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News Summary

OFFICE OF THE PRESS SECRETARY

FRIDAY, AUGUST 2, 1985 -- 6 a.m. EDT EDITION

TODAY'S HEADLINES

NATIONAL NEWS

Budget Passes, Congress Leaves for Vacation -- Congress approved a budget for the next fiscal year that takes a small bite out of the federal deficit, but nearly everyone -- from President Reagan on down -- is saying more must be done.

(AP, UPI, Gannett, Reuter, Washington Post, Washington Times, Wall Street Journal, Baltimore Sun, Christian Science Monitor)

Republicans Prepared to Modify Tax Reform Plan -- Republican members of the House Ways and Means Committee are signaling President Reagan not to expect them to fight for all parts of his tax reform plan when the panel starts writing a bill in September.

(UPI, Washington Post, Baltimore Sun)

INTERNATIONAL NEWS

Senate Vote on Sanctions Stalled -- Congress appears certain to approve economic sanctions against South Africa's white-ruled regime, but the vote has been set back by the threat of a filibuster from conservative Sen. Jesse Helms.

(UPI, Gannett, Reuter, Washington Post, Washington Times, Baltimore Sun)

NETWORK NEWS (Thursday Evening)

BUDGET -- For the Senate negotiators, going along with the new budget compromise was a case of taking something to avoid getting nothing.

PRESIDENT'S HEALTH -- President Reagan had a sore patch of skin removed from his nose on Tuesday.

SOUTH AFRICA -- Much of Western Europe added its voice to the protest over apartheid.

THOUSANDS ESCAPE TAX BITE

Almost 30,000 couples and individuals with incomes above \$250,000 paid little or no federal income tax in 1983, the Treasury Department said. The number included 3,170 who earned more than \$1 million apiece. The report, based on a Treasury study of 1983 tax returns, was released by Rep. J.J. Pickle. "If anybody had any doubt about the unfairness of our present tax code, these figures should convince them," Pickle said. Itemized deductions (such as state and local taxes, mortgage interest expenses and charitable contributions) were much less important in reducing taxes, the study said. (AP, 8/1)

NATIONAL NEWS

HOUSE APPROVES COMPROMISE PLAN FOR 1986 BUDGET

House-Senate conferees broke a six-week budget stalemate and approved a "better-than-nothing" plan to reduce federal deficits as Congress wearily struggled to wind up work for the summer and recess until after Labor Day.

(Helen Dewar and Margaret Shapiro, Washington Post, A1)

Congress Approves 1986 Budget

The Republican-led Senate approved it later on a 67 to 32 vote after arguing that spending cuts on social programs did not go far enough.

(Michael Posner, Reuter)

With many lawmakers holding airplane tickets for home, the House and Senate also adopted a \$13 billion catch-all spending bill that includes \$27 million for the Contra rebels fighting the Sandinista government in Nicaragua.

(David Espo, AP)

The Republican-led Senate passed the budget after Democratic Leader Byrd won a public assurance from Majority Leader Dole that President Reagan supports the package and "will not criticize those who vote for it."

(Cliff Haas, AP)

"I would have preferred more substantial reductions," President Reagan said in a statement following the Senate vote. He said he would examine each upcoming appropriations bill and "if it is excessive, out of line, or in any way jeopardizes our national security, I will not hesitate to use my veto pen."

(Chris Collins, Gannett)

Budget Passes, Congress Leaves for Vacation

Reagan does not have to sign the budget. But he does have a say on congressional money bills and immediately vowed to have his "veto pen" ready.

In an official White House statement released when the favorable vote was assured, Reagan said the compromise budget "marks only a beginning, not an end" and pledged to examine "each and every upcoming appropriation bill line by line ... and I will not hesitate to use my veto pen."

(Elaine Povich, UPI)

Hill Budget Compromise Cuts \$6 Billion; Final Passage Seen

"This is a good package and Pete Domenici did a great job of forcing House Democrats to go further on reconciliation, spending cuts and program changes than they've ever been inclined to go in the past," said Rep. Kemp.

(Ralph Hallow, Washington Times, A3)

Congress Clears Budget Curbing Rises in Military, Domestic Funds

In approving the \$967.6 billion budget for fiscal 1986, 127 Republicans joined 182 Democrats in the House, while 30 Democrats joined 37 Republicans in passing the measure in the Senate.

(David Rogers, Wall Street Journal, 3)

Budget Pact Is Ratified by Congress

Although most members of Congress were clearly relieved to reach the end of the long budget struggle, there was no great enthusiasm for the final product, which still leaves the nation mired in debt.

(Nancy Schwerzler, Baltimore Sun, A1)

Congress Closes with Budget Accord

"Nobody ought to kid themselves," said Sen. Domenici. He called the budget plan "a start."

"It's not great," said Sen. Chiles. "It's certainly better than nothing."
(Julia Malone, Christian Science Monitor, 1)

PRESIDENT'S FISCAL PLAN RESTRUCTURED

The budget package approved by House and Senate conferees reorders many of the spending priorities President Reagan proposed in his budget last February, sharply scaling back his requested increases for the Defense Department while preserving nearly all of the domestic programs he wanted to eliminate.

But the package hammered out in a series of tense negotiations meets the President's demand of no new general taxes and leaves the politically volatile Social Security program untouched.

(Spencer Rich, Washington Post, A1)

WAYS AND MEANS REPUBLICANS CRITICIZE REAGAN'S TAX PLAN

In a sharp blow to President Reagan's proposed tax overhaul, the 13 Republican members of the House Ways and Means Committee joined in a statement objecting to numerous provisions of the Reagan plan.

The positions they laid out stand in total or partial opposition to such Reagan proposals as eliminating the deduction of state and local taxes, doing away with the "marriage penalty" deduction for two-income couples and raising taxes on companies that have made heavy use of tax breaks for investment in recent years.

(Anne Swardson, Washington Post, A2)

Republicans Prepared to Modify Tax Reform Plan

The apparent GOP willingness to revise parts of Reagan's plan could indicate the President may have few allies on the committee who are planning to fight for his complete version of tax reform.

(Joseph Mianowany, UPI)

GOP Tax-Writers Express Doubt About Reagan Plan

The representatives' statement, issued after the committee completed two months of hearings on Reagan's bill, listed some of the same concerns that Democratic lawmakers and numerous public witnesses have voiced. The panel is expected to start writing its tax reform plan in September.

(Baltimore Sun, A7)

IRRITATED SKIN IS REMOVED FROM SIDE OF REAGAN'S NOSE

President Reagan had a piece of skin surgically removed from the right side of his nose after complaining of irritation from the adhesive tape used to hold a tube in his nose during recent cancer surgery, Larry Speakes said.

(David Hoffman, Washington Post, A10)

White House Says No Action Needed for Reagan's Skin Problem

Disclosure by Larry Speakes of the procedure, performed by an unidentified dermatologist, set off a new round of concern for Reagan's health, sparking reports that he was being tested for skin cancer.

But in a written statement issued after an earlier verbal exchange with reporters, Speakes mentioned only "routine studies for infection," adding: "It was determined no further treatment is necessary."

(Ralph Harris, Reuter)

Reagan's Nose Scrutinized, 'Blemish' Removed

Speakes said the irritated skin was present for "months, if not longer" and, "it was submitted for routine studies for infection and it was determined no further treatment is necessary."

(Helen Thomas, UPI)

Irritated Skin Removed from President's Nose

For about half an hour, Speakes answered questions from reporters who first noticed what appeared to be a scratch or blemish on the right side of the President's nose. (Jeremiah O'Leary, Washington Times, A1)

Spot on Reagan's Nose Is Removed, Examined

Speakes referred to the spot variously as a "rough place," an "irritation," and "a piling up of skin." Under prolonged and intense questioning by the White House press corps, he denied that the spot was either a "mole," a "cyst" or a "growth."

(Wall Street Journal, 3)

Irritated Tissue Removed from President's Nose

Jennefer Hirshberg said that no biopsy was conducted, only an examination of the tissue for infection.

Dr. T. Burton Smith, the White House physician, described the irritation as a "little pimple type of thing" in a brief telephone interview with the AP.

(Robert Timberg, Baltimore Sun, A3)

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POSSIBLE DONOVAN CASE BRIBERY PROBED

NEW YORK -- Bronx District Attorney Mario Merola has ordered an investigation of possible witness bribery in the criminal case against former labor secretary Donovan, it was learned.

The investigation was discussed at a secret conference in chambers before Bronx Supreme Court Judge John Collins. The conference was about a grand jury subpoena that had been issued to one of the lawyers in the Donovan case, Theodore Geiser. He represents Donovan's New Jersey firm, the Schiavone Construction Co.

(George Lardner, Washington Post, A5)

STATES SAY DOE BREAKS WASTE-SITE PROMISES

Congressmen and local officials from five states asserted that the Department of Energy has broken promises that it would regularly consult with them about selecting the three national repositories for high-level radioactive waste.

(Stephen Labaton, Washington Post, A6)

AGRICULTURE PANELS QUIT WITHOUT BILLS

A combination of budget disagreements, pre-recess jitters and partisan policy disputes threw congressional farm-bill writers into disarray.

At the House Agriculture Committee, despite Democratic reluctance, Republicans were insisting that a bill be reported out, even though they conceded that it was far over budget guidelines and would have to be reworked after this month's recess.

(Ward Sinclair, Washington Post, A9)

As they prepared to leave for the August recess, committees of both houses met but failed to approve bills that would create new farm programs to replace the ones that will expire Sept. 30.

(Jake Henshaw, Gannett)

House, Senate Panels Put Off Final Farm Bill

"I'm ready to go back to work this afternoon and finish a farm bill before we go home," Sen. Dixon said during a three-hour discussion of farm economics on the Senate floor.

Like other Senate Democrats he was critical of committee chairman Jesse Helms for canceling the scheduled morning hearing. "I want to know why the committee meeting was canceled five minutes before the appointed hour."

(Stephanie Nall, Washington Times, A3)

Farmers Won't See Farm Bill Until After August Congressional Recess

"I'm just afraid that in terms of any definitive guidance for farmers, it's not going to be available for two or three months," said Rep. Panetta as the House Agriculture Committee adjourned for the month.

(Jim Drinkard, AP)

ANALYSTS DOUBTFUL ABOUT ECONOMY'S ABILITY TO CREATE NEW JOBS

Analysts are looking for some sign of economic strength in the latest unemployment figures, but they doubt that enough new jobs will be created to lower the jobless rate from the plateau of the past five months.
(Pete Yost, AP)

CORNELIUS USED PERKS, OPM STAFF TO GET PHD

Acting Director Loretta Cornelius of OPM used government workers and equipment to help prepare academic work for a Ph.D. degree she received recently, according to a letter sent to the Office of Government Ethics and other documents obtained by The Washington Times.

Government documents obtained under the Freedom of Information Act and interviews with present and former OPM officials revealed that Cornelius and her principle staff aide, Lura Dillard, used government resources -- cars and equipment -- for personal academic work.

(Ed Rogers and George Archibald, Washington Times, A1)

CONTROVERSY GROWS HEATED OVER ELLINGWOOD'S FUTURE

Although Herbert Ellingwood has not yet been nominated as a deputy assistant attorney general, the anticipated move has sparked controversy among supporters and opponents who have focused on three separate House investigations of his activities. He is currently chairman of the Merit Systems Protection Board.

The latest entry into the fray is People for the American Way, which launched its campaign to block Senate confirmation of the devout fundamentalist who has played an active role in the American Coalition for Traditional Values.
(David Sellers, Washington Times, A2)

WEINBERGER SAYS CUTTING INDUSTRY SECURITY CLEARANCES WILL BE TOUGH

Defense Secretary Weinberger says the Pentagon will have a hard time reducing the number of security clearances held by private industry, but recent spy scandals have at least forced a change in attitude for the better.

Weinberger, in an interview with the AP, stressed he remained serious about slashing the number of security clearances held by contractor employees as well as by Pentagon workers. (Norman Black, AP)

TOP JUSTICE DEPARTMENT OFFICIAL BLASTS HIRING QUOTAS

Numerical hiring quotas "offend law and mock human dignity," and the Reagan Administration continues to oppose them, a top Justice Department official says.

Assistant Attorney General William Bradford Reynolds, who heads the department's civil rights division, said there is no "material difference of opinion in this regard within the Administration."
(AP)

Reynolds to Stay His Course on Civil Rights

Reynolds made his remarks in a speech to the annual convention of the National Association of Police Organizations, which is meeting in New Orleans. (David Anderson, UPI)

MIRAMAR

SAN DIEGO -- The former supply officer at Miramar Naval Air Station, sacked by the secretary of Defense over the purchase of a pair of \$659 ashtrays, has appealed his dismissal, claiming the Pentagon got the wrong man.

Attorneys for Cmdr. Jerry Fronabarger filed a 45-page appeal, asking President Reagan to clear the officer's name. The appeal claims the officer was wrongly cashiered because Secretary Weinberger was under pressure from Congress. (UPI)

EDITOR'S NOTE: "GOP looks to East Texas for sign Solid South is broken" by Ron Cordray is on page A1 of The Washington Times.

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INTERNATIONAL NEWS

HOUSE, 380 TO 48, APPROVES SANCTIONS AGAINST SOUTH AFRICA

The House gave overwhelming final passage to a package of economic sanctions against South Africa as several conservatives warned President Reagan that any veto effort would probably be overridden.

(Joanne Omang, Washington Post, A28)

"The persistent and escalating violence in South Africa demands a response," said Rep. Walker, one of the young conservative turks who had opposed any immediate sanctions.

"Should the bill be vetoed, many on our side who previously opposed the bill would be forced to work for an override," he said.

(John Machacek, Gannett)

Apartheid Sanctions Breeze Through House

Members of both parties have acknowledged that the measure really wouldn't provide enough economic leverage to force South Africa to change its policies. But it would send a signal to Pretoria, as well as to the world, that the United States opposes apartheid, and backs up its words of condemnation with action.

(Rita McWilliams, Washington Times, A2)

Senate Delays Final Vote on Anti-Apartheid Bill

Senate Republican Leader Dole postponed a vote on the bill until early September when the recess ends.

Senate passage of the bill, however, was seen as certain based on earlier votes.

(Robert Green, Reuter)

Senate Vote on Sanctions Stalled

Sen. Helms was prepared to block all Senate business in Thursday's closing hours to oppose the bill, forcing Dole to put off the vote.

Helms said sanctions would cause further unrest in South Africa.

(E. Michael Myers, UPI)

Senate Foes Stall Vote on South Africa Sanctions

It is not clear whether President Reagan will sign the bill. He has repeatedly opposed economic sanctions, saying they would hurt blacks and lessen U.S. influence for gradual change.

Larry Speakes said that the President has not made up his mind.

(Jaleh Hagigh, Baltimore Sun, A1)

U.S. BALANCES MORAL AND STRATEGIC INTERESTS

Nearly everyone agrees that apartheid is repugnant.

But pushing South Africa to end its system forced racial separation presents the United States with the wrenching task of balancing moral and strategic interests that appear to conflict.

For the moment, the moral question dominates the political debate.

(George Moffett, Christian Science Monitor, 1)

CONGRESS VOTES SUPPLEMENTAL SPENDING OF \$13 BILLION; SOUTH AFRICA BILL STALLS

Congress, hurrying to complete business before a month-long recess, approved a \$13 billion supplemental appropriations bill, but Senate conservatives held up final action on economic sanctions against South Africa.

The supplemental bill, which includes \$2.25 billion in aid to Mideast nations and \$27 million in economic and logistic support for Nicaraguan guerrillas, won final approval after lawmakers worked out a jurisdictional dispute involving 41 water projects.

(Paul Duke and David Shribman, Wall Street Journal, 3)

EAST-WEST TENSION EASED BY MEETING

HELSINKI -- The meeting marking the 10th anniversary of the signing of the Helsinki accords ended without a final communique, but with a general feeling that it had at least helped to improve the atmosphere for the November summit meeting between President Reagan and Soviet leader Gorbachev.

The slight relaxation of tensions noted at the gathering of foreign ministers came at the expense of substantive discussions on any of the issues that divide the signatories of the Helsinki Agreement on Security and Cooperation in Europe.

(David Ottaway, Washington Post, A1)

A Soviet Call for a Return to Detente

"There is a broad understanding that the process started by the all-European conference should be continued in a positive spirit," Soviet Foreign Minister Shevardnadze said in a statement issued after the meeting ended Thursday.

(Jack Redden, UPI)

SHULTZ SET SUMMIT AGENDA IN HELSINKI

Secretary Shultz and Foreign Minister Shevardnadze set the agenda for President Reagan's November summit meeting with Soviet leader Gorbachev when they met in Helsinki, the White House said.

"There will be discussion when the leaders meet, but no negotiations," said Larry Speakes. "I can't say there will be no agreements at the summit, but the main purpose is to discuss problems. An opportunity for the leaders to meet is extremely worthwhile."

(Washington Times, A4)

U.S. AND SOVIET UNION HOPE FOR THAW AFTER HELSINKI TALKS

HELSINKI -- The United States and the Soviet Union have both voiced hopes for an East-West thaw following ice-breaking talks between their foreign ministers in Helsinki.

Statements issued by the two powers after the meeting between Secretary Shultz and Foreign Minister Shevardnadze were among the most optimistic in tone since relations soured more than five years ago.

(Mark Wood, Reuter)

LEADERS OF NEW RIGHT CALL FOR SHULTZ'S RESIGNATION

Leaders of the New Right lashed out at Secretary Shultz, accusing him of undermining President Reagan's anticommunist principles.

Many of the leaders, along with some former ambassadors, called for Shultz's resignation at a gathering called "The State Department Held Hostage."

(Thomas Edsall, Washington Post, A6)

Oust-Shultz Movement Gathering Steam

"I find myself in a position of real alarm about the lack of an American foreign policy," said Sen. Wallop at (the) meeting of about 300 conservative activists called for an "urgent review" of the U.S. foreign policy apparatus.

(George Archibald, Washington Times, A4)

Conservatives Criticize Shultz, Seek National Foreign Policy Debate

At the White House, Larry Speakes said (President) Reagan viewed Shultz as an "outstanding secretary of State. He enjoys the President's full, wholehearted support -- will remain as long as he wishes to remain secretary of State."

(R. Gregory Nokes, AP)

Shultz New Target of New Right

At (the) New Right summit meeting, held amid posters that read, "State Department Held Hostage," speakers accused Shultz of undermining Reagan by being soft on communism and terrorism and heading a helter-skelter agency.

(Thomas Ferraro, UPI)

U.S. SAYS IT DIDN'T ASK FOR RAIDS

Salvadoran army attacks against the leftist rebel group that claimed responsibility for the the June slayings of four Marines and nine other persons in San Salvador were mounted as part of the military's normal antiguerrilla operations, and not at the request of the United States, a Pentagon spokesman said.

(Michael Weisskopf, Washington Post, A27)

FOREGIN AID BILL WINS APPROVAL OF HOUSE APPROPRIATIONS PANEL

The House Appropriations Committee has approved and sent to the full House a \$14.3 billion foreign aid appropriation bill heavily weighted with assistance for Israel, Egypt and Pakistan.

Following up quickly on Congress' approval of a separate aid authorization bill, the committee passed this spending package on a voice vote.

(AP)

TELLER DENOUNCES 'STAR WARS' CRITICS

The father of the hydrogen bomb, Dr. Edward Teller, chided fellow scientists for their reluctance to work on President Reagan's proposed space-based missile defense system.

The craggy, bristle-browed 77-year-old nuclear physicist charged that some American scientists, including a number who helped create the atomic bomb during World War II, now are unwilling to put the same effort into developing defensive weapons.

(William Matthews, Washington Times, A1)

CHINA'S PRESS PORTRAYED AMERICANS AS FRIENDS DURING LI VISIT

PEKING -- From thundering Niagara Falls to the hula girls of Hawaii and the fantasy world of Disneyland, China's state-run press gave its viewers a glittering glimpse of what President Li saw during his trip to America.

The official news agency Xinhua, showing extensive footage of Li's 10-day tour of the United States, portrayed Americans as friendly, diverse, technologically advanced people with historical links to China.

(Rick Gladstone, AP)

EDITOR'S NOTE: A review by Celestine Bohlen of the performance of new Soviet Foreign Minister Shevardnadze in Helsinki, "Soviet Impresses In Helsinki Debut," appears on page A1 of The Washington Post.

Another look at Shevardnadze, "Shevardnadze's style is easy and open" by Gary Thatcher, is on page 1 of The Christian Science Monitor.

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NEWS FROM THE STATES

A PLAN IS REVEALED TO REDUCE BLACK LUNG CLAIMS

WASHINGTON (UPI) -- Labor Secretary Bill Brock says he will implement seven initiatives to reduce the backlog of some 21,000 black lung claims now awaiting federal review. In a letter to Sen. Robert Byrd, Brock said resolution of the "unacceptable" backlog was one of his top priorities and outlined the steps he was taking to remedy the problem. Brock said legislation may be needed from Congress to provide more personnel and resources to clear away the backlog. He said Congress also would have to consider legislation to correct the growing indebtedness of the Black Lung Disability Trust Fund, out of which claims are paid. Byrd expressed satisfaction with Brock's announcement. "Hopefully, working together, we will be able to eliminate the black lung backlog before too many more coal miners are forced to endure inordinate waits for a hearing," Byrd said in a statement.

FLORIO SEEKS HIGHER BIDS FOR CONRAIL

WASHINGTON (George Lobsenz, UPI) -- Rep. James Florio, called on Norfolk Southern Corp. and Morgan Stanley & Co. to raise their bids to buy Conrail, terming their \$1.2B offers for the government-owned freight rail carrier inadequate. Florio said Conrail's continuing profitability -- \$210M in profits in the first half of 1985 -- made it clear Conrail was worth more than \$1.2B. Later in the hearing, Conrail Chairman Stanley Crane continued his battle against the Reagan Administration's proposal to sell Conrail to Norfolk Southern. Crane said Conrail is financially strong enough to remain independent and need not be merged with Norfolk Southern to ensure its viability, as the Administration has argued. He rejected Administration arguments that Conrail might falter in a future economic downturn unless it had Norfolk Southern's "deep pockets" to sustain it.

KENTUCKY NEWS BRIEFS

KENTUCKY (UPI) -- The Senate Wednesday approved the White House nomination of Thomas M.T. Niles, a career diplomat and a native of Lexington, Ky., to be ambassador to Canada. Niles, the son of the late folk singer John Jacob Niles, was nominated to the Canadian post by President Reagan last month. He previously served as assistant secretary for European and Canadian affairs at the State Department.

(UPI) -- Two Senate committees have agreed to hold joint hearing on a proposal by Sens. Wendell Ford, D-Ky., and Dan Quayle, R-Ind., to put the federal government on a two-year budget cycle, Ford said Wednesday. Sen. William Roth, R-Del., chairman of the Governmental Affairs Committee, agreed to to a hearing with the Budget Committee, Ford said. That move came after Ford's and Quayle's attempt to create a special panel to study the issue was withdrawn as an amendment to the legislative appropriations bill. No date for the hearing has been set.

NEWS FROM THE STATES (continued)

GOPs ASK HODEL TO RESCIND OFFSHORE DEAL

CALIFORNIA (Chris Chrystal, UPI) -- A group of California lawmakers attacked an offshore leasing agreement that protects nearly 98 percent of an Outer Continental Shelf area under moratorium, claiming their views were excluded. Eleven House Republicans asked President Reagan in a letter Wednesday for a reopening of negotiations, unless they can convince Interior Secretary Donald Hodel to rescind the agreement. "Absent a satisfactory resolution, we respectfully request that you oppose any attempt to implement this agreement," the letter said. "We are urging a balance of interests," Rep. William Dannemeyer told a news conference. Eleven of the 18 House Republicans in the delegation signed the Reagan letter. Two of the seven that didn't, Lowery and Ron Packard, whose districts touch the coast, had supported the agreement with Hodel. The other five, Robert Badham, Duncan Hunter, Bobbi Fiedler, Ed Zschau and Robert Lagomarsino evidently chose not to sign.

ATLANTIC CITY-PHILADELPHIA RAIL LINE

PENNSYLVANIA (UPI) -- The House has approved legislation that would restore \$30 million for the rehabilitation of the Atlantic City-Philadelphia rail line. By a vote of 320-106, the House Wednesday passed a \$13 billion supplemental appropriation bill that included a provision that would overturn the Reagan Administration's effort to use the \$30 million for other purposes. The measure still must be approved by the Senate, where action was expected later this week. The rail line is considered vital to the growth of the Atlantic City casino industry because it would link the resort to the heavily traveled Northeast rail corridor system. In February, the Administration announced it was deferring expenditure of the \$30 million because New Jersey officials had not made substantial progress in planning the project.

SAC GETS NEW COMMANDER

OFFUTT AIR FORCE BASE, Neb. (UPI) -- Gen. Larry D. Welch Wednesday became the Strategic Air Command's 11th commander in chief and called the Reagan Administration's strategic modernization program his top priority. Welch, a longtime pilot in and commander of air fighter units, succeeded retiring Gen. Bennie L. Davis, 57, SAC's commander the past four years. The ceremony was witnessed by 12 active and four retired four-star generals.

LEGION CHIEF SPEAKS ON DEFENSE, AGING VETERANS

HUNTSVILLE, Ala. (UPI) -- National American Legion Commander Clarence Bacon says his organization firmly supports national defense, but that support is closely followed in importance by concern over care for aging veterans. Speaking to veterans at Huntsville's Legion Post 237, Bacon said his groups has urged President Reagan and Congress to do more in the area of geriatrics research. He said the aging population of veterans is "very close" to the aging population of all Americans. More than 69,000 Alabama veterans are over 65, he noted.

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NEWS FROM THE STATES (continued)

HAWAII NEWS BRIEFS

HONOLULU (UPI) -- Taking a page from the book of the Reagan Administration, City of Honolulu officials are making plans to sell off surplus city land, to raise money to balance the budget. Managing Director D. G. "Andy" Anderson said Tuesday the Fasi administration hopes to raise "three, four or five million dollars this year." About 17 parcels are listed as possible surplus.

HONOLULU (UPI) -- The president of China was to spend several hours Wednesday at the Polynesian Cultural Center in Laie, the last stop on the itinerary drawn up for his historic, 10-day visit to the United States. Li Xiannian and wife Lin Jiamei paused at the Arizona Memorial Tuesday. They slipped off their leis, dropped them on the waters of Pearl Harbor, and watched them drift away.

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NETWORK NEWS SUMMARY

(Thursday Evening, August 1, 1985)

BUDGET

CBS's Dan Rather: After all the posturing, huffing and puffing, congressional leaders today came up with a federal budget that nobody likes. It would allow Congress to say it passed a budget before going off for a month's vacation. Phil Jones reports on a budget that, when all is said and done, raises no new taxes, keeps Social Security COLAs, and doesn't do much to knock back the huge federal budget deficit.

CBS's Phil Jones reports today's budget compromise will reduce the deficit by \$55B in 1986 and by more than half in 1988. However, there were predictions that the deficit will be much higher than projected. With taxes and Social Security excluded from the bargaining, it was the best the politicians could do. The politicians have been split on the deficit solution all year. One problem is that the American people have not demanded that solving the deficit become more than a politician's passtime. Yet, when reminded that it costs about \$550 a year for every American just to pay the interest on the nation's debt, the people are incensed. Who is the somebody not doing something right? If you are the President and his men, the dispute is over philosophy. As far as Senate Republicans are concerned, they feel they did their part. They proposed major domestic spending reductions and put new taxes and Social Security cuts on the bargaining table. When the President took them off, he became a problem. The President has been caught on two campaign commitments -- not to cut Social Security benefits or raise taxes. Could the President afford to change his mind? One Washington political studies organization has developed a game called "Debt Busters." It is designed to focus attention on the deficit problem. An overwhelming majority of those playing the game have indicated they are more willing than some Washington politicians to make the hard choices. The politicians who play the real life game "Political Survival" see Social Security as untouchable now. Tonight, Sen. Domenici, who thinks deficits will be higher than projected, said that eventually taxes and issues like Social Security will have to be addressed. (CBS-lead)

ABC's Ted Koppel: It has taken just about all the compromise one Congress can muster, but today, congressional negotiators have agreed on a budget for 1986. No one said it was easy to try to figure out how to spend \$968B, but after two days of work -- almost all day and night -- they may, finally, have done it.

ABC's Brit Hume reports that for the Senate negotiators, going along with this new budget was a case of taking something to avoid getting nothing. House members had less to say, and with good reason. They had wanted to cut less, and they had likely won. This budget is estimated to save \$55B next year, \$277B over three years.

(...continued)

BUDGET (continued)

Hume continues: That sounds good, but only about \$68B of the three-year total is subject to the complex process called reconciliation, which means, in a word, enforcement. So the estimated savings might happen, but they might not. The budget allows full COLAs for Social Security and other government pensions. Defense spending would also increase at the rate of inflation next year. Medicare would be cut by \$11B, largely by freezing the rates charged by doctors, hospitals, and other providers. Eight billion dollars would be cut next year from agriculture programs. Five billion dollars would be saved by a freeze on federal workers' pay. Amtrak would be cut 15%. Revenue-sharing with the states would be fully funded next year, supposedly eliminated later. So, faced with deficits bigger than the whole budget was just 15 years ago, Congress has been unwilling to raise any new taxes and unable to kill a single government program. And now the distinguished members will go on vacation. (ABC-3)

NBC's Tom Brokaw: At the Capitol today, the great battle of the budget wound down with a whimper and a warning that, as Sen. Domenici said, the new budget agreement isn't nearly enough. Worn out after a seven-week stalemate, congressional negotiators finally agreed to a budget, but its cuts in federal spending fell far short of their goals.

NBC's Tom Dancy reports a lot of this is based on economic assumptions -- predictions of what will happen three years down the road in the economy. Everybody understands how difficult it is to make those predictions three months in advance, much less three years in advance. For a lot of these cuts to happen, legislation has to be passed, and that's going to be very difficult. It is understandable that many people on Capitol Hill simply do not like this budget that they have passed today. (NBC-5)

PRESIDENT'S HEALTH

Rather: President Reagan had secret surgery earlier this week. It was confirmed today only after reporters noticed what they thought was something amiss. But Presidential aides still won't say flatly whether a skin sample was even checked for any cancerous cells.

CBS's Lesley Stahl: (TV Coverage: President in East Room Thursday.)

President Reagan had a sore patch of skin removed from his nose on Tuesday. Larry Speakes said the specimen was tested for inspection, and it was determined no further treatment was necessary. Mrs. Reagan's office said that no biopsy was performed. When reporters noticed the scab today, spokesman Speakes said that Mr. Reagan had had a bump on his nose for months, maybe longer. It became irritated by adhesive tape when he was hospitalized for cancer surgery last month. Speakes said a dermatologist, whom he would not identify, came to the White House on Tuesday and removed the bump. Speakes would not describe the procedure except to say the President was not put under anesthesia. Dr. Thomas Nigra, chief of dermatology at Washington Hospital Center, has no direct knowledge of the President's case, but he said it's unlikely there is any cause for alarm. (...continued)

PRESIDENT'S HEALTH (continued)

Stahl continues: (Nigra: "That's quite a possibility that this could be just a benign growth on the skin that's been irritated and needs to be removed because it will continue to be irritated.")

The White House did not reveal the skin surgery until today. In a photo session yesterday with his daughter Maureen, the President was positioned so photographers were not able to see the scab.

(TV Coverage: President and Maureen in Oval Office.)

There was some confusion at the White House over whether the specimen was tested for cancer. Speakes said early today that it was, but tonight he refuses to go beyond his statement that it was tested for infection. Speakes did say, however, that the President is in excellent health. (CBS-2)

Koppel: It does not appear to be cause for concern, let alone alarm, but once again President Reagan's health is in the news. It appears to be a minor thing, but where the President of the United States is concerned, nothing goes unnoticed.

ABC's Sheilah Kast: (TV Coverage: President in East Room.)

When the President spoke to members of religious news organizations, the cameras caught two small red spots on the right side of his nose. A White House spokesman said later the spots were the result of a surgical procedure the President underwent on Tuesday without anesthetic to remove what the White House called an irritation, a thickening of skin on his nose. Routine pathology tests were ordered, and the White House issued a statement late today saying no further treatment is necessary. The irritation was aggravated by the tape which held the nasal-gastric tube in place after the surgery three weeks ago in which a cancerous tumor was removed along with one-third of the President's colon. While posing with his daughter Maureen yesterday, the President sat in a different chair than he normally uses, and the cameras did not see the scabs.

(TV Coverage: President and Maureen in Oval Office.)

Two years ago, the President's wife, Nancy, had a growth removed from above her lip. It turned out to be one of the most common and most curable of all cancers. Larry Speakes told reporters he had heard no one at the White House express concern that the President might have skin cancer. Speakes described the recuperating President's health as excellent, A-one, heading along toward normal. But the statement Speakes issued late this afternoon made no specific reference to cancer, saying only the tissue had been tested for infection, and that no further treatment is necessary. (ABC-lead)

Brokaw: President Reagan has had a small patch of skin removed from his nose after it was irritated by tape following his recent cancer surgery. But doctors have determined that it is not cancerous. They say a biopsy is not necessary. Mrs. Reagan told NBC News that the President had a pimple on his nose before he went into the hospital, and he kept irritating it. The tape irritated it further. It was removed, she said, not out of fear of cancer but because of concern over infection. (NBC-2)

SOUTH AFRICA/U.S. SANCTIONS

Rather: A bill imposing limited U.S. economic sanctions against white-ruled South Africa won overwhelming approval today in the House. The vote was 380-48. The Senate, however, delayed, at least until September, its vote on the bill because of a threatened filibuster by Jesse Helms. There is no word from the White House whether any such bill would be vetoed by President Reagan who opposes sanctions against South Africa. (CBS-3, ABC-7, NBC-4)

SOUTH AFRICA/EUROPEAN REACTION

Rather: Much of Western Europe today added its voice to the protest over South Africa's apartheid policies. The actions by the ten Common Market nations plus Spain and Portugal was more symbolic than substantial.

CBS's Steve Croft reports the ten European foreign ministers condemned the South African government for the current state of emergency and agreed to summon their ambassadors home this month for consultations. There was still no consensus on the question of economic sanctions. (CBS-4, ABC-6, NBC-4)

ILLEGAL ARMS SALES

Rather: A U.S. Army officer assigned to the Pentagon is among six people arrested around the nation today. The charges: plotting to smuggle millions of dollars' worth of top-of-the-line U.S. anti-aircraft missiles and other military hardware to Iran. (CBS-6, ABC-5, NBC-lead)

TAX OVERHAUL

Rather: President Reagan is already taking fire from the Senate Republican leaders over his backing out of a federal budget agreement they thought they had reached with him. Today Republican members of the House tax-writing committee put out a statement expressing concern about key parts of Mr. Reagan's version of federal tax overhaul. One example: the no more deduction for state and local taxes. The Republicans said parts of this Presidential plan would damage the economy. (CBS-12)

IRS

Rather: More than 300 American couples and individuals who earned \$1M or more in 1983 paid no federal taxes. Zip. This according to official Treasury Department figures released today. They also showed that almost 30,000 with incomes above \$1M paid nothing or almost nothing, thanks to legal tax shelters. (CBS-13, NBC-6)

E.F. HUTTON

Rather: In one congressional hearing room today, the big-money question was how big brokerage firm, E.F. Hutton, could, in effect, plead guilty to hundreds of counts of taking illegal interest-free loans and get off with just a fine. The Justice Department had to answer a question, too. The question: Is this justice? (CBS-14)

EDITORIALS/COLUMNISTS

HELSINKI ACCORDS

Ten Years After Helsinki -- "The 'spirit of Helsinki,' like the spirit of Geneva, is nothing more or less than the dream of peace, and if the dream burns more fiercely in man's heart than in council halls, it is still something to aspire to....But the Helsinki accords, flawed though they may be, are all that stand between the dissidents and total silence."

(Hartford Courant, 8/1)

The Years Since Helsinki -- "The crucial issue of our time is how to counter Soviet imperialism. Treaties, accords, and agreements have shown themselves to be entirely ineffective....The West, which had tried to obtain some small measure of freedom for Eastern Europe, got nothing. Alone in the world, the Soviet government wins concessions by holding its own people hostage. Those who today celebrate Helsinki cheer this horrible fact."

(Washington Times, 8/1)

Helsinki, Ten Years Later -- "...the Soviet Union is right where it should be -- in the dock for its shameful record on human rights....So this newspaper is not going to join the chorus of those who disparage the Helsinki Accords. Instead, we will urge all Western governments to invoke unkept Soviet pledges relentlessly, in every forum available, as a means of keeping the pressure on the Kremlin."

(Baltimore Sun, 8/1)

In Defense of Helsinki -- "Did any realist believe that in 10 years the accords would significantly reverse 68 years of Marxist-Leninism? Hardly. Would the world be better without judgments repeatedly publicized by the Helsinki process? Obviously not, nor is there an effective alternative system for exposing system for exposing dehumanization in the Soviet Bloc."

(Leonard Sussman, Wall Street Journal, 8/1)

To Many, 'Helsinki' Means Hope -- "Repression has been brutal, blatant and often in arrogant defiance of Helsinki meetings in progress at the time. But these abuses, distressing as they are make it all the more imperative that the Helsinki process continue....If the United States were to pull out of the Helsinki process, this country would be abandoning these people and others like them who put their faith in the accords, sacrificing their freedom and sometimes force that the Helsinki accords have acquired as a result of those sacrifices. For the Russians, our withdrawal would be an ideological victory -- a victory they in no way deserve."

(Jeri Laber, New York Times, 8/1)

Helsinki at 10, and Beyond -- "On human rights, though, the Soviet Union remains fearful of accepting the view of the European and North Atlantic community of nations. That fear is deeply rooted in the Russian world view and will take years of cultural, scientific -- and military -- cooperation to lessen. The 10th anniversary of the Helsinki accords may not be a great cause for rejoicing among those who feel deeply about human rights; perhaps the 20th anniversary will."

(Boston Globe, 8/1)

FEDERAL BUDGET

Budget Before Beach -- "Members of Congress could communicate a sense of urgency to the White House by staying in Washington to complete a budget document. Those members who lack that sense of urgency would similarly be reminded. The world would be given a signal that, at last, serious moves to reduce the deficit had begun. When they have sent a bill to the White House, members of Congress can go to the beach with a clear conscience -- but not before." (Boston Globe, 8/1)

Lack of (Budget) Resolution -- "President Reagan and a band of stalwarts in the House are standing firm. They know that tax increases would probably only encourage more spending and put a dent in the economy to boot....If the price of getting a budget resolution adopted is a tax increase, we say forget the budget resolution. The republic won't grind to a halt without one, though we wouldn't mind if a few of its government departments did. The problem is not the budget resolution, but lack of budget resolve." (Detroit News, 8/1)

We Need a Budget... -- "President Reagan, who is planning a leisurely August himself, should demand that Congress stay in session until it produces a budget....In other times of national crisis, presidents and congressional leaders have come together to meet threats posed by foreign powers or natural disasters. The mounting debt is no less an emergency. It's time for some detente on Capitol Hill." (New Jersey Record, 7/30)

Last Chance with the Budget -- "This year was the best shot at bringing the budget under control. Congress and President Reagan blew it.... Congress isn't serious because Reagan isn't. He has rejected a tax on imported oil. It wouldn't be painful, but he was adamant against tax increases in 1984, and he won't consider one now. Campaign promises aren't always the wisest guide. If Reagan would turn back from his, he would be well placed to get Congress to swallow some of its promises, too." (New York Daily News, 8/1)

The Opportunity That Was Lost -- "The (deficit) attack that is not begun this year is not likely to be attempted next year, with the election campaign under way. It is hard not to conclude that Mr. Reagan kicked away an opportunity this week that will not come again in his Presidency." (Washington Post, 8/1)

Reagan Courts Disaster by Sabotaging Senate -- "Face it. President Reagan is willing to risk the nation's prosperity, to risk global economic stability itself as the price of sustaining megadeficits in the federal budget. Those deficits are his allies. They force Congress to cut government's domestic services, and that's his driving dream. He would deny that, but his record leaves no doubt that it's true." (Philadelphia Inquirer, 8/1)

Mr. Reagan Does the Country No Favors in Choosing to Ignore it -- "It appears that he would rather keep his ill-advised campaign promise not to raise taxes than do something effective about reducing the killer deficit....Mr. Reagan's rejection of the Senate plan is a sad indication that he has no intention of dealing with the deficit." (Detroit Free Press, 7/31)