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# News Summary

OFFICE OF THE PRESS SECRETARY

MONDAY, AUGUST 18, 1986 -- 6 a.m. EDT EDITION

## TODAY'S HEADLINES

### NATIONAL NEWS

BIPARTISAN LEADERS PREDICT PASSAGE OF TAX BILL IN FALL; PRESIDENT HAILS AGREEMENT -- Leading congressional advocates and opponents of the historic tax revision bill that House and Senate negotiators approved Saturday night said today that the measure would almost certainly be enacted this fall but not without further struggle.

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

DEMOCRATS SHOOT BACK AT REAGAN CRITICISM OF HOUSE DEFENSE BUDGET -- Congressional Democrats, stung by President Reagan's charge that Capitol Hill budget cuts in defense would open the country to Soviet missile attack, say his military spending plan would dramatically change U.S. arms policy.

(Washington Times, AP)

### INTERNATIONAL NEWS

ZIMBABWE AND PRETORIA STAB AT U.S. SENATE ACTION -- The United States came under two sharp attacks here yesterday -- one by the South African government for the Senate decision to impose economic sanctions on this country and the other by the Zimbabwe government for being too soft in its approach to sanctions.

(Washington Post, Washington Times)

### NETWORK NEWS (Sunday Evening)

TAX REFORM -- Congressional negotiators and the White House were elated over approval of the new tax reform plan.

DEFENSE SPENDING -- The Reagan Administration voiced its displeasure toward the House defense budget.

ARMS CONTROL -- There was more negative talk from Moscow about the progress toward an arms control agreement.

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NATIONAL NEWS

WHITE HOUSE URGES FINAL APPROVAL OF TAX ACT  
Intense Lobbying By Opponents Expected

The White House yesterday embarked on a campaign to persuade a somewhat skeptical Congress to approve the final version of sweeping legislation to restructure the federal tax system, following its endorsement late Saturday by a House and Senate conference committee.

Lawmakers predicted intense lobbying by special interests to defeat the tax package when it comes before Congress in September, but President Reagan and Treasury Secretary James Baker strongly endorsed the measure as a boon to the economy and to taxpayers. They dismissed charges by business leaders that it puts too much of the tax burden on corporations. (Dale Russakoff & Anne Swardson, Washington Post, A1)

Surviving Tax Bill Cuts Rates For Most

Four of every five Americans would face lower taxes beginning in 1987 under the tax overhaul package approved by a congressional committee and given the green light by President Reagan.

"It's good for the economy, it's good for the taxpayer," said Mr. Reagan in a statement issued at his ranch in Santa Barbara, Calif., after a conference committee reached agreement late Saturday.

Treasury Secretary James Baker called the package "a real winner for the American people" and "real plus for the economy."

(Willis Witter, Washington Times, A1)

Bipartisan Leaders Predict Passage Of Tax Bill In Fall; President Hails Agreement  
Some Still Opposed

Leading congressional advocates and opponents of the historic tax revision bill that House and Senate negotiators approved Saturday night said today that the measure would almost certainly be enacted this fall but not without further struggle.

In a statement from Santa Barbara, Calif., where President Reagan is on vacation, he said the conference agreement "satisfies my requirements for meaningful tax reform." He called it "a triumph for the American people and the American system, good for the economy and good for the taxpayer."

(David Rosenbaum, New York Times, A1)

Battle Ahead Over Tax Overhaul Measure, But Backers Predict Passage

Congress faces a spirited battle over landmark tax overhaul legislation that House and Senate negotiators approved over the weekend, but supporters predict overwhelming approval of the package.

Rep. Richard Gephardt, who has pushed tax overhaul for years, also predicted victory. "I think the reaction to the bill will be overwhelming."

Gephardt added that he thought it would take continued White House lobbying to keep the legislation on track toward the President's desk.

(Cliff Haas, AP)

### Tax Increase Debate Renewed

Congressional tax reform negotiators have come up with a tax overhaul plan President Reagan calls "good for the economy," but one nagging question remains unanswered -- whether taxes will be raised.

"But I do think if we're going to focus on and be serious about where the deficit is and what we've got to do...there's a possibility," taxes will be raised, Rep. Dan Rostenkowski said Sunday on NBC's "Meet the Press."

"I absolutely disagree with that," countered Treasury Secretary James Baker. "I don't think there's any chance in the world that we're going to raise taxes between now and the election, and if the Congress did raise taxes between now and the election, the President wouldn't sign the bill."

(Henry Rosso, UPI)

### Reagan Maximizes Minimum Input On Tax Reform

SANTA BARBARA -- President Reagan, settled into a three-week summer vacation, relied on quick action by senior aides to snag some of the credit for the historic tax code overhaul approved by House and Senate conferees.

His own role in behind-the-scenes negotiations that produced a tax package that would cut the top individual rate to 28 percent from 50 percent and the maximum corporate rate to 34 percent from 46 percent -- close to his target figures of 27 and 33 percent -- was minimal.

(Norman Sandler, UPI)

### Vacationing Reagan To Receive Tax Overhaul Bill By Mid-Week

SANTA BARBARA -- President Reagan, beginning a three-week California vacation at his mountaintop ranch, is to receive a detailed study of the new tax reform plan by mid-week, aides say.

"We think it meets the President's criteria," White House spokesman Albert Brashear said Sunday of the tax overhaul legislation that was completed late Saturday by House and Senate negotiators.

Brashear said the Treasury Department's analysis of the sweeping reform package would be sent to Reagan's ranch for his review.

(Susanne Schafer, AP)

### ON BOTTOM LINE, NOT MUCH DIFFERENCE

For Most Individuals, Package Would Result In Small Reductions

After all the debate and all the drama, all the politics and all the promises, the Tax Reform Act of 1986 approved over the weekend by House and Senate negotiators would put relatively little cash in the pockets of most Americans.

If both houses of Congress endorse the legislation, the vast majority of the nation's 100 million taxpayers will find their taxes reduced an average of only \$2.50 to \$8.00 a week on their 1988 returns, the first ones in which the new system will be in full effect, according to congressional estimates.

(Dale Russakoff, Washington Post, A1)

U.S. RETIREES TO PAY SOONER  
Provision To Affect New Pensioners

Federal workers who retire after July 1, 1986, will have to pay taxes on a portion of their federal pensions immediately, under a retroactive provision of the tax compromise approved by a House-Senate conference committee late Saturday.

Under the tax compromise agreed to late Saturday, monthly pension payments will be treated as if part of them come from the nontaxable personal contributions and the rest from the government's contribution.

(James Rowe, Washington Post, A1)

STATE COFFERS WOULD SWELL  
Higher Tax Bills Seen At Local Level

The federal tax overhaul bill would have a major local-tax side effect: fattening the coffers of state governments and boosting state income tax bills for many taxpayers across the country, including in the District, Maryland and Virginia.

The reason is that the three Washington area jurisdictions -- like those in most of the 43 states that levy personal income taxes -- generally follow the federal approach in determining taxable income.

(Ruth Marcus, Washington Post, A1)

MORE IMPORTS, LESS INVESTMENT  
PREDICTED AT END OF TAX TRAIL

The historic shift in the tax burden from individuals to corporations not only may create confusion among consumers and corporations, but, in the next few months, also could lead to more imports, reduced business investment and lower output in an already weak economy.

In the long run, many economists expect the economy to benefit from the tax proposals. Consumers eventually would spend their higher after-tax incomes.

With investment decisions no longer driven by tax incentives and shelters, business spending would be allocated more efficiently, resulting in higher economic growth.

(Jane Seaberry, Washington Post, A10)

HOUSE DEFENSE CUTS GO 'TOO FAR,'  
BUT REAGAN ASKED FOR IT, NUNN SAYS

President Reagan, whose national security agenda suffered a string of defeats in the Democratic-controlled House last week, received support yesterday from a ranking Senate Democrat who said the House has gone "much too far" in restricting the nation's military buildup.

But Sen. Sam Nunn charged the Administration has failed to address key defense issues by failing to negotiate controls on chemical weapons and anti-satellite testing. He said the Administration created a "vacuum" that led to the House action restricting the defense program.

(Bill Gertz & Jeremiah O'Leary, Washington Times, A4)

### Democrats Shoot Back At Reagan Criticism Of House Defense Budget

Congressional Democrats, stung by President Reagan's charge that Capitol Hill budget cuts in defense would open the country to Soviet missile attack, say his military spending plan would dramatically change U.S. arms policy.

Rep. Les Aspin said Sunday the House merely was continuing present policy by voting last week to restrict tests of anti-satellite weapons, block production of chemical weapons, force the Administration to abide by the 1979 SALT II arms accord and spend \$3.1 billion on "Star Wars" research.

He said it was Reagan, not Congress, who was shifting gears on defense. He denied that congressional cuts in defense spending will undercut U.S. ability to reach an arms control agreement with the Soviets.

(AP)

### CONGRESS TO FACE NEW DEFICIT TARGET

New economic estimates this week are expected to increase the heat on Congress to deal in 1987 with the federal deficit, a matter it ducked before leaving town over the weekend for its annual August recess.

The Congressional Budget Office and the Office of Management and Budget will issue a report Wednesday that will estimate how much 1987 spending -- as things stand -- will exceed deficit targets spelled out in the Gramm-Rudman deficit-reduction law.

(Damon Thompson, Washington Times, A4)

EDITOR'S NOTES: "Industries Await Further Details But Fear The Worst -- Analysts Predict Mixture Of Pains, Gains," by Nell Henderson, appears in The Washington Post, A8.

"Era Of Special Benefits Seen Ending In Real Estate Industry," by Wendy Swallow, appears in The Washington Post, A8.

"Tax Reform Act Of 1986: Provisions" -- Highlights of provisions affecting individual taxpayers and businesses under the revised tax code, appears in The Washington Post, A9.



## INTERNATIONAL NEWS

### REAGAN'S ONLY HOPE IS SANCTIONS OVERKILL

President Reagan, smarting from Senate rejection of his South Africa policy, can only hope now that the House will insist that sanctions be so tough as to make enough senators gag to sustain a veto.

Mr. Reagan has contended "punitive" sanctions would further injure the South African economy and impede chances for peaceful change. Just after the bill's passage Friday night, White House spokesman Larry Speakes said the measure would "strengthen the radical elements on both sides in South Africa." (Rita McWilliams, Washington Times, A9)

### 'PIK' BOTHA HITS SENATE SANCTIONS S. African Says Move Aids Radicals

JOHANNESBURG -- Foreign Minister Roelof "Pik" Botha said today that the U.S. Senate's approval of broad sanctions against South Africa would encourage radicals trying to create a society "in which no American would live voluntarily."

Botha, in the first official reaction to the Friday night vote in Washington, said the Senate action constituted interference in South Africa's internal affairs and was not in the best interest of the United States. (AP story, Washington Post, A11)

### Zimbabwe And Pretoria Stab At U.S. Senate Action

CAPE TOWN -- The United States came under two sharp attacks here yesterday -- one by the South African government for the Senate decision to impose economic sanctions on this country and the other by the Zimbabwe government for being too soft in its approach to sanctions.

Minister of Foreign Affairs Roelof "Pik" Botha said: "It is clear that the development of the black communities here holds no weight for the U.S. legislators.... While the South African government is busy broadening democracy, the U.S. Senate is busy prohibiting it."

(Peter Younghusband, Washington Times, A9)

### MODIFYING THE SDI VISION

President Reagan's visionary proposal for space-based nuclear-missile defense has become endangered by an odd alliance of conservatives, who would like to scrap the 1972 Antiballistic Missile Treaty and deploy a limited defensive system as soon as possible, and liberals, who want to bargain away the entire idea.

Reagan's vision of a world free of nuclear terror brought SDI into being and the Soviets to the bargaining table. The irony of his position is that he now needs to modify this vision to succeed in the bargaining and preserve a more modest version of the valuable research program his leadership has created. (Lou Cannon, Washington Post, A2)

'NO RAPPROCHEMENT' IN RECENT U.S.-SOVIET TALKS

MOSCOW -- U.S. arms negotiators ruled out any compromise on halting deployment of President Reagan's "Star Wars" missile shield during recent talks with Soviet officials, a Soviet television commentator said.

In the fullest account yet on last week's talks near Moscow, authoritative commentator Alexander Bovin said Sunday U.S. and Soviet negotiators made little progress in their search for areas of accord that could lead to an arms control agreement. (UPI)

U.S. SPOTS NEW SOVIET RADARS  
THAT COULD FORM ABM SYSTEM

United States intelligence has discovered two huge new radars under construction in the Soviet Union that could diminish America's nuclear deterrent by enabling the Soviets to track and shoot down incoming ballistic missiles, senior Administration officials have confirmed.

Officials said that when finished, the two recently discovered large, phased-array radars, in conjunction with six others that the United States long has been aware of, will complete a network that stretches along the entire periphery of the Soviet Union.

(Warren Strobel, Washington Times, A3)

WHEAT SALE TROUBLES SOME REPUBLICANS

Some Republicans are beginning to worry that President Reagan's decision to sell subsidized wheat to the Soviet Union will come back to haunt them. Even some supporters of the decision fear it could backfire.

Sen. Strom Thurmond is more critical, speculating that the wheat decision, which he says was made for domestic political reasons, could boomerang on the Republican Party and on American defense policy in the Pacific.

(Ralph Hallow, Washington Times, A3)

CONTRAS NEED FOOTHOLD, LEADER SAYS

SAN JOSE, Costa Rica -- Nicaraguan rebels battling the Sandinista government must seize and hold a substantial amount of territory within the next six months or admit defeat, a resistance leader said here this weekend.

"If we don't do it by Feb. 1, that's it," said Octaviano Cesar, foreign relations secretary for the Bloc of Southern Opposition. "After Feb. 1, the United States will be getting into election-year politics [for the 1988 presidential election] and it will be too difficult to get more money without some substantial evidence of our success."

(Glenn Garvin, Washington Times, A6)



DUARTE PINS PROBLEMS ON NICARAGUA  
AND ORTEGA BLAMES U.S.

SANTO DOMINGO -- Salvadoran President Jose Napoleon Duarte, here for the inauguration of President Joaquin Balaguer, yesterday accused Nicaragua of assisting communist guerrillas fighting his government and of following aggressive policies.

Nicaraguan President Daniel Ortega blamed the United States for the civil war in his country and urged Latin American nations to sign the Contadora peace treaty proposed by Colombia, Mexico, Panama and Venezuela -- which Nicaragua itself has refused to sign.

(Washington Times, A6)

SUDANESE AIRLINER WITH 60 ON BOARD DOWNED BY MISSILE  
Southern Rebels Had Issued A  
Warning To Aviation -- No Survivors Reported

CAIRO -- A Sudan Airways plane with 60 people aboard was shot down Saturday by Sudanese rebels using SAM-7 antiaircraft missiles, the official Sudan News Agency reported today.

There was no immediate official casualty toll, but reports reaching Cairo from Khartoum, the Sudanese capital, indicated there were no survivors.

In Washington, a State Department spokeswoman, Anita Stockman, said no Americans were believed on the plane, but that the passenger list had not been seen.

(Margaret Rogg, New York Times, A1)

U.S.-JAPAN FAIL TO REACH TEXTILE AGREEMENT

U.S. Customs Service agents are conducting spot checks of imported textiles at American ports stemming from the failure of the United States and Japan to reach a new textile agreement.

"Everything's on hold," Gary Holmes, a U.S. Trade Representative spokesman, said Sunday, following the breakup of three days of talks between U.S. and Japanese negotiators late Saturday with no agreement.

(Henry Rosso, UPI)

KIDNAPPED DRUG AGENT'S LIFE  
SAVED BY COURAGE OF BOSS

Office Chief Refused To Leave Mexican Torture, Beating Site

TUCSON, Ariz. -- U.S. Drug Enforcement Administration agent Victor Cortez probably would have been fatally tortured by the Mexican policemen who abducted him last week but for the actions of his boss, Tony Ayala, DEA sources said yesterday.

"There is no doubt in our minds that Cortez would have been dead in a matter of hours if Ayala hadn't taken some rather decisive action," said one DEA official. "He was willing to place himself in jeopardy to protect his man, to demand that he be returned unharmed."

(Jerry Seper, Washington Times, A1)

NETWORK NEWS SUMMARY

TAX REFORM

ABC's SAM DONALDSON: There is elation on Capitol Hill and in the White House today over approval of the new tax reform plan by a Senate-House conference committee late last night. "They said it couldn't be done, but we did it," was the way Chairman Dan Rostenkowski greeted his committee's vote. And indeed the plan which reduces rates, plugs loopholes, and simplifies tax computation, often seemed to hang by a thread as it made its way through Congress to reach this point.

ABC's KENNETH WALKER: After grueling all-night negotiations on the tax bill, House and Senate conferees held an unrestrained celebration at the outcome. In a statement from his California ranch President Reagan hailed the package too, calling it a triumph for the people and the American system. Other Administration officials joined in the chorus of goodwill.

(SECRETARY BAKER: "And this is really a remarkable bipartisan achievement. But it really wouldn't have happened either without the leadership of the President.")

But after all the back-slapping over dropping tax rates to a low of 15% and a maximum rate of 28%, for some the benefits will be late in coming.

(REP. ROSTENKOWSKI: "It really is a three or four rate schedule except that you won't see that on your income tax form. There was no way that we could fix it.")

That means that next year some taxpayers will pay as much as 38% in income taxes. And the average decrease for that year is only 1.6%. The lower 28% maximum rate begins in 1988. Other measures include sharp limitations on IRA retirement deductions, the elimination of sales tax deductions, as well as ending tax breaks on capital gains. And because of the record budget deficit, Rostenkowski said some other taxes may have to be raised.

(ROSTENKOWSKI: "We've worked in this reform area too long a period of time to forsake it. I don't, however, suggest that we won't be looking at revenues elsewhere.")

Baker said the President will veto any tax increases this year. But the Administration and the Congress must figure out who pays for the budget deficit: the taxpayer or beneficiaries of government programs.

DONALDSON: Not everyone is happy with the tax reform bill that emerged last night and is expected to be approved by both houses of Congress when Congress returns in September. Republican Senator John Danforth voted no after complaining that because much of the work had been done in secret by Chairman Rostenkowski and Senator Packwood, he hadn't had a chance to study the final product. Danforth said the attitude seemed to be that if we don't do it now, the people are going to find out about what we're doing. (ABC-Lead)

CBS's SUSAN SPENCER: In case you missed it, congressional negotiators did something pretty drastic about your taxes last night -- sort of a Saturday Night Special.

CBS's PHIL JONES: Chairman Rostenkowski and Senator Packwood: the two tax conference leaders who wrote the overhaul behind closed doors, basking in the glory.

PHIL JONES continues:

(SEN. PACKWOOD: "All I can say is I'm thankful for Danny and proud of the Congress, and happy for the nation.")

It is the most radical tax change in nearly half a century. For individuals, six million working poor won't pay taxes. For others, only two tax rates: 15 and 28%. Eighty percent of the taxpayers will be in the 15% bracket. For corporations the new top rate of 34% instead of 46, however, loophole closing will add \$120 billion in new taxes over five years. Still in: deductions for state and local income taxes, charitable contributions, home mortgage interest for first and second homes, IRA deductions limited to those without pension plans or families earning less than \$50,000, singles less than \$35,000. Out: deductions for such things as state and local sales taxes and consumer interest. Tax experts think this will cause consumers to behave differently.

(IRA SHAPIRO, Tax consultant: "People will have to look hard when they make big-ticket purchases like refrigerators and automobiles where they previously borrowed to make those purchases. For example it's likely that people will save first before they buy, or they might buy a cheaper product than they bought in the past.")

It is a dramatic change, based on shifting the burden to business to help pay for lower individual rates. Some think the hit on business could cause a recession, but not Rostenkowski.

(REP. ROSTENKOWSKI: "I believe history will show that all were treated fairly.")

This compromise has to be approved by the full House and Senate yet, and there may have to be modifications to compensate for the sluggish economy. But the tax overhaul train has clearly left the station, and even the most tenacious and powerful lobbyists have given up hope of derailing it.

SPENCER: The new tax bill won almost instant kudos from one vacationing President.

CBS's JACQUELINE ADAMS: President Reagan spent the day on horseback at his California ranch.

(TV COVERAGE: Faraway view of the President riding his horse.)

But in a statement he hailed the tax reform compromise as a triumph for the American people. Though Mr. Reagan specifically praised the bill's shepherds, Senator Packwood and Rep. Rostenkowski, Treasury Secretary James Baker claimed most of the laurels for his boss.

(SECRETARY BAKER: "It really wouldn't have happened either without the leadership of the President who hung in there through some very, very, dark days. Everybody, as you know, across this country declared this effort dead five or six times.")

White House officials predict the final bill will be approved quickly and easily despite grumbling from some in Congress who wanted full deductibility for Individual Retirement Accounts.

(BAKER: "A lot of people are going to be disappointed that their IRA is going to be scaled back, but they're going to be awfully happy when they consider that they're looking at only two rates on the individual side: 28 and 15.")

The ink isn't dry yet on this tax reform deal but already the politicians who crafted it are veering off in different directions. Democrat Rostenkowski wants a quick tax hike to narrow the record-breaking deficit. But Secretary Baker says no. At least not before this November's election.

(CBS-2)

-more-

NBC's JOHN HART: Two men, one from the Senate and one from the House made a deal around midnight last night that will likely change almost every American life: Senator Packwood and Rep. Rostenkowski agreeing on the most sweeping changes in tax laws in half a century. Then the Senate-House conference committee backed them up with a voice vote. The full House and Senate will have to vote on it when they come back to work after Labor Day.

NBC's BOB KUR: They did it by voice vote shortly before midnight -- the emotional end of a tortuous process that left House and Senate tax negotiators exhausted but proud.

(SEN. BRADLEY: "As a result of this bill, no longer will people in poverty be paying more in tax than some millionaires. As a result of this bill, no longer will some middle income people be paying a higher tax rate than some multi-billion dollar corporations.")

...For many, a skeptical "hold on to your wallet" attitude prevails.

(SEN. MATSUNAGA: Mr. Chairman, you know what they say. There are two certain things in life: taxes and death. The only difference between the two is that death never gets worse every time the Congress meets.")

Just before the vote some tax writers pleaded for delay. They complained that too little thought went into the big increase in corporate taxes. An increase they warn could hurt the economy. Also, that Senator Packwood and Congressman Rostenkowski conducted too much of the bargaining in secret.

(REP. ARCHER: "This is the most comprehensive tax reform bill in the history of the United States of America. And we have not had an opportunity to know what's in it.")

SEN. DANFORTH: "And now we say we have to get the bum's rush in signing this conference report tonight because if we don't do it tonight, why, people are going to find out what's in it.")

In a statement from his California ranch, President Reagan praised the bill, calling it good for the economy and good for the taxpayer. And the oldest tax writer in Congress predicts the bill will pass virtually unchanged.

(SEN. LONG: "It can be done. I've managed to defeat conference reports in my life, but it's not easy -- not with the kind of momentum this bill's gonna have.")

During last night's hearing one skeptical tax negotiator predicted they'd be back in the same room next year revising what they approve this year. When he asked anyone who disagreed to stand up, no one did.

HART: It is easier to know what will happen to taxpayers as a result of this than what will happen to the economy. And what will happen to taxpayers is Jim Miklaszewski's report.

NBC's JIM MIKLASZEWSKI: The biggest overall winner in this tax reform would be the majority of American taxpayers. An estimated 76 million Americans could get a tax cut.

(DAVID KEATING, National Taxpayers Union: "As hard as it is for many people to believe, Congress has finally done something good with the tax system.")

The instant winners would be the "working poor": more than six million Americans who would not have to pay any taxes at all.... The losers would be those families with two wage earners who make between 30 to \$100,000 a year and take a large number of deductions....

MIKLASZEWSKI continues: Most tax shelters would be eliminated and the real estate industry would be the loser.

(KENT COLTON, National Association of Homebuilders: "In the short term you'll see a drop in construction of rental housing and commercial real estate. Over the long term you'll see a gradual rise in rents.")

But shelters were preserved for the oil and gas industry. A winner. Corporate American will suffer the most. Corporations would pay \$120 billion more in taxes per year, and some feel the economy would be the ultimate loser.

(CHARLS WALKER, Lobbyist: "When you tax something you get less of it. That means you get less business activity.")

But Secretary Baker believes individual tax savings will be reinvested in American business.

(BAKER: "Over the long haul that it'll be a real plus for the economy.")

And although there will be some individual winners and losers under this tax reform bill, even its critics acknowledge it will create the fairest and most simple U.S. tax system in decades. (NBC-Lead)

#### DEFENSE SPENDING

DONALDSON: There's no secret about what the House was doing last week to President Reagan's defense budget request and arms negotiation strategy. The House was saying no to both, and today the Administration again voiced its extreme displeasure.

ABC's JEANNE MESERVE: The House may like the defense appropriation it voted but the Administration does not.

(SECRETARY BAKER: "The President is not willing to live with those. I don't think we ought to live with those. I think they seriously will affect, in an adverse way, our national security interests.")

The House has cut \$34 billion from the Administration's defense appropriations request, seriously trimming funding requested for the Strategic Defense Initiative. In addition the House has challenged the Administration's arms control policies, voting for a one-year moratorium on most nuclear testing and continued adherence to the SALT II treaty. But on "This Week With David Brinkley," champions of the President's defense policies say those actions will undercut arms negotiations with the Soviets.

(ROBERT MCFARLANE: "The actions of the Congress have been very, very unfortunate and unhelpful.")

House members defended their actions.

(REP. ASPIN: "I don't see that this is a dramatic difference in policy. What the Reagan Administration wants to do is a dramatically different policy.")

Meanwhile, former national security officials from the Nixon, Ford, and Carter Administrations have written a memo recommending that the Administration limit its plans for SDI and continue to abide by the unratified SALT II treaty and the ABM treaties.

(BRENT SCOWCROFT: "The underlying principle is the development of strength so that the Soviets feel they have no alternative other than to negotiate seriously.")

As yet the White House has had no public response, but the very things this group recommends are things the Administration has characterized in the past as weakening the U.S. defense posture. (ABC-2)

ARMS CONTROL

DONALDSON: There was more negative talk from Moscow today about the progress toward an arms control agreement. Alexander Bolvin, a Soviet television commentator, said almost no progress was made in the Moscow talks late last week because, he said, the American side ruled out any compromise on the star wars missile defense initiative. Such observations, while coming from an approved Kremlin line, are not the last word however. There will be a second meeting of arms experts in Washington within the next month. (ABC-3)

DEA AGENT CORTEZ

DONALDSON: Victor Cortez, the American drug agent U.S. officials charge was kidnapped and tortured by Mexican police, today publicly thanked his rescuers. His boss, the head of the Drug Enforcement Agency, while expressing outrage at the treatment of Cortez, said the incident must not get in the way of U.S. Mexican cooperation in the battle against the drug trade.

ABC's ANDREA NAVERSON: At his first public appearance since his beating at the hands of Mexican police, DEA agent Victor Cortez indicated he's lucky to be alive.

(VICTOR CORTEZ: "I'm glad for the quick action that the agents in Guadalajara took in trying to locate me. If it hadn't been for them I don't think that I would be here in the United States.")

Cortez and his family returned to the U.S. early Friday. He had been picked up by Mexican police Wednesday outside a Guadalajara bowling alley as he met with an informant. At a police station Cortez was bound, beaten, and tortured with a cattle prod.

(JACK LAWN, DEA Chief: "The interrogators wanted to know about the role of the Drug Enforcement Administration, the status of the investigations being conducted in Mexico.")

DEA Administrator John Lawn refused to speculate whether the police were working with drug traffickers in the Cortez beating. But federal investigators have said there is no doubt police from the same department helped drug dealers kidnap and murder DEA agent Enrique Camarana in February 1985. The Cortez incident came even as the U.S. and Mexico announced a joint program to combat drug trafficking, but the DEA says the beating will have no effect on that fight.

(LAWN: "I think that operation will prove to be a great success.")

Despite talk of cooperation, actions against U.S. drug agents in Mexico may speak far louder than words. (ABC-4)

HART: Victor Cortez, the federal drug agent who says he was kidnapped and tortured by Mexican police, is back in this country.

NBC's NOAH NELSON: Looking rested, agent Victor Cortez made his first appearance since returning to the U.S. from his ordeal in Mexico....

(JACK LAWN, DEA Director: "The interrogators wanted to know about the role of the Drug Enforcement Administration, the status of the investigations being conducted in Mexico, and the breadth of those investigations.")

At the news conference, no other details or physical evidence of the abduction were released. The investigation is being continued. (NBC-2)



## OPEC

SPENCER: It's been less than two weeks now since OPEC agreed to cut production to get prices moving up again and that's exactly what prices have been doing, but will that trend continue?

CBS's DAVID ANDELMAN reports the recent rise in crude oil prices comes as good news for battered OPEC members like Kuwait and Saudi Arabia, but it's hardly good news for the American consumer. Higher crude oil prices could mean an extra gasoline bill of \$20 billion a year.

(JONATHAN STERN, Energy expert: "If you drive an average size car, you're going to see a rise in your gasoline bill of something on the order of 60%.")

The key question is whether OPEC's decision of earlier this month to cut production to raise oil prices will stick.... Despite the agreement, OPEC is hardly a unified front. Iran and Iraq are still at war, with other OPEC members choosing up sides. As long as that continues OPEC is going to have trouble.

CBS's STEVE YOUNG reports a worldwide oil glut has caused gasoline prices to fall almost 50% in this country in the last three months.... Americans are becoming dependent again on imported oil and are off on a joy ride.... American consumers just don't seem worried yet about the OPEC agreement to cut production. But experts are worried because American oil exploration is at a standstill.

(LEN BOWER, American Petroleum Institute: "We simply can't shut it down, turn it on and off, at a whim, and expect to get the kind of results we would get from an ongoing investment program that develops oil resources over time.")

If America continues on its present course, within seven years America will be using more foreign oil than it ever did during the 1970's. (CBS-6)

## HURRICANE CHARLEY

DONALDSON: Hurricane Charley, the first hurricane of the season along the east coast, has swept across North Carolina's outer banks and is moving up.... So far reported damage appears to be slight.

(ABC-5, CBS-Lead, NBC-3)

## PAT ROBERTSON

DONALDSON: He still doesn't plan to formally announce his plans until a month from today but TV evangelist Pat Robertson predicted today on CBS that he'd be one of three major Republican candidates to emerge from the 1988 super southern primary. Robertson also made one of his sharpest attacks yet on Vice President George Bush, whom he acknowledges as the current front runner. Robertson complained Bush is trying to play it both ways: going to Michigan and telling Republicans there to keep Christians out of the party, then going to Jerry Falwell territory and claiming to be born again.

(ABC-6)

#### PERSIAN GULF ATTACK

SPENCER: Two crewmen were killed and three wounded in a missile attack today on a tanker in the southern Persian Gulf. Iran and Iraq have both been attacking Gulf shipping during their war. It's not known which one carried out today's raid, but Iranian attack helicopters have been active in that area. (CBS-5)

#### PAKISTAN

SPENCER: Pakistani police fired on hundreds of demonstrators in Kurachi today and two reportedly were killed there. There have been five days of rioting now against the government of President Zia. More violence could come tomorrow when Pakistan's opposition groups plan nation wide protests to demand the release of their jailed leader Bhutto. (CBS-4)

#### TERRORISM/SUDAN

DONALDSON: Rebels in the Sudan have shot down a Sudanese airliner killing all 60 people aboard. It happened yesterday shortly after the twin-engine plane took off from Malakal in southern Sudan on a flight to Khartoum. The rebel group...apparently used a surface-to-air missile to hit the plane. (ABC-7, CBS-3, NBC-4)

#### SRI LANKA

DONALDSON: In Sri Lanka the favorite weapon of the rebels there is the bomb. Buses, trains, even an airliner on the ground have been blown up in recent months with heavy loss of life. The Sri Lankan rebels, the Tamil guerrillas, are so powerful that the once tranquil island is now involved in full-scale civil war. (ABC-8)

#### BATTERED WIVES

SPENCER: The Department of Justice is out tonight with a study of battered wives, and among other things it shows that women who report abusive husbands to police are less likely to be attacked again. (CBS-8, NBC-6)

THIS WEEK WITH DAVID BRINKLEY

Moderator: Sam Donaldson.

Guests: Sen. Sam Nunn; Sen. John Warner; Rep. Les Aspin; Rep. Thomas Downey; Robert McFarlane;

Panel: George Will.

Donaldson: Mr. McFarlane, there seems to be a lot of movement in the area of arms control. Are we nearing a breakthrough, or is it just sort of all whistling in the dark?

McFarlane: I don't see a lot of movement, although I'd have to say that there is an interest on both sides in coming to terms, and I am optimistic that they will.

Donaldson: What about the team that met in Moscow this past week? Did they accomplish anything?

McFarlane: I don't think they did, really. I think the President has put us in the best position to get a good agreement, that this country's been in for a generation, but I think that it is going to require a lot of work to get there.

Will: Given the fact that the President seems to be losing the legislative branch of the government, why should the Soviet Union negotiate?

McFarlane: The actions of the Congress have been very, very unfortunate, and unhelpful to the five years of strength that have been established, that have put us in such a good position to negotiate.

Will: Isn't it a reasonable conclusion for the Soviet Union to draw, that the Reagan conservative tax program is incompatible with the Reagan conservative defense program?

McFarlane: I don't think that the Soviet Union has quite that supple a grasp of U.S. politics and economics. I do believe the Soviet Union is very convinced that strategic defense will work, that this President is succeeding beyond their broadest imagination, and that it's time to come to terms.

Guests: Rep. Aspin, Rep. Downey;

Donaldson: The President says that what you and the House have done this past week has undercut his ability to negotiate an arms deal with the Soviets. Guilty?

Aspin: Wrong. We're cutting the defense budget to stay within Gramm-Rudman targets. We did it more last year.... I don't see that this is a dramatic difference in policy. What the Reagan Administration wants to do is a dramatically different policy. They would like to abandon SALT II. They would like to have big increases in star wars.

Will: Can you name an instance in history when a nation's security has been guaranteed or even significantly enhanced by arms control?

Aspin: Absolutely. The ABM treaty.

-more-

THIS WEEK (continued)

Downey: ...The future of arms control -- if liberals have learned one thing, it's that you've got to have the American people, and the American people believe three things. One, you've got to be strong to deal with the Russians. Two, you've got to have methods of inspection that are believable, but most importantly, that you have to deal with.

Guests: Sen. Nunn, Sen. Warner.

Donaldson: Sen. Nunn, What do you think about the general movement towards arms control?

Nunn: I do think we do have a good chance for some very serious and substantive breakthroughs in arms control.

Will: Isn't the Reagan tax program -- low taxes, no give on tax increases -- incompatible with the entire Reagan defense build-up?

Warner: No I don't think so. But let's return to one other point. The Soviets...look in terms of a long picture, and by these actions, where the Congress is undercutting this President at this time, it will impact on the next President's ability to carry forward the progress that I anticipate this President will make.

Donaldson: The President insists that he will deploy the SDI program after five, maybe seven and half years, but of course he won't be President then. He'll have absolutely nothing to say.

Nunn: The President says he's going to deploy it, and he's also said in a presidential directive that he wants to see, first, if it's technically feasible.... What he says in terms of absolute determination to deploy a system we haven't yet invented is, it seems to me, incredible.

Will: Six years into the Reagan defense build-up, is it coherent, is it sensible? And how is the President going to be remembered, now bearing in mind again the problems with spending, and on the revenue side?

Nunn: He's got a chance for a real breakthrough in arms control but you're exactly right. His fiscal policy is totally inconsistent with his defense policy. Most people don't understand the kind of cuts that are going to have to come in defense over the next two or three years to have any chance of complying with Gramm-Rudman-Hollings.

Donaldson: The President says that he's not going to abide by the limits of SALT II, but if we're headed toward a summit, can you see him actually going over those limits?

Warner: ...What can the President do? What option is left to him when he sees part of the treaty being violated? He has to go forth and say to the world that he will no longer abide by it, in order to protect his own nation.

FREE-FOR-ALL DISCUSSION (Jody Powell, Morton Kondracke join panel.)

On Tax Reform:

-more-

THIS WEEK (continued)

Donaldson: At various times on this panel we said it couldn't be done. Do we owe them an apology?

Will: Not yet.

Kondracke: It's a remarkable political achievement. This was something where there was, out in the country, no real demand for reform. The President went out and made speech after speech; nobody paid much attention.... The first Reagan attempt at supply-side economics, cutting individual rates, did not improve productivity in the country, did not make people more inclined to save money, did not improve investment. Now we'll see whether this kind of thing...will really do it.

On Sanctions:

Donaldson: Led by Republicans in the Senate, they voted in a way that Ronald Reagan doesn't want to stomach. Is he gonna have to stomach it?

Will: I think he may have to stomach it. The question that now has to be asked is, you've implemented a policy of sanctions. What are they supposed to achieve? That is, when and by what criterion are you going to say they have worked or not worked.

Powell: The question here is practicality.... The goal of this is not to change the government in South Africa, because it is quite probable that we can't do that.... The question on the Contras is that they're the same thing. I would be all-out in favor of support for the Contras if I thought there was a good chance that that effort would overthrow the government and establish one that was both less hostile to our interests and more decent to the people of that country.

Donaldson: Let me ask you this about the President's mind. In his news conference in Chicago asked about sanctions, he said...that there was no black group, except for the ANC -- he said the radicals -- who were for sanctions. Well that's flat wrong. Bishop Tutu is for sanctions, Alan Boesak is for sanctions, the black trade unions are for sanctions. Does he really know or is he just making an argument like a used car salesman?

Will: The leader of the largest single group, the Zulus, in South Africa is opposed to sanctions. This is something about which people can disagree.

On Mexico:

Donaldson: This week...another one of our DEA agents was captured by the [Mexican] police and was tortured and beaten. What's going on there?

Kondracke: ...The larger problem is how much should we yell and scream and pressure and destabilize the Mexican government?...

Powell: We are treating our drug agents...about like we treated the combat soldiers in Vietnam. We send them out on a hopeless venture and we are unwilling to do what needs to be done to support them here at home.

MEET THE PRESS

Moderator: Marvin Kalb.

Panel: Al Hunt, The Wall Street Journal; Andrea Mitchell, NBC News.

Guests: Rep. Dan Rostenkowski; Secretary James Baker, III.

Kalb: Do you anticipate, since the actual formal vote is going to come in September when Congress reconvenes, that you may have some pitfalls between now and then?

Rostenkowski: I think this bill has so much momentum now, and I think our constituents have become aware of the fact that we are going to cut rates.... I am very optimistic about what will happen on the floor of the House and the Senate.

Kalb: Will President Reagan support this?

Baker: We'll certainly be recommending strong support by the President, and I have no reason to believe as we sit here on Sunday morning that he would not be supporting the bill.

Hunt: Does it worry you that this could cause an economic downturn, a recession?

Baker: No, it really doesn't. The President's own bill would have raised an additional \$120 billion in taxes from business over five years. Business taxes as a percentage of total receipts has been steadily declining since 1955 when it represented about 27% to the point that today it represents only about 8%. This is a shift that is not going to be harmful as far as the economy is concerned, and something business can easily withstand.

Mitchell: A lot of people think that the real problem right now that the economy is facing are the deficits. Aren't you really just rearranging the deck chairs on the Titanic here, because eventually, you're going to have to come back and raise taxes?

Baker: Absolutely not. For a year and a half now we've been talking about the fact that tax reform was an important end in and of itself. That's why the President initially said he wanted tax reform to be revenue neutral.

Mitchell: Aren't you going to have to do something [about the deficit] right now?

Rostenkowski: Once the President signs this tax reform, I'm hoping he'll pay attention a little more to what some of the members of the House have been saying, and the Senate, about doing something about the deficit.

Hunt: Are you saying that there could be a tax increase this year separate from this bill?

Rostenkowski: I do think that if we're going to focus on, and be serious, about where the deficit is and what we've got to do in order to activate energies in that direction, there's a possibility that we would consider it.



MEET THE PRESS (continued)

Baker: I absolutely disagree with that. I don't think there's any chance in the world that we're going to raise taxes between now and the election. And if the Congress did raise taxes...the President wouldn't sign the bill.

Rostenkowski: We're down to the marrow.... I'd like to cut spending. Let's go after the defense budget.... And when the defense appropriations comes up next week, we might just think about cutting spending.

Mitchell: Are you willing to live with those defense numbers?

Baker: No. The President is not willing to live with those.... I think they seriously will affect, in an adverse say, our national security interests.... I think there's still plenty of room in this federal government, without hitting defense further, to effect some spending cuts.

Mitchell: There are a lot of very popular deductions that are now no longer going to be available, particularly IRAs. How are you going to handle that politically?

Baker: A lot of people are going to be disappointed that their IRA is going to be scaled back, but they're going to be awfully happy when they consider that they're looking at only two rates on the individual side.

Mitchell: Chairman Rostenkowski...how are you going to feel, you Democrats, this fall when Ronald Reagan hits the campaign trail and tries to take all the credit?

Rostenkowski: He'll try to do that. And I'm sure...he'll get a lot of the credit.

Hunt: Secretary Baker, do I take it you now are willing to cut back on Social Security benefits to help the budget deficit?

Baker: No, you don't take it that I'm willing to do that.... We ought to continue to reduce the size and scope of the federal government by cutting spending apart from Social Security. Let me go back to what the Chairman said a minute ago about credit and winners and losers.... It really wouldn't have happened without the leadership of the President, who hung in there through some very, very dark days....

Mitchell: What are you going to do about tax increases?

Rostenkowski: Raising revenue is not a difficult thing if you set your eyes on the target.... And there has been a great deal of conversation about whether or not we should have even attached a revenue increase in this bill. The reason that we didn't do that was because we'd lose the President.

Mitchell: Do you think there's any way to persuade the President that he has to see the light on taxes?

Rostenkowski: I think the President has to focus on where he is in the deficit in the history of the country; we've never had a deficit this large, and it's frightening.

FACE THE NATION

Moderator: Susan Spencer.

Guests: Rev. Pat Robertson; Michael Kramer, New York Magazine; William Schneider, American Enterprise Institute.

Spencer: Are you going to run? [for president]

Robertson: I'm going to make some further move along the way on September 17th, but it's a little early to say right now.... I've been talking to people and obviously what's been happening in Michigan has been very significant too.

Spencer: How do you assess what happened in Michigan?

Robertson: We have won five Congressional Districts, clearly a majority. The Vice President suffered what I think is a rather substantial defeat and Jack Kemp came in a very poor third.

Spencer: The Vice President's people don't agree with your numbers.

Robertson: The Vice President's people have -- either can't count or they're deliberately trying to deceive the press, the Republican Party and the American people, but I've got the count...and we beat them.

Spencer: You have no concerns at all about fragmenting the party?

Robertson: I've been invited by the Central Campaign Committee to go to 16 states on a speaking tour on behalf of Republican Senatorial candidates. I am the third most prolific fundraiser for the Republican Party right now. The President is first. So, in a sense, I'm paying my dues.

Spencer: Do you feel persecuted at all in your quest here?

Robertson: No, I don't.... This isn't bad. I don't think the Vice President can play it both ways. He can't go to Michigan and tell everybody -- as they have -- to keep Christians out of the Party and then go down to Jerry Falwell's and say, "I'm born again." He's got to make up his mind which he is. I think the sooner the better.

Spencer: Some of your aides have indicated that your real goal is to go into that convention with maybe a quarter of the delegates and hold the power, look at the platform, "Do what I say. I can make you or break you."

Robertson: I wouldn't even consider that, because that's just play acting and I do things for real and there's only one way I would go for this -- to be able to serve the American people and to bring in a program which would build on what Ronald Reagan has given us and move the country forward into a better place to live and a place for my children and grandchildren to live.

FACE THE NATION (continued)

Spencer: What is going to happen in '88?

Robertson: It looks that George Bush is showing some weakness. He's the front runner right now, but I think Michigan dealt him somewhat of a severe blow and whether he can recover, I don't know.

Guests: Mr. Kramer, Mr. Schneider.

Spencer: Do you think he's [Robertson] a mainstream politician?

Schneider: No, he's not a consensus politician. He doesn't follow the rules of trying to build a national majority.

Spencer: From all both of you have said, then, you could conclude that this really won't go anywhere.

Kramer: It probably won't go anywhere in the long run, but it has that potential to really muck up things along the way. And I think one of the problems -- one of the reasons for his appeal among the evangelicals who are supporting him is in a way a sense of betrayal on the part of Reagan. He spoke a good game in '80 and '84 and hasn't delivered. All those social issues are still on the back burner and here's Robertson saying, in this nice, calm, folksy way, "I'm going to pick up and build on what he began," by which he means to say, "and I'm going to press this stuff."

Schneider: Most Republicans actually don't care that much about the social issues.... And Reagan has been very shrewd. He hasn't pursued a social issue agenda. He's talked a good game, but he hasn't done much about it and that's exactly what Robertson is trying to force.

MCLAUGHLIN GROUP

Moderator: John McLaughlin. Panel: Fred Barnes, Robert Novak, Jack Germond, Carl Leubsdorf of "The Dallas Morning News."

On Contra Aid:

McLaughlin: The passage of this Contra aid bill marks a landmark victory for the foreign policy of lame duck Ronald Reagan. Does President Reagan now have a free hand in Central America?

Barnes: There's gonna be a move to overthrow the Sandinista regime.... I think you're going to see tangible gains by the Contras and that will further substantiate the Reagan policy.

Novak: I think you're going to find a time of troubles for the Contras because I think there's at least a 50-50 chance that the Soviets are going to put in some L-38 jets, they're going to start attacking Contra camps and all the ding-a-lings on the Hill are going to say, "Well the Contras are going down the tube -- let's disconnect."... I think the \$100 million is a long way from being a blank check.

On Drugs:

McLaughlin: ...Ed Meese...said \$266 million was going to..."Operation Alliance" by which the U.S., in a cooperative effort with Mexico, [begins] a war on drugs. Unfortunately an American drug agent was captured and beat up in Guadalajara. What do make of this phenomenon?

Leubsdorf: It certainly casts doubt on the commitment south of the border to fighting the drug problem.... The Administration has now switched after worrying about law enforcement for five years. Now they're suddenly discovering there's more to this and there has to be some education.

McLaughlin: In his Chicago press conference, the President suggested that Nicaragua is worse than South Africa. Do you think that's true?

Barnes: I certainly do. And Nicaragua is getting much, much worse.

Novak: It's infinitely worse. And if you don't understand why it's worse you don't understand the struggle for control of this planet.

Germond: I think...Nicaragua is a serious threat. What they are not doing that the South Africans are doing is pretending to be one of us and discriminating against an entire race of people.

Leubsdorf: The problem in Nicaragua is a...problem of government, but in South Africa it's the whole system.

McLaughlin: I think this is too close to call because it's been pointed out South Africa...stands alone as a problem whereas Nicaragua has integrated into a larger system involving East-West relations. And therefore on a scale of wickedness you would find that Nicaragua is probably worse.

MCLAUGHLIN GROUP (continued)

On South Africa:

McLaughlin: Does Mr. Reagan have a point...that the ANC and the Soviets, they want sanctions because they will produce the turmoil and the chaos that will inspire revolution and lead to a communist controlled state.

Leubsdorf: The turmoil and chaos is not gonna come from the sanctions. It's coming from the refusal of the Botha government to recognize reality....

On Soviet Grain Sale:

McLaughlin: ...Isn't it quite clear from this episode that Ronald Reagan likes his capitalism more than he dislikes his communism?

Novak: This may not be the low point for the Reagan Administration but it'll do until a lower point comes along, because the President has disregarded advice from his Secretary of State, from his National Security Advisors...and it isn't for economics it's for politics.

Barnes: Ronald Reagan's dark side is that he can make some decisions for the crassest political reasons....

Germond: This was the crudest kind of politics. It is so crude, and the Republican party and Administration's problems with the farm community are so complicated and so deep-seated, that it won't work.

Predictions:

Barnes: The press corps has gotten way out ahead of itself on this story about Les Aspin and the challenge to him as Chairman of the House Armed Services Committee. He does have a challenge. It's not as serious as previously thought. He's gonna have the strong backing of Tom Foley who will be the new Democratic Majority Leader.

Novak: Not only will the Federal Reserve Board cut the discount rate again in September, but there's an excellent chance they will cut it one percentage point. There's an even better chance that the Bank of Japan, will cut their rate a half point.

Germond: In the Georgia Primary last week there was a contest between Julian Bond and John Lewis.... There's a runoff September 2nd. I think Bond will probably win it.

Leubsdorf: Not only is control of the Senate in doubt in the November election, but so is the leadership of both parties after the election. Robert Byrd already has a challenge...and Bob Dole is facing a lot of criticism from Republicans who feel he can't both be majority leader and run for president.

McLaughlin: During the intervening period between now and tax reform passage, you will find capitulation on the part of Bob Packwood to Danny Rostenkowski.

AGRONSKY & COMPANY

Moderator: Mort Crim, Post-Newsweek Stations. Panel: James J. Kilpatrick, Hugh Sidey, Tom Oliphant, Carl Rowan.

On the Congress:

Crim: Congress is heading for an August recess still wrestling with controversial issues.... How does the Congress get itself into these binds?

Kilpatrick: Especially in the Senate, we need a number of rules changes that would make that body more efficient.

Sidey: I think what we need is a difference now in how we finance these fellas. At the root of all of this are the special interests.

Oliphant: I don't think Congress is in that much of a bind.... I think the real problem is the split between Congress and a President who is really operating as Clint Eastwood's soul brother.

Rowan: They get into this mess for a fundamental reason: they are divided on some very crucial issues.

On Tax Reform:

Crim: Is there going to be tax reform this year?

Oliphant: Ultimately there will be. This exercise is going far too long to fail at the last minute.

On South Africa:

Crim: Is Congress going to be able to do anything about aid to the Contras and sanctions on South Africa?

Kilpatrick: They're stalling. If the Contras are waiting on that \$100 million to buy lunch they're gonna be awfully hungry.

Sidey: Aid to the Contras and sanctions on South Africa are about as irrelevant on issues as we could get at this time.... We have an economy that's getting sicker by the month.... And here we are arguing this matter of the sanctions and \$100 million worth of Contra aid.

Crim: They've come up with a compromise. Is it gonna work?

Rowan: They're going to pass a sanctions bill.

Crim: Andy Mitchell put a pretty tough question to the President the other night in Chicago, asking him where he would draw the line and how he could see a difference between Nicaragua and South Africa.

Kilpatrick: That was the dumbest question that was asked in the whole press conference.



AGRONSKY & CO. (continued)

Oliphant: The only thing dumber than the question was the answer.

Rowan: The President couldn't have been more an echo of Botha if he'd been a puppet with Botha holding the strings, coming up with this, "The commies are coming."

Kilpatrick: Half of the ANC's executive committee are members of the South African Communist Party. That doesn't bother you?

Rowan: You have some time got to care more for injustice than you are afraid of some vague communist threat.

Oliphant: It couldn't be more vague, and the President's statements on this question are contradicted by most of the officials of his own government anyway.

Crim: Tom,...how about the President's comment on the Berlin wall? Was that pretty intelligent or pretty dumb?

Oliphant: It's something that one can say with hindsight.... I don't think there's any point in arguing that 25-year old issue anymore.

On U.S.-Mexico and Drugs:

Crim: Do you think Mexico's serious about ending drug traffic?

Sidey: I think the politicians are serious about it; at least those at the top. But how it trickles down is another one.

Oliphant: One of the mistakes we can make is to think too much of these kinds of things.... You don't want to create the illusion that is you just crack down on the border in Mexico everything will be all right.

Sidey: We laughed a little bit about the Bolivian adventure...and we said it didn't go. But I think that was wrong because in the aftermath there's some evidence that that has helped down there.