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FM WASHINGTON 011745Z

TO PRIORITY FCO 251 OF 1 FEBRUARY 1983

SAVING TO UKMIS NEW YORK, UKMIS GENEVA, NATO POSTS AND  
CONSULS-GENERAL IN THE USA

MY TELEGRAM NO 79: WHICH REAGAN?

1. THE PRESIDENT'S SECOND STATE OF THE UNION ADDRESS (MY TELNO 213) HAS LEFT A QUESTION MARK IN WASHINGTON'S POLITICAL FIRMAMENT. WAS THE PRESIDENT'S WIDELY-NOTICED CONCILIATORY TONE MERELY COSMETIC? OR DID IT REPRESENT THE BEGINNING OF A SUBSTANTIVE CHANGE IN REAGAN'S POLITICAL STANCE? THE BUDGET, PRESENTED TO CONGRESS YESTERDAY (MY TELNO 243) HAS LED MOST PEOPLE TO CONCLUDE THAT IT WAS COSMETIC. REPUBLICAN SUPPORTERS ARE OBVIOUSLY UNWILLING TO ADMIT THAT THERE WAS ANY NEED FOR A CHANGE OF SUBSTANCE. DEMOCRATIC OPPONENTS FOR EQUALLY OBVIOUS REASONS, PREFER TO DEPICT THE PRESIDENT AS STUBBONLY SET IN CONCRETE. EITHER WAY, THE BUDGET DOES NOT SHOW MUCH SIGN OF CHANGING PRIORITIES.

2. IN PARTICULAR, THE PROPOSAL TO REDUCE THE PENTAGON'S BUDGET BY DOLLARS 55 BILLION OVER FIVE YEARS IS SEEN BY THE DEMOCRATS AND EVEN BY SOME REPUBLICANS, AS DERISORY. AND THERE IS LITTLE SIGN THAT ANYONE IS TAKING THE PROSPECT OF A CONDITIONAL STANDBY TEX IN THREE YEARS TIME AS ANYTHING BUT A GIMMICK. THE ONE IMPORTANT CHANGE OF SUBSTANCE IS THE GREATER REALISM OF THE ECONOMIC FORECASTS AND THE RECOGNITION OF THE SIZE OF THE PROJECTED BUDGET DEFECIT. THIS REVISION HAS RECEIVED A WIDESPREAD WELCOME. NEVERTHELESS, THERE IS STILL BOUND TO BE A CONSIDERABLE BATTLE IN CONGRESS, PARTICULARLY OVER DEFENCE SPENDING, THE PROPOSED REDUCTIONS IN SOCIAL PROGRAMMES AND ALTERNATIVE METHODS OF REDUCING THE HUGE PROSPECTIVE DEFICITS THROUGH TAXATION ADJUSTMENTS OR REFORMS.

3. THE CONVENTIONAL VIEW SEEMS TO BE THAT AT MOST THE PRESIDENT HAS TONED DOWN HIS RHETORIC IN AN UNDERSTANDABLE ATTEMPT TO COURT HIS CRITICS. (THERE IS A COMPARABLE CHANGE OF TUNE IN HIS ATTITUDE TO THE SOVIET UNION). THIS JUDGMENT WAS PUT AT ITS MOST ASTRINGENT BY WILLIAM SAFIRE (RIGHT WING REPUBLICAN) WHO CALLED THE STATE OF THE UNION ADDRESS A QUOTE THEMELESS PUDDING .....A SERIES OF BANALITIES DESIGNED TO INGRATIATE THE PRESIDENT WITH HIS POLITICAL OPPOSITION UNQUOTE.

4. I AM NOT SO SURE. THERE IS NO DOUBT THAT REAGAN IS A SHREWD POLITICIAN. I BELIEVE THAT HE HAS READ THE RESULTS OF THE MID-TERM ELECTIONS AND OF RECENT PUBLIC OPINION POLLS AS A CLEAR INDICATION THAT IF THE REPUBLICANS ARE TO STAND A CHANCE AT THE 1984 ELECTIONS, SOMETHING NEEDS TO BE DONE TO RESTORE HIS IMAGE.

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IN THE FIRST YEAR OF HIS PRESIDENCY, HE SCORED HEAVILY BY BEING SEEN AS A DECENT MAN WITH STRONG BELIEF IN TRADITIONAL AMERICAN VALUES, WHO WAS ABLE TO WORK WITH CONGRESS SO AS TO GET SENSIBLE THINGS DONE. IN RECENT MONTHS, NOT ONLY HAS HIS DECENCY COME UNDER QUESTION (QUOTE THE FAIRNESS ISSUE UNQUOTE) BUT HE HAS LOST HIS EARLIER REPUTATION FOR BEING ABLE TO GET HIS POLICIES ACCEPTED BY CONGRESS, NOT LEAST BECAUSE WITNESS THE BUDGET DEFICIT, REASONISM HAS FAILED. AT THE VERY LEAST THEREFORE THE NEW EMPHASIS ON AN ATTEMPT AT BI-PARTISANSHIP SEEMS DESIGNED AT ONCE TO REACH OUT TO A WIDER POLITICAL AUDIENCE AND, IF SUCCESSFUL, TO RE-ESTABLISH HIS STANDING AS A STRONG PRESIDENT WHO CAN GET THINGS DONE.

5. I BELIEVE THERE MAY BE A LITTLE MORE TO IT THAN THAT. REAGAN CHOSE THIS VERSION OF THE ADDRESS FROM A NUMBER OF TOUGHER ALTERNATIVES THAT WERE SUBMITTED TO HIM. THE ONLY PHRASE WHICH BROUGHT CONGRESS TO ITS FEET (QUOTE WE WHO ARE IN GOVERNMENT MUST TAKE THE LEAD IN RESTORING THE ECONOMY UNQUOTE) WAS A DELIBERATELY FAR CRY FROM THE ANTI-GOVERNMENT POSITION WHICH HE HAS PURSUED OVER MOST OF HIS POLITICAL CAREER AND WHICH HE EXPRESSED SO CLEARLY DURING HIS INAUGURAL ADDRESS (QUOTE IN THIS PRESENT CRISIS, GOVERNMENT IS NOT THE SOLUTION TO OUR PROBLEM: GOVERNMENT IS THE PROBLEM. UNQUOTE) WAS THIS PERHAPS REAGAN THE PRAGMATIST DISTANCING HIMSELF CONSCIOUSLY FROM REAGAN THE IDEOLOGUE? AND THUS RESPECTING THE EXPERIENCE OF HIS CALIFORNIA GOVERNORSHIP.

6. IT IS TOO SOON YET TO JUDGE. THE ANSWER WILL BECOME CLEARER AS THE BATTLE OVER THE BUDGET PROCEEDS AND WE SEE WHAT CONCESSIONS THE PRESIDENT IS PREPARED TO MAKE. HIS RELATIONSHIP WITH THE 98TH CONGRESS, LIKE THE PERFORMANCE OF THE ECONOMY, WILL BE ONE OF THE KEY FACTORS IN HIS MIND WHEN HE COMES TO MAKE HIS DECISION ABOUT RUNNING FOR A SECOND TERM. IF HE WANTS TO RUN IN 1984 AND TO WIN, HE HAS TO FIND A DIFFERENT CONSTITUENCY FROM THE ONE WHICH SUPPORTED HIM TO VICTORY IN 1980.

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