

GPS 610

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FM WASHINGTON 132355Z

TO ROUTINE F C O

TELNO 3430 OF 13 NOVEMBER 1981,

INFO SAVING EC POSTS, UKMIS NEW YORK, ATLANTA, CHICAGO, DALLAS,
HOUSTON, SAN FRANCISCO, CG NEW YORK, BOSTON, CLEVELAND, DETROIT,
LOS ANGELES, SEATTLE.

MY TELNO 3408: DAVID STOCKMAN.

1. STOCKMAN AND THE PRESIDENT MET ALONE YESTERDAY TO REVIEW THE ARTICLE IN THE ATLANTIC MONTHLY WHICH REVEALED STOCKMAN'S SCEPTICISM ABOUT THE ADMINISTRATION'S ECONOMIC PROGRAMME. THE WHITE HOUSE SUBSEQUENTLY ISSUED A STATEMENT SAYING THAT STOCKMAN HAD ACKNOWLEDGED THAT HE HAD MADE A MISTAKE AND HAD APOLOGISED TO THE PRESIDENT FOR WHAT HE RECOGNISED AS A GRIEVOUS ERROR. THE STATEMENT ADDED THAT THE PRESIDENT HAD EXPRESSED HIS GRAVE CONCERN AND DISAPPOINTMENT, IN PARTICULAR AT THE SUGGESTION THAT HIS ADMINISTRATION OR ANY MEMBER OF IT, COULD DELIBERATELY MISLEAD THE AMERICAN PUBLIC. THE PRESIDENT STATED THAT HE WOULD NOT TOLERATE SUCH BEHAVIOUR. MR STOCKMAN HAD OFFERED HIS RESIGNATION BUT, FOLLOWING FURTHER DISCUSSION, THE PRESIDENT HAD DECIDED NOT TO ACCEPT IT.

2. IN A SUBSEQUENT PRESS CONFERENCE, AT WHICH HE SEEMED CLOSE TO TEARS, STOCKMAN SAID THAT HE WOULD NOT HAVE WORKED 16 HOURS A DAY FOR A YEAR IF HE HAD NOT BELIEVED IN THE PRESIDENT AND HIS POLICIES. HE ACKNOWLEDGED THAT HIS POOR JUDGMENT AND LOOSE TALK HAD DONE THE PRESIDENT AND HIS PROGRAMME A SERIOUS DISSERVICE AND HAD SPREAD AN IMPRESSION THAT WAS UTTERLY FALSE. HE WAS STAYING ON BECAUSE HE BELIEVED THAT THE PRESIDENT HAD CHARTED A SOUND, CONSTRUCTIVE COURSE AND HE WAS GRATEFUL TO BE GIVEN A SECOND CHANCE. IN SUBSEQUENT QUESTIONS AND ANSWERS, STOCKMAN DID NOT ATTEMPT TO DENY OR DISGUISE THAT HE HAD MADE THE STATEMENTS ATTRIBUTED TO HIM. (SINCE ALL THE INTERVIEWS WERE OPENLY TAPED BY THE JOURNALIST IT WOULD PRESUMABLY BE IMPOSSIBLE TO DO SO.) AT ONE POINT STOCKMAN REAFFIRMED THE UNDERLYING DISAGREEMENT BETWEEN HIMSELF AND SOME OTHER MEMBERS OF THE ADMINISTRATION WHEN HE SAID: "IT WAS WELL-KNOWN I HAVE STRONGLY FELT THAT IF WE ARE TO KEEP THE BUDGET ON TRACK WE WOULD HAVE TO DEAL WITH THE MATTERS OF ENTITLEMENT AND SOCIAL SECURITY".

3. INITIAL PRESS COMMENT HAS SUGGESTED (A) THAT STOCKMAN'S INDISCRETIONS HAVE REVEALED THE INADEQUACY OF THE ADMINISTRATION'S ECONOMIC PROGRAMME (NEW YORK TIMES: THE REAGAN ADMINISTRATION'S VAUNTED ECONOMIC POLICY CANNOT WORK: THE ADMINISTRATION KNOWS THAT: AND YET THE ADMINISTRATION KEEPS ON FLOGGING IT AS JUST THE MEDICINE AMERICA NEEDS): (B) RESPECT FOR STOCKMAN'S INTELLECTUAL HONESTY (WASHINGTON POST: THE VOICE IS THAT OF A MAN ARGUING WITH

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HIMSELF, WORRYING AT AN INTRACTABLE JOB AND SAYING MORE IN PRIVATE THAT HE WOULD CARE TO SAY IN PUBLIC): AND (C) RECOGNITION THAT, WHILE THE ADMINISTRATION CAN ILL AFFORD TO LOSE SOMEONE OF STOCKMAN'S BRILLIANCE, HIS EFFECTIVENESS - ESPECIALLY WITH CONGRESSMEN - HAS BEEN SERIOUSLY DAMAGED (BALTIMORE SUN: STOCKMAN MAY HAVE CHANGED FROM ASSET TO LIABILITY HE MAY HAVE TO GO - A FLEETING STAR IN THE WASHINGTON FIRMAMENT).

4. STOCKMAN HAS NOT TRIED TO EXCUSE HIS LOOSE TALK AS A BREACH OF FAITH ON THE PART OF THE JOURNALIST INVOLVED (GRIEGER OF THE WASHINGTON POST). HE HAS SAID THAT HE ACCEPTS THAT THE PUBLICATION OF HIS PRIVATE THOUGHTS RESULTED FROM "JUST AN HONEST, BUT RATHER LARGE, MISUNDERSTANDING".

5. THE FULL RAMIFICATIONS OF THIS AFFAIR CANNOT YET BE DISCERNED, BUT IT SEEMS BOUND TO HAVE AN ADVERSE IMPACT ON THE PRESIDENT'S OWN STANDING AND IN PARTICULAR ON HIS ABILITY TO ENROLL POPULAR SUPPORT FOR HIS ECONOMIC PROGRAMME. I WILL SEND AN ASSESSMENT WHEN THE DUST HAS SETTLED. BUT IT MAY TAKE QUITE A TIME AS THE DEMOCRATS WILL TAKE ADVANTAGE OF THIS HEAVEN-SENT OPPORTUNITY TO KEEP THE STORM GOING.

FCO PASS INFO SAVING TO :
ATHENS, BONN, BRUSSELS, COPENHAGEN, DUBLIN, LUXEMBOURG, PARIS,
ROME, THE HAGUE, UKREP BRUSSELS.

HENDERSON

[PASSED SAVING AS REQUESTED]
[THIS TELEGRAM WAS NOT ADVANCED]

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