeline. The United States won the rancorous fight to deploy intermediate-range missiles in Europe despite determined peace and freeze movements and Soviet walk-out threats at the arms talks.

In small ways, the Soviets moved too—on human rights, bilateral

affairs involving consulates and in arms proposals. Some officials, looking back, saw in 1983 a "mini-thaw." But relations quickly plunged back into a deep freeze when the Soviets shot down Korean Air Lines Flight 007 in September. Then the Soviets walked out of the Geneva arms negotiations in pique when the U.S. missiles were deployed in Europe, pledging never to return until those missiles had been withdrawn.

Nonetheless, in his 1984 State of the Union speech, Reagan made a major overture toward Moscow. "America is ready to make a new beginning," he said, outlining a six-point "agenda for peace" whose first goal was to "establish a more stable basis for peaceful relations with the Soviet Union."

Not surprisingly, since it was the start of a presidential election year, the Soviets as well as many Americans were dubious about "the new Reagan." Moscow boycotted the Olympics but abruptly offered negotiations to ban anti-satellite space weapons. The Administration astutely said yes, with the qualification that offensive nuclear weapons should also be included in new talks. The Soviets pulled back from their offer.

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ROCKY MOUNTAIN NEWS

FEB 5 1986

Reagan enemies zero in on trade, budget deficit

By DOUG HARBRECHT

Scripps Howard News Service

WASHINGTON — Democratic leaders proclaimed yesterday that the Reagan era is over and said the nation must be saved from the excesses of its popular but shortsighted president.

Their response to President Reagan's State of the Union address focused on the shortcomings of the American economy — huge trade and budget deficits — and they laid the blame squarely on the White House.

The aggressive tone of the Democrats' reply was in clear contrast to the State of the Union response last year, when Democrats told the nation they were "a party that knows it has to change."

SEN. GEORGE Mitchell, D-Maine, chairman of the Senate Democratic campaign committee, led off, declaring that Democrats are the party of the future.

"We are in the post-Reagan era," Mitchell said. "We expect the president to be fighting the last war" in this year's congressional elections.

"We think the American people now understand who the deficit spenders really are."

During the response, shown by the major TV networks and cable outlets, Democrats joined Reagan in a tribute to the seven astronauts killed in the space shuttle tragedy last week, and in a call for the space program to go forward.

Mitchell also praised Reagan for his summit meeting with Soviet leader Mikhail Gorbachev, saying, "We look forward to a real summit agreement, one that makes us safer."

But then the senator turned to the themes that Democrats plan to use against the president during the coming budget battle.

"We are living on borrowed money," Mitchell said. "Too much of it from foreigners. Living on borrowed money means living on borrowed time. The day of reckoning is not far off."

Reagan said in his speech that his policies are designed to put more money into the budget of American families, but

Mitchell said the president has not succeeded.

"Policies of the administration are driving more families into hard times and apart and they're causing American jobs to move overseas," he said.

MITCHELL ALSO criticized Reagan's upbeat assessment of the economy and his refusal to reduce military spending or raise taxes.

"We can no longer rely on rhetoric which refuses to face the real world, which pretends we can have unlimited military spending and unrestrained tax breaks and a balanced budget all at the same time," he said. "It hasn't happened. It won't happen."

Democrats used the response to spotlight regionally popular party spokesmen who tried to counter Reagan's themes of hope, strength and family life with their own versions of political reality.

Rep. Thomas Daschle, D-S.D., said Reagan "has looked at national security with blinders on," ignoring America's agriculture crisis, the need for the nation "to pay its own bills," and to "produce food, feed, and fiber."

Former Virginia Gov. Charles Robb said Reagan could not continue a defense buildup and maintain a healthy economy.

House Budget Committee Chairman William Gray, a black minister from Philadelphia, said the federal deficit is "out of control" and charged that Reagan has "closed the doors of economic opportunity for all Americans."

He likened selling off government assets to reduce the deficit to "selling your garage to meet the mortgage payment."

Reagan, said Gray, has pursued a "loose fiscal policy based upon spend, spend, spend, borrow, borrow, borrow."

Missouri Lt. Gov. Harriett Woods, in a recorded speech from Missouri, talked about the "extraordinary possibilities of ordinary people," a traditional Democratic theme that has become a Reagan trademark.

Mitchell conceded that the Democrats were purposely not using any national party figures in order to showcase state and local bright lights in the party.

"Our objective was to get people to present the issues effectively," said Mitchell.

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Family life in crisis, Reagan says

WASHINGTON (AP) — President Reagan yesterday directed his administration to develop a welfare strategy to help the poor "escape the spider's web of dependency" and to work with private insurers to develop affordable insurance against the costs of catastrophic illness.

In a State of the Union Address celebrating what he called a "great American comeback" after years of economic woes, Reagan set what he called "an agenda for the future" that highlights many of the policies he set

during his previous five years in office.

"In the welfare culture, the breakdown of the family, the most basic support system, has reached crisis proportions — in female and child poverty, child abandonment, horrible crimes and deteriorating schools,"

Reagan said in a speech prepared for a joint session of Congress.

He said little of the budget he will submit to Congress today, saying, "Tonight, let us speak of our responsibility to redefine government's role."

"After hundreds of billions of dollars in poverty programs, the plight of the poor grows more painful," he said. "But the waste in dollars and cents pales before the most tragic loss: the sinful waste of human spirit and potential."

Saying "we can ignore this terrible truth no longer," Reagan ordered his Domestic Policy Council to report by Dec. 1 with "a strategy for immediate action to meet the financial, educational, social and safety concerns of poor families."

Reagan set no specific guidelines for reform other than to acknowledge government's responsibility to "provide shelter and nourishment for those who cannot provide for themselves."

But he said, "We must revise or replace programs enacted in the name of compassion that degrade the moral worth of work, encourage family breakups."

A long-time opponent of comprehensive national health insurance, Reagan urged creation of a new program to protect people who might be wiped out financially by the costs of serious illness.

"After seeing how devastating illness can destroy the financial security of a family," he said, "I am directing the secretary of health and human services, Dr. Otis Bowen, to report to me by year-end with recommendations on how the private sector and government can work together to address the problems of affordable

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insurance for those whose life savings would otherwise be threatened when catastrophic illness strikes."

In a third initiative, Reagan directed Treasury Secretary James A. Baker III to consider calling a world monetary conference to discuss whether to alter the free-market system of setting currency values.

Without prejudging the issue, Reagan said: "The current expansion of our economy and exports requires a sound and stable dollar at home and reliable exchange rates around the world. We must never again permit wild currency swings to cripple our farmers and other exporters."

Replying to repeated calls by some in Congress to raise taxes to reduce the federal deficit, Reagan said: "I'm

sorry, they're asking the wrong people to tighten their belts. It's time we reduced the federal budget and left the family budget alone."

Reporting the state of the union "stronger than a year ago and growing stronger each day," Reagan reminded Congress:

"It wasn't long ago that we looked out on a different land — locked factory gates and long gasoline lines, intolerable prices and interest rates turning the greatest country on Earth into a land of broken dreams."

"The American people brought us back with quiet courage and common sense, with unyielding faith that in this nation under God the future will be ours, for the future belongs to the free."

"Despite the pressures of our modern world, family and community

remain the moral core of our society, guardians of our values and hopes for the future. Family and community are the co-stars of this great American comeback. They are why we say tonight: Private values must be at the heart of public policies."

Tomorrow, Reagan will submit the report of his Council of Economic Advisers on the nation's economy and the prospects for future growth, with his detailed legislative message to be signed the same day.

Then, at a celebration of his 75th birthday, he will address his federal appointees in what has become an annual pep talk for his plan to reduce the size and scope of the bureaucracy.

On Friday, Reagan will go to Thomas Jefferson High School in the Virginia suburbs of the capital. He is to tour its technology labs and talk to pupils about his vision of the future.

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DENVER POST

FEB 5 1986

President hails U.S. 'comeback'

By Gary Schmitz

Denver Post Washington Bureau

WASHINGTON — President Reagan Tuesday heralded a "great American comeback" that has redeemed the nation from "broken dreams."

In his fifth State of the Union speech, roughly half as long as his past addresses, the president urged that new ways be found to write the federal budget, thwart persistent welfare dependence and provide insurance against catastrophic illness.

He also urged a solution to the unstable dollar.

The president portrayed a nation that under his leadership has returned from the brink of despair, "a land of broken dreams."

"Family and community are the co-stars of this great American comeback," he said. "They are why we say tonight: Private values must be at the heart of the public policies."

Recalling the memory of the tragic Challenger space shuttle accident a week ago, Reagan pledged that the space program will continue.

"And I hope we are now ready to do what they would want us to do — go forward America, reach for the stars," Reagan told a joint session of Congress.

He carried his emphasis on the family to the federal budget, which is to be unveiled today. "It's time we reduced the federal budget and left the family budget alone," he said. "We do not face large deficits because American families are undertaxed; we face those deficits because the federal government overspends."

And, in a direct warning to some members of Congress, Reagan reaffirmed his opposition to any tax increase this year.

Reagan made a personal request of Democratic House Speaker Thomas O'Neill to join him in reshaping a budget process he described as "broken."

"We cannot win the race to the future shackled to a system that can't even pass a federal budget," he said. One of the changes he proposed was that he be allowed to exercise veto power over each line of the federal budget — a request

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Congress has rejected in the past.

Reagan expressed dismay that the government spends \$110 billion a year on welfare and some 60 other programs to help low-income people while poverty continues to grow.

He offered no specifics for altering the nation's welfare system. Instead, he asked his advisers to

resent him a plan for doing so by the end of this year.

"I'm talking about real and lasting emancipation, because the success of welfare should be judged by how many of its recipients become independent of welfare," the president said to applause by both parties.

He directed his administration to work with private insurers to develop affordable insurance against the costs of catastrophic illness.

Health and Human Services Secretary Otis Bowen has previously proposed an insurance program to pay major medical bills as a supplement to Medicare, but Reagan has not approved the plan.

In addition to initiatives on welfare and health insurance, Reagan asked for a study on the value of the dollar in relation to other world currencies. Treasury Secretary James Baker is to report by Dec. 1 on whether there is a need for an international conference to bring about a more stable relationship between currencies.

The relatively high value of the dollar has badly hurt U.S. exports and opened the way to a tide of foreign imports.

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Associated Press

Reagan's call for lasting emancipation from welfare drew applause from both sides of aisle.

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NewsExpress

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Dems denounce Reagan spending plan

By The Los Angeles Times

WASHINGTON — Democrats challenged the upbeat view contained in President Reagan's State of the Union address Tuesday night, lambasting administration spending priorities as unrealistic and warning that the huge federal deficits amassed under Reagan could shatter the economic base of the American family.

"We can no longer rely on rhetoric which refuses to face the real world — which pretends that we can have unlimited military spending and unrestrained tax breaks and a balanced budget, all at the same time," said Sen. George J. Mitchell, D-Maine, as he moderated his party's official response to Reagan's speech.

The tone of the 20-minute videotaped response contrasted sharply with last year's, in which Democrats, still smarting from Reagan's landslide re-election victory, spent much of their time apologizing for their party's own past failures.

This year, however, they concentrated their barbs on the president, seeking to undercut his assertions that his policies were bolstering family needs and values and creating the "magic of opportunity" in the U.S. economy.

Reagan had painted a glowing

picture of a "great American comeback" spurred on by his intelligence.

The Democrats were short on specific proposals and avoided several politically troublesome issues, including whether a tax increase might be needed.

And they lightly glossed over gritty foreign policy questions and Reagan's controversial stands on nuclear disarmament and his so-called "Star Wars" space defense program.

Reagan and his Democratic critics sought to pin the blame on each other for overspending and the sea of federal red ink, in a foreshadowing of the fight that is sure to hover over the national budget debate throughout the year.

Reagan, in his speech, said, "We cannot win the race to the future shackled to a system that can't even pass a federal budget. We cannot win that race held back by horse-and-buggy programs that waste tax dollars and squander human potential."

But Mitchell, noting that the U.S. trade deficit soared to a record of nearly \$160 billion in 1985, countered: "The trade and budget deficits mean we are living on borrowed money — too much of it from foreigners. Living on borrowed money means living on borrowed time. The day of reckoning is not far off."

In a reference to Reagan's pro-family theme, Mitchell argued that mounting trade and budget deficits could undercut the vitality of the American family and its traditional values.

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Reagan shines spotlight on four young heroes

By The Associated Press

WASHINGTON — As he has in some past State of the Union speeches, President Reagan focused the national limelight Tuesday night on some special guests sitting in the House gallery next to Nancy Reagan.

The four occupants of the "heroes' chairs" weren't identified in the president's prepared speech

text. But, as he neared the conclusion of his speech, Reagan singled each of them out, a young man and three children.

Richard Cavell, 21, of Marlboro, N.Y., a Union College student, had begun an experiment while still in high school to study the growth of crystals in space. "All his life he's been enthralled by the mysteries of medicine," the president said.

"Richard," the president went on, "we know the experiment was launched and lost last week" on the shuttle Challenger.

Next, Reagan said, "we see the dream glow in the towering talent of a 12-year-old, Tyrone Ford," an orphan being raised by an adoptive grandmother in Washington. "A child prodigy of gospel music, he has surmounted personal adversity

to become an accomplished pianist and singer," Reagan said.

The president then saluted Shelby Butler, 12, of St. Joseph, Mo., who was on duty with the Pershing Elementary School safety patrol on Nov. 19, 1984, when a school bus went out of control heading for a crosswalk. Most students heeded her warning to get out of the way, but 7-year-old Felicia Guy froze in

the path of the bus. Butler lunged in front of the bus and pulled the younger child to safety.

Last, the president introduced Trevor Ferrell, 13, who lives in the affluent Philadelphia suburb of Gladwyne, Pa. He has launched "Trevor's Campaign for the Homeless" with 250 volunteers who help cook and deliver hot meals to about 200 people a night.

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THE NEW YORK TIMES FEB 5 1986
WASHINGTON | James Reston

The Forgotten Word

WASHINGTON

When the Constitution of the United States directed the President, in Article II Section 3, to give the Congress an account of his stewardship, it clearly expected a plain report on the state of our affairs and the unity of our people.

It did not ask him to give information on the State of the President or his political party, but on the State of the Union. This was the key word — Union — that has often been forgotten.

By custom, most Presidents have on this occasion considered their work and pronounced that the State of the Union was "good." Gerald Ford of Michigan, the 38th President of the United States, announced after Watergate that the State of the Union was "not good." He was defeated in the next election.

President Reagan has never followed Gerald Ford's example. Like most occupants of the White House, he has insisted that if the State of the Union wasn't "good," somebody else was to blame: the Democrats, the Soviets or the Allies. That, of course, was partly true.

In the process, he has emerged as the most popular President since the last World War, with higher standing in the polls after five years in office than President Eisenhower or even Franklin Roosevelt.

In this sense, he has "united" the people behind him, but has he done so by telling the people the true "State of the Union," or by telling them what they wanted to hear?

You can get all sorts of answers to this, but the question remains: What, when you try to puzzle it out, is the State of the Union at the end of Ronald Reagan's fifth year as Chief Executive and after his 75th birthday? It is clearly not as good as he says or as bad as his opponents say.

More than 105 million of our people are now at work, the highest in our history.

Also, despite some staggering and blundering, the nation has avoided a major world war for 40 years. And in the confusion, the United States and the Soviet Union are now at least talking together about controlling nuclear weapons on Earth and in outer space.

All that is obviously to the "good" — everything has been threatened but nothing has been irretrievably lost.

But if we really want to balance the books and look honestly at the "State of the Union," there are some troubling historic facts that challenge what the President in his address last night called the "economic miracle": The worst annual budget

The true State of the Union

and trade deficits in our history, and a national deficit that in the last five years has doubled all the deficits accumulated by all the Presidents since the beginning of the Republic. This is not the sort of thing that can be dismissed with a wink and a nudge.

For what is at issue here is not merely a financial but a philosophic question: What will defend and unite us, recognizing that we need vast sums for military security abroad and for civil and social security at home? This is what has to be debated with the greatest care and respect. To begin at the beginning, the threat to the security of the American family — the soaring divorce and teen-age birthrates, the alarming rate of black unemployment and abandoned children — is clearly a threat to the well-being of the Union.

President Reagan mentioned this in passing during his State of the Union address, but mainly to voice his "concern" and approve more studies, while decreasing the burden on the Federal Government.

The burden of military defense spending doesn't bother him. His military budget will go up while assistance for the care and education of the children of the broken families will fall far short of their needs.

It's not that he's personally insensitive to the suffering of the poor, but that he thinks of the State of the Union, the security of the Union, primarily in military terms, and is willing to leave them to the judgment and tender mercies of Cappy Weinberger.

Another President from Illinois had a different idea. Mr. Lincoln knew what the word "Union" meant and said he would do anything to preserve it.

"At what point," he said in Springfield, Ill. on Jan. 27, 1837, "shall we Americans expect the approach of danger? By what means shall we fortify against it? Shall we expect some trans-Atlantic military giant to step the ocean and crush us at a blow? NEVER!

"If destruction be our lot, we must ourselves be its author. As a nation of freemen, we must live through all time or die by suicide."

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Democrats attack Reagan for 'spend & borrow' plan

By NILES LATHEM

Bureau Chief

WASHINGTON — The Democratic Party responded to President Reagan's State of the Union address last night by accusing him of pursuing economic policies of "spend, spend, spend, borrow, borrow, borrow."

It also urged him to increase taxes this year.

After Reagan's speech, the Democrats trotted out some of its younger rising stars — including oft-mentioned presidential contender, former Virginia Gov. Charles Robb — to show that:

"The Democratic Party is back, looking to the future, confident

about what America can do — if we do the right things now."

To the amazement of many Democrats and Republicans, the party's spokesmen chose to focus on the one issue that has caused Democrats the most damage in the 1980 and 1984 elections — tax hikes.

"Until the President is willing to bite that particular bullet, I don't think we are going to make any real progress," said Robb.

Robb, scheduled to go first in the response to Reagan last night, said

he did not believe Reagan could solve the deficit problem with spending cuts alone.

"If we have to reduce the number of tax breaks and look to other revenue sources, let's go ahead and do that too," he said.

Robb's statement advocating a tax increase appears to conflict with strategy developed last weekend by Democratic House members.

They had decided not to push for a tax increase in this congres-

sional election year because of the political disaster created in 1984 when former Democratic nominee Walter Mondale pledged to raise taxes.

Responding to Robb, GOP political operative Lee Atwater, who is heading Vice President George Bush's exploratory presidential bid, said:

"The President bit the bullet on federal spending a long time ago.

"It's the Democrats who don't have the teeth."

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- Reagan pauses to honor Challenger crew in his delayed State of the Union

'REACH FOR THE STARS'

Prez: America's making a comeback



Associated Press

President Reagan delivers his fifth State of the Union address before a joint session of Congress last night.

PRESIDENT Reagan last night paid homage to the Challenger Seven, and dramatically declared that America "will win the race to the future."

The President began his fifth State of the Union address by solemnly telling a joint session of Congress: "We pause together to mourn and honor the valor of our seven Challenger heroes."

"And I hope we are now ready to do what they would want us to do — go forward America, reach for the stars."

The nationally televised speech, delayed a week by the shuttle disaster, focused on the need for fiscal fitness at home and strength abroad.

Reagan promised less federal spending — except for defense — and no tax hikes.

He called for tax reform that "at long last is pro-family, pro jobs, pro future and pro American."

Of the space pro-

By NILES LATHAM
& LEO STANDORA

gram, Reagan said: "This nation remains fully committed . . . We are going forward with our shuttle flights. We are going forward to build our space station."

He said a superplane is now being researched that by the late 1990s could take commuters from Washington to Tokyo

AT A GLANCE

HIGHLIGHTS of President Reagan's State of the Union address:

● Asked Congress for new protection for the elderly against medical bills caused by catastrophic illnesses.

● Directed Health and Human Services Secretary Dr. Otis Bowen to recommend by year-end how business and government can develop affordable insurance against loss of life savings through catastrophic illness.

● Ordered an overhaul of federal anti-poverty and welfare programs to make them more pro-family; provide incentives for poor people to break from dependence on federal aid.

In two hours — flying 25 times the speed of sound.

Reagan's speech generally was upbeat, but he also sounded a word of warning on security.

He stressed that a strong national defense was vital to "keeping America strong, free and at

peace."

"The threat from Soviet forces, conventional and strategic, from the Soviet drive for domination, and the increase in espionage and state terror remains great," Reagan said.

"This is reality. Closing our eyes will

not make reality disappear.

He added: "We can not stroll into the future with childlike faith. Our difference with a system that openly proclaims and practices an alleged right to command people's lives and to export its ideology by force are deep and abiding."

"Logic and history can tell us to accept that our relationship be guided by realism — rock-hard, clear-eyed, steady, and sure."

On arms control Reagan said: "If the Soviet government wants an agreement that truly reduces nuclear arms, there will be an agreement."

"But arms control is

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no substitute for peace. We know peace follows in freedom's path. Conflicts erupt when the will of the people is denied.

"We must prepare for peace not only by reducing weapons, but by bolstering prosperity, liberty and democracy wherever and wherever we can."

On the home front, Reagan said he will set up a "domestic policy council to study the

welfare system and by next year recommend ways of streamlining it."

He said he also intends to ask Congress for new protections for the elderly against catastrophically high medical bills.

The plan would broaden Medicare to cover the cost of budget-busting medical bills.

Reagan said a year-long study would be undertaken to see if all

Americans could be included in the program.

A third study would focus on controlling the problem of volatile currencies that hurt interest and dollar exchange rates.

As part of his "agenda for the future," the President called on Congress to approve his recommendations for \$38 billion in cuts and the dismantling of numerous federal programs.

He urged passage of

the budget by April 10 — "the very day America's families have to foot the bill for the budget you produce."

"Some in Congress say taxes must be raised. Well, I'm sorry, they're asking the wrong people to tighten their belts," Reagan said.

"It's time we reduce the federal budget and left the family budget alone."

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Excerpts of his speech to nation

HERE are excerpts from President Reagan's State of the Union address last night:

Thank you for allowing me to delay my address until this evening.

We paused together to mourn and honor the valor of our seven Challenger heroes.

And I hope we are now ready to do what they would want us to do — go forward America, reach for the stars.

We will never forget those brave seven, but we shall go forward.

I have come to review with you the progress of our nation, to speak of unfinished work, and to set our sights on the future.

I am pleased to report the state of our union is stronger than a year ago, and growing stronger each day.

Tonight, we look out on a Rising America — firm of heart, united in spirit, powerful in pride and patriotism — America is on the move!

But, it wasn't long ago that we looked out on a different land — locked factory

gates and long gasoline lines, intolerable prices and interest rates turning the greatest country on Earth into a land of broken dreams.

Government growing beyond our consent had become a lumbering giant, slamming shut the gates of opportunity, threatening to crush the very roots of our freedom.

What brought America back?

The American people brought us back — with quiet courage and common sense; with undying faith that in this nation under God the future will be ours, for the future belongs to the free.

Tonight the American people deserve our thanks — for 37 straight months of economic growth; for sunrise firms and modernized industries creating 9 million new jobs in three years; interest rates cut in half and inflation falling from over 12 percent in 1980 to under 4 today; and a mighty river of good works, a record \$74 billion in voluntary giving last year alone.

Despite the pres-

ures of our modern world, family and community remain the moral core of our society, guardians of our values and hopes for the future...

Teddy Roosevelt said a nation that does great work lives forever.

We have done well, but we cannot stop at foothills when Everest beckons.

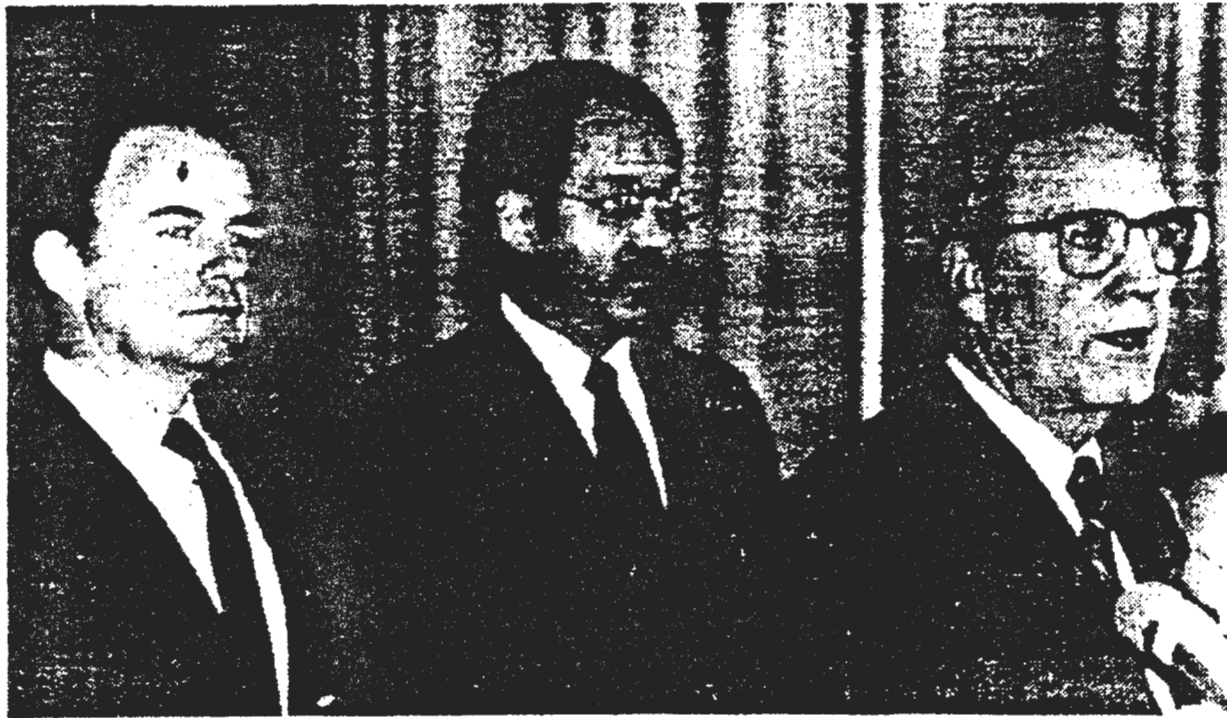
It is time for America to be all we can be....

... Let us begin where storm clouds loom darkest — right here in Washington, D.C.

This week, I will send you our detailed proposals; tonight, let us speak of our responsibility to redefine government's role: Not to control, not to command, not to contain us; but to help in times of need; above all, to create a ladder of opportunity to full employment — so all Americans can climb toward economic power and justice on their own.

But, we cannot win the race to the future shackled to a system that can't even pass a federal budget.

State of the Union: Congressional Reaction



Associated Press

DEMOCRATIC RESPONSE: Senator George J. Mitchell, right, and Representative William H. Gray 3d at Washington news briefing. They are members of panel of Democrats who planned response to State of the Union Message. At left: Paul G. Kirk Jr., head of Democratic National Committee.

Democrats Focus on Reagan Policies

By STEVEN V. ROBERTS

Special to The New York Times

WASHINGTON, Feb. 4 — Democratic leaders asserted today that the nation was "rapidly approaching the post-Reagan era" and urged voters to focus on the policies of the Reagan Administration, not the personality of the President.

In a preview of their televised response to Mr. Reagan's *State of the Union Message*, the Democrats acknowledged that the President remained a popular figure. But they sharply attacked his record in areas where they believed he was politically vulnerable, including budget deficits, the slumping farm economy and the loss of jobs to foreign competition.

On all these issues, said Representative William H. Gray 3d, the Pennsylvania Democrat who is chairman of the House Budget Committee, Democrats represent "a different set of choices and priorities" than those advanced by Mr. Reagan and the Republicans.

Paul G. Kirk Jr., the Democratic national chairman, said the differences between the two parties were "a question of values." Asked for specifics, he said the Republicans were the party of "the economic elite and the giant cor-

porations" while the Democrats stood for "the working men and women, and those who want to work."

Union Dispute Over Reply

These comments were made at a news briefing earlier today, before Mr. Reagan's speech was made available.

The Democrats planned to tape their response shortly before Mr. Reagan began speaking at 8 P.M., and the television networks planned to carry their broadcast immediately after the President's address. They wanted to do a live reply, but were thwarted by a dispute between two branches of the television technicians' union.

In making their response, the Democrats tried to convey a fresh image for themselves by featuring four younger party leaders: Mr. Gray, Lieut. Gov. Harriet Woods of Missouri, former Gov. Charles S. Robb of Virginia and Representative Thomas A. Daschle of South Dakota.

The Democrats' determination to shed their past associations became apparent when a reporter asked if their current policies mirrored those of Walter F. Mondale, the party's defeated Presidential candidate. "You haven't heard that name mentioned except by you," Mr. Gray snapped.

The political focus of the program

was highlighted by the choice of Senator George J. Mitchell of Maine to act as moderator. Mr. Mitchell heads the Democratic Senatorial Campaign Committee, and two of the speakers, Mrs. Woods and Mr. Daschle, are competing for Senate seats this fall.

Robb Talks of 'Tough Choices'

Mr. Robb, regarded as a representative of younger Democratic Governors who have made their mark as lean and efficient administrators, talked repeatedly about the "tough choices" facing the nation, and exemplified the party's theme when he said, "What the Federal Government needs more than anything else is discipline."

The Republicans hold 53 Senate seats to the Democrats' 47, but 22 of the 34 seats up for contest this fall are held by Republicans. The Democrats must make a net gain of four seats to recapture control of the chamber, and that struggle is already dominating developments on Capitol Hill.

Senator Mitchell said the Democrats decided to stress the "post-Reagan

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era" as a means of "focusing public attention on the future," when Mr. Reagan will not be on the ballot, rather than on his triumphs in the last two Presidential elections.

They also want to focus attention on his specific policy proposals, particularly his plans to make major cuts in popular domestic programs.

O'Neill to Focus on Budget

At a separate news conference the Speaker of the House, Thomas P. O'Neill Jr., said Democrats would not allow the President's budget, which is to be made public Wednesday, to disappear from view.

"I'm personally going to ask the President of the United States to speak and fight for his budget," he said.

He issued a statement saying the White House was also trying to ignore the economic plight of regions that rely on the agriculture, timber and oil industries. "It is understandable that the President is giving a short speech tonight," the Speaker said.

Mr. Daschle sounded a similar theme and said he would talk about trade and farm problems afflicting the economy. "We look to the next decade in great peril," he said.

As part of their strategy, the Democrats are in no hurry to come to an agreement with Republicans in Congress on a "grand compromise" that would produce a bipartisan package of measures to reduce the Federal deficit. Instead, they want the public to focus on the President's proposed budget cuts in such politically sensitive areas as transportation and education.

G.O.P. Divisions Seen

Senate Republicans, who fear the impact of this strategy, are urging the White House to enter negotiations on a new package with Congressional leaders of both parties.

Senator Rudy Boschwitz, Republican of Minnesota, is circulating a letter to the President that threatens to block action on an overhaul of the tax code, which Mr. Reagan has made a top priority of his second term, until the budget deadlock is resolved.

Bob Dole of Kansas, the Senate majority leader, said Monday that the Boschwitz letter represented the feelings of a majority of the Senate.

With considerable satisfaction, Senator Mitchell said today that the "divisions between the President and the Republicans" on the budget issue have become "increasingly apparent."

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New Course for Currency Policy Hinted

Special to The New York Times

WASHINGTON, Feb. 4 — President Reagan's announcement tonight that "there's more to do" to prevent instability in currency exchange rates reflects worries within the Administration that its faith in free markets could be misplaced when it comes to the dollar, according to experts here.

In his State of the Union Message, Mr. Reagan disclosed that he was asking Treasury Secretary James A. Baker 3d to determine if an international monetary conference should be convened. By using that forum, the experts said, the President was hinting that proposals to change the monetary system could follow. Often in the past, he has used the State of the Union Message to indicate a new policy course.

Although the Treasury is undecided about what it might propose, experts outside the Administration have said that any movement away from a free market would amount to a shift toward currency rates at least partly managed by the intervention of governments.

"What we want to do is be alert to ways in which we can improve the current system," Secretary Baker said in a recent interview. He said that the dollar had been too volatile in recent years and that he desired more stability. But he said it was premature to discuss the changes he would propose.

Rates Set by Participants

Since 1973, governments have allowed their currencies to "float" in the marketplace, rising and falling with the tides of supply and demand. Generally, foreign-exchange rates are set not by governments but by participants in the currency markets, from tourists traveling abroad to corporations that do business across boundary lines.

Sometimes, however, governments intervene in the markets, buying or selling currencies and thus influencing their value. They did so last fall following the five-nation agreement to force down the value of the dollar, and they succeeded to the extent that it fell about 10 percent by year-end.

In the years before currencies were allowed to float, their values were fixed. Under the rigid Bretton Woods regulatory mechanism created in 1944, the dollar — then as now the world's key currency — was tied to the value of gold and other currencies were tied to the dollar. The system came apart when inflation surged in the 1960's, forcing countries to keep resetting their currencies to reflect inflation.

No senior officials in the Reagan Administration and no leading foreign governments are known to support a return to the gold standard and tight currency controls established by the international monetary conference held at Bretton Woods, N.H.

But Treasury officials have often ex-

pressed interest in some variation of the European Monetary System in which the values of currencies are permitted to fluctuate within prescribed limits called "target zones."

At the same time, Treasury officials have said they doubt that any such mechanism can work unless countries bring the performance of their own economies into closer alignment with one another, including their levels of interest rates, economic growth, inflation and employment.

When one country's performance falls significantly out of line with the others, its currency has to be revalued to reflect the difference. Partly for that reason, all the leading industrial countries have committed themselves to converging their economies, with varying degrees of success.

Some analysts suggest that the Baker study may prove to be little more than a political attempt to deflect the Presidential ambitions of Representative Jack Kemp, a Republican

from upstate New York. He is a strong proponent of a tightly regulated world monetary system.

"They might be doing it for Bush's benefit to take the wind out of Kemp's sails," said Norman A. Bailey, a consultant here and formerly a senior member of the President's national security staff.

Resisting Protectionism

But the Administration has another political reason for seeking monetary reform: repelling the calls in Congress for protectionist legislation to insulate the nation from one of the principal consequences of the strong dollar, last year's \$150 billion trade deficit and the lost jobs it represents.

Through most of the first Reagan term, the Administration steadfastly supported floating currency rates. It saw the rising dollar as the badge of Reagan policies and the American economy's rapid growth. But the economy slowed last year, while the dollar remained strong.

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Reagan Seeks Welfare Plan to Free Poor From Government Dependency

By ROBERT PEAR

Special to The New York Times

WASHINGTON, Feb. 4 — President Reagan said tonight that his Administration would search for new ways to help poor people "escape the spider's web of dependency" on Government welfare programs.

In his State of the Union Message, Mr. Reagan also said he wanted to find ways for the Government and private industry to work together in providing insurance to protect people against the costs of "catastrophic illness."

Neither domestic policy initiative would have any visible effect on spending levels in the President's budget for the fiscal year 1987, which he sends to Congress on Wednesday. But they could lead to changes in later years.

"We must revise or replace programs enacted in the name of compassion that degrade the moral worth of work, encourage family breakups and drive entire communities into a bleak and heartless dependency," Mr. Reagan told Congress.

Reagan Uses Roosevelt Warning

"In the welfare culture," he said, "the breakdown of the family, the most basic support system, has reached crisis proportions — in female and child poverty, child abandonment, horrible crimes and deteriorating schools."

Mr. Reagan quoted President Roosevelt, from his report on the State of the Union on Jan. 4, 1935, as warning that welfare was "a narcotic, a subtle destroyer of the human spirit," and the President declared, "We must now escape the spider's web of dependency."

The President directed his Domestic Policy Council, an advisory body composed of Cabinet officers, to report to

him by Dec. 1 with recommendations for "immediate action to meet the financial, educational, social and safety concerns of poor families."

He also directed Dr. Otis R. Bowen, the Secretary of Health and Human Services, to come up with a plan by the end of the year to provide insurance against the high costs of prolonged illnesses. Dr. Bowen has proposed expanding Medicare, the health insurance program for the elderly, to cover such costs.

The President's 1987 budget would continue the rearrangement of spending priorities begun in Mr. Reagan's first term. Military spending, which accounts for 27.1 percent of the Federal budget this year, would rise to 28.4 percent of the total next year and 32.6 percent in 1991.

In 1981, when Mr. Reagan took office, military spending absorbed 23.2 percent of all Federal spending.

The new budget calls for reduced spending on many energy, housing, agriculture, transportation and education programs. Mr. Reagan, in keeping with promises made in his 1984 campaign, proposes no cuts in Social Security benefits.

\$994 Billion Budget

In Mr. Reagan's new budget, combined spending on Social Security and Medicare, the health insurance program for the elderly, is about equal to proposed military spending. The three programs together account for 57 percent of the President's \$994 billion budget for 1987.

Confidential budget documents show the President's new budget would have these effects on domestic programs:

¶Federal loans to build rental housing for the elderly and handicapped,

which total \$490 million this year, would decline to \$385 million next year and to \$74 million in 1991.

¶Federal spending for training and employment programs, \$5.2 billion this year, would be reduced to \$4.5 billion next year and \$4.3 billion in 1991.

¶Spending for pollution control, conservation, national parks and water resources, which totals \$12.9 billion this year, would decline to \$12 billion next year and to \$10.7 billion in 1991. The budget for cleaning up hazardous waste sites, \$471 million this year, would rise to \$771 million next year and \$1.1 billion in 1991.

¶Federal grants for construction of sewage treatment plants, which amount to \$2.8 billion this year, would decline to \$2.4 billion next year and \$1.3 billion in 1991.

¶The budget for the National Institutes of Health would be reduced from \$4.9 billion this year to \$4.8 billion next year. The number of Federal grants for biomedical research would be reduced from 18,700 in this year to 18,000 next year. The grants average \$140,000 to \$150,000 a year.

¶There would also be a reduction in Federal spending for the education and training of health-care workers, from \$455 million this year to \$360 million next year and \$290 million in 1991.

¶Spending on food stamps would be reduced from \$12.6 billion this year to \$12.3 billion next year. The figure would rise gradually to \$13.3 billion in 1991.

¶Spending on child nutrition programs would be cut by \$704 million next year, leaving \$5.8 billion. That would rise gradually to \$7 billion in 1991.

¶Spending for the main welfare program, Aid to Families with Dependent

Children, and the child-support enforcement program, would decline from \$9.7 billion this year to \$8.9 billion next year. It would rise gradually to \$10.4 billion 1991. Mr. Reagan is again proposing what he calls "a strong but flexible work requirement" for welfare recipients.

¶Spending on subsidized housing, now projected at \$10.6 billion, would be reduced to \$9.9 billion this year and to \$8.9 billion next year. It would rise to \$10.6 billion in 1991.

¶The budget drops an earlier proposal to sell the Federal Housing Administration to private investors. Instead, the President proposes to increase premiums charged by the agency for mortgage insurance. These premiums would reduce the deficit by roughly \$2 billion a year from 1987 through 1991.

¶The community development block grant program, which is providing \$3.6 billion of Federal aid to cities and counties this year, would be cut to \$3.1 billion next year and to \$2.9 billion in 1991.

¶Federal spending for energy programs, \$4.4 billion this year, would be reduced to \$4 billion next year and \$3.9 billion in 1991.

¶The budget of the Army Corps of Engineers, \$2.9 billion this year, would rise to \$3.3 billion next year and to \$4.1 billion in 1991.

¶The budget projects an increase in military retirement costs, from \$17.6 billion this year to \$18 billion next year

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The New York Times / Jim Wilson

BUDGET HEARING: Senators Bob Packwood, Republican of Oregon, left, chairman of the Finance Committee, conferring with Russell B. Long, Democrat of

Louisiana, on the House version of President Reagan's tax bill. Among the items discussed was testimony on tax credit for Congressional campaign contributions.

and \$22.1 billion in 1991, even after cutbacks being proposed by the President. The cutbacks, which are subject to approval by Congress, would save \$500 million in 1987 and \$820 million in 1991.

Civil Service retirement costs would also grow, from \$24.3 billion this year to \$25 billion next year and \$29.4 billion in 1991, even assuming that Congress approves cutbacks proposed by the President. The cutbacks would save \$674 million this year and \$3.2 billion in 1991.

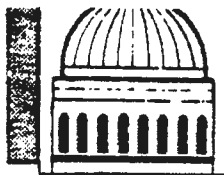
In addition, Mr. Reagan proposes to charge fees for certain services provided by the Coast Guard. These would generate revenue of \$238 million in 1987 and \$476 million in each of the next four years.

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CAPITOL STUFF

They'll start spreading the boos

By HARRISON RAINIE

News Washington Bureau

WASHINGTON—Be prepared for some more New York bashing from the White House in the months ahead.

The Empire State will play a prominent, and assuredly negative, role in the top-to-bottom review of welfare programs that President Reagan ordered in his State of the Union message last night. One congressional Republican source said it is likely New York will be held up as the example of the welfare state gone haywire—too expensive, badly administered and destructive of poor families.

"I can see it now in the introduction to the commission report. New York will be featured in the section entitled, 'What's wrong with this picture?'" said the source.

Several administration officials have reportedly recommended a thorough reading of "Beyond Entitlement: the Social Obligations of Citizenship," a work by NYU Prof. Lawrence Mead that is highly critical of the state's administration of workfare programs.

Mead's influential study compares the slipshod workfare program in New York, where caseworkers are either overworked or downright indifferent, to the situation in San Diego, where strict rules about able-bodied welfare recipients doing work are toughly enforced. He concludes that the best situation for everyone results when standards of behavior are set for the poor.

"Workfare works when it is a recognized obligation that is enforced," says Mead. "When it is not enforced, people feel they can abuse the system. All I'm saying is that we should apply the same principle to workfare that we do to income taxes. People don't like paying income taxes, just like some people don't like to work, but they pay taxes because it's a widely accepted, and enforced, kind of behavior."

The problem to some, though, is that this new national study will reinforce the Reagan administration's notion that it is good politics to single out New York for attack. And it will

come before Gov. Cuomo's new workfare program with tighter controls is enacted and put in place.

Stranding Pat . . .

Three top aides to Sen. Daniel Patrick Moynihan (D-N.Y.) have resigned in recent weeks, and some tea-leaf readers—and ambitious Democrats—have started speculating he will not seek a third Senate term in 1988.

The departure of Moynihan's chief of staff, Robert Peck, his top domestic policy craftsman, Robert Shapiro, and



Moynihan

his main foreign policy specialist, Thomas Melia, leave the senator's staff very thin in political and legislative experience as he enters a year with crucial debates on budget, tax and foreign policy matters. The departure of the unflappable and well-liked Peck for a real estate partnership also leaves Moynihan's political operations leaderless, except for the work that Moynihan and his wife, Elizabeth, do themselves.

Moynihan has created a political action committee, raised \$425,000 for a reelection bid and also tried to do some recruiting of Democrats to run against Sen. Alfonse D'Amato (R-N.Y.)—steps that indicate he still is involved in state politics.

At the same time, he has become increasingly disenchanted with life as a member of the minority party in the Senate—a disenchantment that peaked when he had to defend himself recently against the charge by Sen. Phil Gramm (R-Tex.) that he was "weak on defense."

. . . But not St. Pat

The Reagan administration plans to put together a \$40 million economic aid package to Northern Ireland to be unveiled on St. Patrick's Day.

The plan is designed to make good on the promise of the President and House Speaker Thomas O'Neill (D-Mass.) last



O'Neill

December to support the Irish-British accord that would give Ireland a say in the affairs of the northern counties that have been the site of continuous sectarian violence for years. A delegation of Irish and British officials, led by the very

popular former Irish Ambassador Sean Donlan, met with State Department officials to discuss the aid package recently. And House Foreign Affairs Committee Chairman Rep. Dante Fascell (D-Fla.) dispatched a senior aide, Toni Verstandig, to Northern Ireland in mid-January to examine Ulster's major economic needs.

Rep. Mario Biaggi (D-Bronx), the congressional leader of those opposed to the British role in Northern Ireland, will send a letter to Fascell tomorrow demanding that the aid not be used for any military or security purposes and that it benefit both the Catholic and Protestant communities there.

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PREZ. LAUDS 'ECONOMIC MIRACLE,' LAMENTS POVERTY CYCLE



STATE OF THE UNION address gets some finishing touches from President Reagan. It was Reagan's fifth such address. UPI

Rich nation, poor nation

Ron makes welfare his State of Union theme

By **BRUCE DRAKE**

News Washington Bureau

WASHINGTON— President Reagan last night triumphantly declared that "America is on the move" after five years of his leadership, but he said that despite the nation's "economic miracle," the burden of a

welfare culture had caused the breakup of poor families to reach crisis proportions.

Delivering a State of the Union address delayed for a week by the tragedy of the space shuttle Challenger, Reagan announced a year-long study by his aides of the nation's social welfare system and its failure to free families from poverty. "We can ignore this terrible truth no longer," he said.

White House officials hope the display of Reagan's concern will counter the inevitable fallout over his budget proposals, which would slash domestic programs while calling for new increases in defense spending.

Eulogizes the fallen 7

The President took a brief moment, before a joint session of Congress and a national television audience, to eulogize the seven astronauts who died aboard the

Challenger.

Praising the crew for their valor, he said: "I hope we are now ready to do what they would want us to do—go forward America, reach for the stars. We will never forget these brave seven, but we shall go forward."

Reagan, who turns 75 tomorrow, charted his "agenda for the future" in typically upbeat tones. He declared: "Tonight, we look out on a rising America—firm of heart, united in spirit, powerful in pride and patriotism. America is on the move!" He added: "The United States is the economic miracle, the model to which the world once again turns."

He called family and community the "co-stars of this

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great American comeback." Making clear his belief that the best way to protect the strength of the family is to scale back government, Reagan added, "They are why we say tonight: Private values must be at the heart of public policies."

No 'sea of red ink'

Reagan said the budget he will unveil today, which includes sales of federal assets to private firms, will scuttle "horse-and-buggy programs that waste tax dollars and squander human potential." The nation cannot win the "race to the future... if we are swamped in a sea of red ink," he said.

"It's time we reduced the federal budget and left the family budget alone," he added.

Turning to the welfare issue, Reagan said, "We must revise or replace programs enacted in the name of compassion that degrade the moral worth of work, encourage family breakups and drive entire communities into a bleak and heartless dependency.

"In the welfare culture, the breakdown of the family, the most basic support system, has reached crisis proportions—in female and child poverty, child abandonment, horrible crimes and deteriorating schools," he asserted.

He said "hundreds of billions of dollars in poverty programs" had not freed the poor and promised his welfare study would come up with "a strategy for immediate action to meet the financial, education, social and safety concerns of poor families."

White House officials believe the welfare study will take advantage of the

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momentum generated by media attention to the plight of shattered and struggling black families. That attention was spurred by the first national holiday honoring Martin Luther King.

Two other studies

Reagan also unveiled two other studies his administration will undertake.

He called on the Health and Human Services Department to come up by year's end with recommendations on how the government and private insurers could provide "catastrophic" health coverage for patients whose life savings would be wiped out by a serious illness requiring lengthy treatment or hospitalization.

And he told the Treasury Department to study whether an international conference should be convened to discuss the stability of world currencies. Administration officials are concerned about the plight of American companies who say the dollar's strength is hampering their ability to compete in world markets.

Speaking to causes close to the hearts of fellow conservatives, Reagan promised anti-Communist "freedom fighters" in Nicaragua, Afghanistan, Angola and Cambodia that "America will support with moral and material assistance your right not just to fight and die for freedom, but to fight and win freedom."

AT A GLANCE

THE STATE OF THE UNION

NEWS WASHINGTON BUREAU

WASHINGTON—Highlights of President Reagan's fifth State of the Union address:

■ America has produced an "economic miracle" admired by the world and "is on the move" again.

■ The Domestic Policy Council will report to the President by Dec. 1 on the effectiveness of the nation's social welfare programs and a "strategy for immediate action to meet the financial, educational, social and safety concerns" of the poor.

■ Health and Human Services aides will come up with, by the end of the year, a proposal to provide health insurance for patients with serious illnesses who face financial ruin

because of the length or cost of their care.

There must be deeper cuts in government spending because the time has come to reduce "the federal budget and (leave) the family budget alone." But defense spending must rise to keep the nation secure.

■ The shuttle flights and space exploration must continue despite the tragic death of the seven Challenger astronauts.

■ America will give "moral and material" support to "freedom fighters" in Afghanistan, Angola, Cambodia and Nicaragua.

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Don't sell the family silver so you have more to spend

The central character in Wilde's famous comedy *The Importance of Being Earnest* led a double life. He was Earnest (a high-living spend-thrift) in town and Jack (a sober, responsible economist) in the country.

Remind you of someone? Can't quite call to mind just who? Try the Democratic Party.

Last night the Democrats, in their response to President Reagan's State of the Union message, were talking to the country. So they were posing as Careful Jack.

Pennsylvania's William Gray, of the House Budget Committee, for instance, denounced the President for his "loose fiscal policy of spend, spend, spend; borrow, borrow, borrow."

Virginia's former governor, Charles Robb, declared that "everything ought to be on the table except paying the interest on the national debt" — including cuts in every sort of federal program.

"We cannot do anything until we balance our federal checkbook," Robb said. And no doubt he shook his wise old head.

Only one thing: it was the Democrats who last year played Earnest in town with their loose fiscal ways — and kept alive a vast array of programs that Reagan had scheduled for elimination in his original budget.

There were Amtrak, the Small Business Administration, urban development grants, mass transit subsidies, the Appalachian Regional Commission, etc.

Reagan took them out of the budget. Guess who put them back in again?

None other than stern, fatherly Rep. William Gray, House Budget Committee chairman. He saved the programs — to the applause of the traditional Democratic spending constituencies.

Clearly, Gray understands the vital importance of being Earnest.

Now the programs are up for grabs again. Reagan is sending to Congress a budget for 1987 which reduces the deficit to \$144 billion as required by Gramm-Rudman — by eliminating the very programs that Gray preserved last year.

Will the Democrats' conversion to fis-

cal prudence last? Place no large bets.

Alas, Reagan himself shows the occasional trace of fiscal Earnestness. For instance, the original administration forecast was that cuts of \$50 billion would be necessary to meet the Gramm-Rudman target of holding the deficit down to \$144 billion.

At that point, actual program cuts of \$38 billion had been determined. The remaining \$12 billion was to be raised by selling federal assets like the Bonneville Power Administration — or what's known in the trade as "privatization."

But the most recent trends showed that only \$38 billion, not \$50 billion, would be required to meet the \$144 billion target.

So the final package shows \$30 billion from cutting programs and \$8 billion from privatization.

Now, privatization is sensible because it transfers assets from the federal government, which uses them uneconomically, to private owners, who have the spur of profit.

Study after study shows that privatized companies perform better when they are exposed to the incentives of the market. Instead of consuming subsidies from the Treasury, they contribute to it through taxation on their profits.

So, privatize we must. But we shouldn't use privatization to avoid painful budgetary decisions.

Yet in the 1987 budget, revenue from privatization is employed to lift the pressure for cost-cutting. It is regarded as a convenient source of income to maintain programs which ought to be eliminated.

And since the programs are ongoing while there is a fixed number of salable assets, the long-term budgetary problem is merely postponed. Employed for that purpose, privatization is like an alcoholic selling the family silver in order to buy more booze.

That's the kind of thing that Democratic Earnests get up to. Reagan should know better.

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Reagan calls families key to 'American comeback'

State of Union talk focuses on 'redefining' federal role

From Wire Dispatches

WASHINGTON — President Reagan, in a State of the Union address expressing his concern for the American family, told Congress on Tuesday night that "private values must always be at the heart of public policies."

"Despite the pressures of our modern world, family and community remain the moral core of our society, guardians of our values and hopes for the future," Reagan said in an excerpt from the speech released in advance by the White House.

In the address, which was delayed a week by the explosion of the space shuttle Challenger, Reagan called for studies of how government can protect family needs and values without increasing dependence on federal programs.

He mentioned what he called a "great American comeback" and celebrated family and community as its co-stars.

"What we accomplish this year, in each challenge we face, will set our course for the balance of the decade, indeed, for the remainder of the century," Reagan said. "After all we've done so far, let no one say this nation cannot reach the destiny of our dreams. America believes, America is ready. America can win the race to the future, and we shall."

The address, planned this year as a shorter, less detailed report to Congress than Reagan's earlier State of the Union speeches, is to be followed later in the week with a longer written message spelling out Reagan's legislative priorities for the current congressional session.

The speech attempts, in the words of aides, "to redefine the role of government." It will be followed by three hectic days of presidential events designed to focus atten-

tion

on Reagan's goals of overhauling the welfare system and providing every family with protection against the costs of catastrophic illness while slashing the federal deficit by elimination of many government programs.

Reagan is scheduled to present his fiscal 1987 budget proposal to

Congress on Wednesday, then visit the Treasury and Health and Human Services departments and address the Domestic Policy Council.

The Treasury Department will conduct a study of the international monetary system, and Health and Human Services is to come up with recommendations for an insurance plan dealing with catastrophic illnesses. The Domestic Policy Council of the Cabinet is to study the many government programs designed to help the needy in an effort to come up with a unified program to encourage those who can work to find jobs and to direct aid funding only to those who need it most.

On Thursday, Reagan will submit the report of his Council of Economic Advisers on the nation's economy and the prospects for future growth, along with his detailed legislative message to be signed the same day.

Then, at a celebration for his 75th birthday, the oldest president in the nation's history will address his federal appointees in what has become an annual pep talk for his plan to reduce the size and scope of the bureaucracy.

On Friday, Reagan will go to Thomas Jefferson High School in a Virginia suburb of the capital to tour its technology labs and talk to students about his vision of the future, emphasizing his attempt to get away from the image of a politician living in the past and stressing instead his hope for the coming generations.

To present the party's response to Reagan's State of the Union address, the Democrats turned to former Virginia Gov. Charles Robb, Sen. George Mitchell of Maine, Harriett Woods, lieutenant governor of Missouri, and Reps. Tom Daschle of South Dakota and William Gray of Pennsylvania.

They accused Reagan of presiding over a policy of "spend, spend, borrow, borrow, borrow."

Robb said the administration needs to do the right things to reduce spending in every sort of fed-

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eral program and in exercising the option of raising taxes.

"Until the president will bite that particular bullet, I don't think we are going to make any real progress," Robb said.



■ **State of the Union:** President Reagan presented his State of the Union to a joint session of Congress Tuesday, declaring "private values must always be at the heart of public policies."

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■ **Budget proposal:** The President is scheduled to present his fiscal 1987 budget proposal to Congress on Wednesday.

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■ **Vision of the future:** On Friday, President Reagan will visit a high school in the Virginia suburbs of the capital to tour its technology labs and sell his vision of the future, emphasizing his attempt to get away from the image of a politician living in the past and stressing instead his hope for the coming generations.

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