THE PRESIDENT HAS SEEN
3-13-00

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Chronicles

Sam Nunn: Defense's Diplomat

By SARAH BOOTH CONROY
Special to The Washington Post

Washington last Wednesday was host to diplomacy at its most elegant in the two grandest state banquet halls of the capital.

Men in white tie and ladies in long dresses were welcomed by President and Mrs. Clinton to the White House for the state dinner honoring Spain's King Juan Carlos and Queen Sofia.

Meanwhile, at the State Department, the Ralph Bunche Award was presented at a dinner organized by Foreign Service Institute Director Ruth Davis and Edward M. Rowell, chairman of the Association for Diplomatic Studies and Training, and ADST board chairman Patricia Gates Lynch. ADST is a private organization preserving and disseminating the historical record of modern U.S. diplomacy and enhancing preparation of American diplomats.

Guests were greeted in reception rooms lined with portraits and antique furniture and china. In the Benjamin Franklin banquet hall, the magnificent chandeliers swung ever so gently as the room filled for dinner and speeches.

Thomas R. Pickering, undersecretary of state for political affairs, presented this year's award to former senator Sam Nunn, the Georgia Democrat who served as chairman of the Armed Services Committee. The award recognizes a person whose life and work exemplify the qualities of former United Nations undersecretary Bunche: "absolute moral integrity; intellectual excellence and accomplishment: unflagging perseverance and dedication to duty; outstanding leadership and creativity," Pickering said. Nunn "is a visionary . . . capable of achieving bipartisan consensus on the great national security challenges before us."

The Ralph Bunche Award for Diplomatic Excellence, ADST Executive Director John Miller explained to the Chronicler, "is presented for exceptional contributions to diplomacy and foreign policy exemplifying the combination of outstanding scholarship, leadership and achievement that is the legacy of Ralph J. Bunche." Nunn served in the Senate from 1972 to 1996 and, Miller said, "his many accomplishments . . . include a key role in securing a solid foundation for the United States Institute of Peace." Nunn now is a senior partner in the Atlanta law firm of King & Spalding and a distinguished professor at the Georgia Institute of Technology's Sam Nunn School of International Affairs.

Pickering noted that both Nunn and the event's sponsors worked to promote "diplomatic readiness. As we begin a new century, it is imperative that we are prepared, diplomatically and militarily for the challenges we will face from the terrorists . . . regional conflicts, the ever-dynamic process of strengthening relationships with significant partners. . . .

"The need for visionaries can be summed up in these words from Will Rogers: 'Even if you are on the right track, you'll get run over if you just sit there.'"

Nunn replied, "I have been informed by Ed Rowell that the Senate rules of unlimited speech do not apply to tonight's dinner." He went on to pay tribute to Bunche; a previous recipient of the Bunche award, Ambassador Donald F. McHenry; Pickering; and "the dedicated service of so many people in this room." In such company, Nunn said he felt a kinship to Mordred, King Arthur's nemesis, of whom Guinevere observed, "The only thing I can say for him is that he is bound to marry well because everyone is above him."

Seriously, Nunn said, "our nation must continue to provide leadership in a world that is dynamic, unpredictable and turbulent yet very hopeful and full of opportunity. . . .

"Do we have the wisdom and the skill to develop an effective, sustainable preventive diplomacy and preventive defense—to use our diplomatic skills, our economic influence and our military power to prevent, rather than fight, wars? Can we develop a preventive diplomatic fund in the State Department that would allow millions to be spent in predictable hot spots like Kosovo to prevent wars, rather than waiting for billions to be spent to fight wars?

"Should we lead a world effort to buy all excess nuclear materials to help head off the nightmare of nuclear terrorism?"

In this world, he said, "wise statesmen are essential. To paraphrase Henry Kissinger: Intellectuals analyze; statesmen build. Analysts choose their problems; statesmen must react to the problems thrust upon them. Analysts have time; statesmen have deadlines. The analyst can err and write another treatise; the statesman's mistakes are irretrievable."

Nunn concluded his speech by also quoting Will Rogers: "Diplomacy is the art of saying 'nice doggie' until you can find a rock or a tree."

The Washington Post
MONDAY, FEBRUARY 28, 2000

THE PRESIDENT HAS SEEN
3-13-00

THE FUTURE OF WORK

Gus fyi
BC

Career evolution

NEW YORK AND PALO ALTO

Many still question claims that the patterns of working life are changing. But in the United States the anecdotal signs are increasing: more frequent job changes, more freelancing, more working at home, more opportunity but also more uncertainty. The old social contract between employers and workers is being shredded. It is still unclear what will replace it.

IN A slightly shabby classroom in Manhattan, a young man in a neat blue suit introduces himself to the group as Walter—and then sets about describing the lessons from his job search. "Be prepared, know your story, and network, network, network." That was the way that Walter jumped from a job in the construction industry in Canada to one in human resources in New York; and, if the current job does not work out, that will be the way that he will jump to his next job. The network will be ready, his "brand" established. The teacher repeats the message: start preparing now for the job after the one that you are looking for at the moment, because "you are going to be doing this again".

What on earth would "Organisation Man", that stolid icon of the 1950s, make of the Five O'Clock Club? An "employee advocacy organisation" with 20 branches around America, most of the club's members are 35-55 years old and a third of them earn more than $100,000 a year. The club offers plenty of regular career advice but it is based on two things that Organisation Man avoided like the plague: disloyalty and feelings.

Rather than allowing jobs to define their lives, as Organisation Man did, the club's members are encouraged to decide on their own goals—to imagine what sort of person they want to be in 40 years' time, for example—and then to design their careers around that goal. The club also caters to people whose needs are more psychological than financial, such as the Internet manager who has made $3m in the past 18 months "but still feels left behind".

Naturally, the club owes at least some of its success to America's booming economy, but its founder, Kate Wendleton, insists that it has also thrived because it is catering to fundamental changes in working life. And she is not alone. McKinsey, a consultancy, has warned its clients that the most important challenge for companies is "the war for talent". Business magazines are full of details about "why it pays to quit", how you should be "hot desking" with colleagues, "telecommuting" from home, and generally reconsidering your whole future.

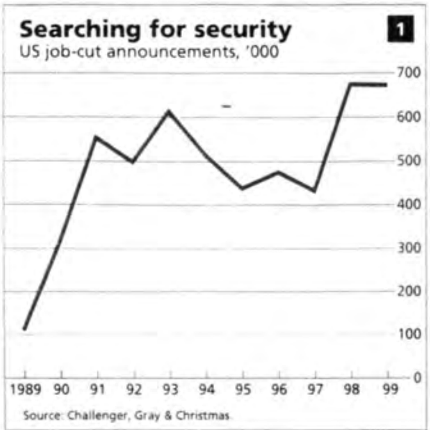
Yet there is also a more pessimistic school of thought. Many on the left, particularly in Europe, believe that the same forces—technology, globalisation, the shift towards services—are leaving workers to the mercy of a new and ruthless variety of capitalism. In a new book, "Sharing the Wealth" (Norton, $24.95), Ethan Kapstein of the University of Minnesota argues that governments are now playing a game of "beggar-thy-labour" which will stir up a social backlash against globalisation.

In continental Europe unemployment stands at 10% and more people are being forced to accept part-time work. In Japan, according to the *Asahi* daily newspaper, the number of businessmen diagnosed as clinically depressed has risen rapidly. *Sararimen* check into their shrinks on Saturdays and Sundays because the more frightening meetings happen on Mondays. In the United States, critics point out that, despite eight years of economic growth, lay-offs over the past two years have been more widespread than ever (see chart 1 on the next page). Meanwhile, median wages for male workers are still lower in real terms than they were in the 1970s.

What on earth is happening? The broad answer is that it depends on where you live and what you do. The "insecurity" that is suddenly so frightening to a *sarariman* in Tokyo has long been normal for a construction worker in Dallas (and not that odd for a construction worker in Tokyo either). There are also different costs: an unemployed worker in Germany receives benefits many American workers can only dream about. On the other hand, most arguments about "the end of the career" usually end up focusing on the world's biggest, most flexible and fastest-changing labour market—the United States.

Some pour cold water on the whole idea that the traditional American career is disappearing. David Neumark, an economist at Michigan State University, points to plenty of professions—teachers, doctors, even labour economists—in which job-hopping remains rare, and to plenty of others, such as the building trade, in which job-hopping has been the norm for generations. The basic measure of job stability is how long people have been in their current job. In 1998 the median figure was 3.6 years, a shade higher than in 1983 (see chart 2A on the next page). The figures for other countries show no great changes either.

And yet the American figures are distorted by two phenomena: the ageing of the baby-boomer generation,



born between 1946-64, who account for 47% of the workforce and have now reached an age when most of them do not want to move; and the increase in mothers returning to permanent jobs.

Some parts of the workforce display unmistakable signs of change. Job tenure for men aged 35 and over has decreased since 1983 (see chart 2B). And the average 32-year-old in America has already worked for nine different firms. There has also been a sharp increase in job insecurity, a measure distinct from, but related to, job stability. Most polls show that Americans—particularly older male workers with long tenure—are more frightened than ever of losing their jobs.

Most important of all, there are solid reasons why careers should change, probably at an increasing rate. Ken Goldstein, an economist at the Conference Board, a business-research group, points to the switch of jobs from big manufacturing firms to small, service ones. Companies with fewer than 100 workers account for half the American workforce and are responsible for two out of three new jobs. Even the biggest manufacturers, such as General Electric, try to act "small" by organising their operations into a network of autonomous units.

This means that the old model of a career, in which an employee worked his way up the ladder in a single company, is becoming rarer. Small service firms seldom have more than three layers; and even big companies, which still possess more of a hierarchy, tend to promote people in jumps. There is also a much higher chance of being ousted. Although the United States has been creating more than 100,000 net new jobs a month, it is also true that over the past two years some 300,000 people have been filing first-time claims for unemployment each week, indicating that many must endure the stressful experience of losing their jobs before finding another one.

With the life-cycle of products shrinking, and competition coming from unexpected corners of the globe, companies have to be more nimble than ever. This uncertainty helps some workers: if a firm has no idea from which direction the next competitive threat will come, one of its few sensible strategies is to amass good people to prepare for as many contingencies as possible. But it also increases the pressure on companies to contract out their "non-core" activities to (often smaller) specialised companies or to use more temporary workers than in the past (as four in five American firms now do).

This has threatened in all sorts of ways the type of career which Organisation Man once assumed was a birthright. About one in ten American workers, or 12.5m people, are either independent contractors or on some sort of temporary contract. Around 10m people work outside their corporate office at least three days a month (double the proportion in 1993).

One hunch is that the biggest changes in work patterns are occurring at the top and bottom of the income scale. One good place to test this thesis is California's Silicon Valley, the home of the most innovative and fastest-changing industry in America.

The view from Palo Alto

It is hard not to feel optimistic about the future of work sitting down to lunch with four students of Stanford Business School. The conversation drifts from potential careers to the enormous amounts of money being made around Silicon Valley. The four lunchers are not typical of the American workforce, but not too strange a mix by Californian standards—a mid-westerner, a Chilean, a woman from Northern Ireland and a Californian educated at Eton, Britain's most elite private school. They have already crammed what many people would regard as a career's-worth of achievement into their short working lives. They have held jobs as management consultants and investment bankers (or both); one worked down a mine, another restructured a succession of companies.

The four are quietly confident that their success will continue: "Stanford provides you with your global driver's licence," says one. But they also recognise that they will have to be nimble. They discuss a Stanford alumnus who graduated in 1994 and is already on his sixth start-up firm. One remarks that business school helps to improve your most important asset—your Rolodex—before adding that one of his first jobs as a young investment banker was to sell the company that makes the device.

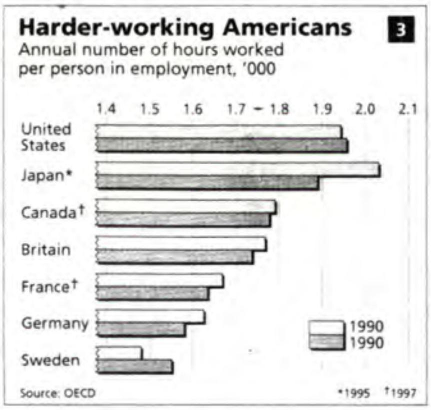
The students come from diverse backgrounds, but their attitude is quintessentially Californian. The state has created jobs faster than the rest of the United States, but its labour market is also more volatile. The median job tenure for Californian workers is only three years. Almost half of them have been with their current employers for two years or less, and only a fifth have been with their employer for more than ten years (compared with a national average of a third). A sixth of the state's adults report either losing their job in the past three years or moving to a new job because they thought they were about to lose their existing one.

The fastest-growing part of California's economy is the temp business: it has added as many jobs as the software and electronic-equipment industries combined. Now the Internet seems to be having much the same effect on "job trading" in the state as it has already had on share trading. Career sites such as Monster.com, which advertises 140,000 jobs at a time, offer an easy chance to almost everyone to indulge the whim to "see how much I am really worth".

In Silicon Valley the turnover of employees is close to 20% a year—a number that skyrockets if companies miss profit targets and imperil option packages. "Retaining good people is paramount," says Bob Spinner, the chief executive of Extensity, a software maker. Like everybody else in the valley, he treats the globe as his recruiting ground—a fifth of Extensity's 150 workers were born abroad—and he views age as less significant than talent. He reckons that most of his employees work 60 hours a week. Extensity tries to recompense them for long hours with perks as well as money, such as a company cabin in the mountains or, for those with "alternative lifestyles", the extension of health-care coverage to same-sex partners.

Extensity is a client of Icarian, another Silicon Valley firm which applies "just-in-time" manufacturing techniques to employment. In hours, claims Doug Merritt, Icarian's boss, he can summon not just secretaries and assistants but freelance engineers (for $90-200 an hour), technical writers ($75-150), marketing directors ($200-500) and chief executives ($300-800), although all these figures are before negotiations about equity stakes. Mr Merritt says that business people are becoming ever more like film actors, with talent agents who offer package deals for their "stars". One famous team of Silicon Valley bankers has changed employers four times in the past decade, increasing their "brand value" each time.

Yet even in Silicon Val-



Harder-working Americans 3
Annual number of hours worked per person in employment, '000
Source: OECD *1995 †1997

ley there is another side to this story. According to Joint Venture: Silicon Valley Network, a consultancy, the poorest fifth of the valley's households saw their real income fall by 8% between 1991 and 1997 (income for the richest fifth rose by 19%). There are plenty of secretaries on low pay with not much more to show for their long hours than a fistful of worthless stock options.

A different place

Will Silicon Valley's experience be replicated elsewhere? Probably not exactly. Silicon Valley's concentration of fast-growing high-tech firms is unusual by any standards. And yet in the long term, the same forces which have reshaped work habits there are likely to have similar effects in many other places. The information technology industry in America is growing more than twice as fast as the economy as a whole—and in every state it is producing more job changes. In one recent study of American lay-offs in 1993-98 by Challenger, Gray & Christmas, a Chicago consultancy, the computer industry was the third-largest downsizer, and telecoms the fourth.

Other industries are beginning to display a similar pattern. Icarian also sells its just-in-time jobs to the drug and finance businesses: in both industries it claims that, as in Silicon Valley, career volatility is highest for "strong-brand" people at the top but also for "no-brand" people at the bottom. Signs of the same pattern are emerging even in Japan, where the annual number of requests for temporary workers has soared from 100,000 a decade ago to 1m today.

So careers may not be "over", but they are becoming a bit more flexible, and are likely to become ever more so. Is this revolution welcome? Optimists claim that a flexible workforce is basically a happier workforce. One recent survey of work trends by researchers at Rutgers University and the University of Connecticut found that 91% of Americans said that they liked their jobs.

Even job-churning has a liberating side. *US News & World Report* reckons that 17m Americans will have voluntarily quit their job for another post in 1999, compared with only 6m five years before. Many of the jobs that have been phased out have been fairly brutal, tedious ones (unless you think that coal mining is a noble art). And even fairly mundane factory jobs now give workers more variety and responsibility (through self-governing teams and the like).

But there are worries. To begin with, there is overwork. On average, Americans work 1,957 hours a year, more than those in other rich countries (see chart 3). According to the Economic Policy Institute, a think-tank, the average middle-income married couple with children now works a combined 3,335 hours a year, eight work-weeks more than in 1979. Much of this increase has come from middle-class mothers going to work instead of staying at home.

Cell-phones and beepers act like electronic leashes, keeping people perpetually tied to their job. One study by the Families and Work Institute, a New York-based charity, showed that about 75% of college-educated 25-32-year-olds in Manhattan work more than 40 hours a week; in 1977 only 55% did. In Silicon Valley people talk about "sleep camels" (those who store up sleep at weekends). The average mother and father spends 22 hours less every week with their children than parents did in 1969.

Many people want their lives to have some predictability. But the fashion for flattening hierarchies makes it more difficult to plan their careers. A few make spectacular leaps. Most stay at the same level for years, insecure and frustrated.

The drawbacks of the new American workplace for the educated are nothing compared with the drawbacks for the uneducated. Even a full-time contingent worker typically is paid only 80% of a regular full-time employee—and the benefits are often minimal. When people talk about basic jobs becoming more interesting, they are usually describing jobs in manufacturing. Many service-sector jobs offer little variety. Ask any pizza-delivery man.

There is also the continuing problem of inequality. In 1979, the average American college graduate earned 38% more than the average high-school graduate; now the gap is 71%. This is a guilty concern for the students at Stanford Business School. The young woman from Northern Ireland wants to save enough by the age of 40 to move into the voluntary sector. The mid-westerner starts out by saying that "in the axis of opportunism to loyalty, I'm on the opportunist end of the spectrum", but later admits that he hopes for a second career as a teacher.

The full benefits and losses of more flexible, insecure careers will become evident only when the American economy slows down. But for most, the lesson is stark: educate yourself, and then re-educate yourself. In the 1950s, when three out of five American workers were "unskilled", education was considered a bonus; now the one in five workers who is unskilled is at a big disadvantage. The need for continual re-education extends even into the later stages of most working lives. Few can any longer afford to rest on their laurels, or to rely on experience which rapidly becomes obsolete because of technological change.

The new job market presents almost as many challenges to companies as to workers. The most talented and hard-working people are unlikely to go to firms that Jeffrey Pfeffer, a professor at Stanford, dubs "toxic workplaces". Focusing on core competencies might mean outsourcing peripheral employees, but it also means creating a core group of loyal employees who have worked for the company for years; who have absorbed, or helped to create, its ethos; and who are committed enough to transmit that ethos to future employees. As with Extensity, the focus is increasingly on finding non-financial carrots to retain these "core" employees (if the only reason why an employee stays with any particular firm is money, then he or she is much easier to poach).

Efforts to hold back these changes with laws guaranteeing workers job protection are growing ever costlier. Just compare the high unemployment rates in Europe, where it is more difficult both to hire and to fire workers, with the low rate in the United States. The exigencies of the new-style labour market will put increasing pressure on governments not only to dismantle obsolete labour regulations, but to adapt to the growing need of both employers and workers for more flexible pensions, training and—in the United States—health care. Even as the old social contract between employers and workers fades, the new one is still unclear. The students at Stanford Business School and the job-hopping members of the Five O'Clock Club might have a clear idea of the bargain they strike with employers. But many other workers do not. Some American employers are offering an implicit (and sometimes explicit) deal to their employees: accept that we may have to sack you and, in exchange, we will make sure that you have the marketable skills needed to find another job.

But many firms and workers still find this idea unsettling. Establishing a new understanding between the two looks like being one of the great social, political and economic challenges of the next few decades. Until that happens, like most other workers, high or low, you are on your own. It may be time to start building your "brand" and getting out there to network, network, network. ■

THE PRESIDENT HAS SEEN
3-13-00

copied
Berger
Podesta

misjudged—as an effort to frighten away voters from Chen Shui-bian, the candidate of the formally pro-independence Democratic Progressive Party. Even if China now leaves it at that, however, plenty of damage will have already been done.

China's determination to send a warning shot to the "splittist forces" in Taiwan could again backfire. The island's voters, who are increasingly satisfied with their economic lot, have been showing little inclination to plump for formal independence. Knowing that, the main candidates in the election on March 18th have been competing—at least until this week—to sound conciliatory, promising to expand cross-strait ties. Whether or not Mr Chen now wins a defiance-cum-sympathy vote, Taiwan's next president cannot let himself be seen to negotiate under China's gun.

And the harder China leans on Taiwan, the more it will damage ties with America. The Clinton administration was already struggling to block the proposed Taiwan Security Enhancement Act. This (it has to be said, unhelpful) effort by China's critics in Congress to micro-ma fence relations with Taiwan has China China has single-handedly done most t now, there has been just enough support China permanent normal trading relatior leadingly as most-favoured-nation statu the last step before it joins the World Trac should push come to shove, that could c

By shooting its mouth off at Taiwan, C the foot. Taiwan is not Hong Kong or Mac and handed over. China has acknowled ing Taiwan greater autonomy within its framework than either of those two proc this week's threat gives Taiwan even less reason to believe such promises—and gives others, in Asia and beyond, new reason to doubt China's oft-proclaimed peaceful intentions.

The Iranian opportunity

To Sandy Do I have some flexibility? what about this? —BC

America should seize the chance of Iran's election to improve its sour relations

"AN EVENT of historic proportions," was the Clinton administration's judgment on the reformists' victory in Iran's parliamentary election last Sunday (see page 53). Can the United States now build on this historic, but still fragile, event by improving its own bad relations with the Islamic republic? It would be the waste of a chance if it failed to do so.

Over the past couple of years, the Americans have made tentative efforts to start a political dialogue with the Iranian government. These have been spurned. President Muhammad Khatami has welcomed people-to-people talk, but has not felt strong enough, in the face of the hostility of his implacably Great-Satan-hating adversaries, to extend this welcome to official negotiations. Now Mr Khatami and his supporters are on a roll, able to override crude sniping. A resumption of relations would please most Iranians. Nonetheless, the reformers' attitude towards the United States remains defiant. The door is open, they say, but it is up to America to walk through it, carrying gifts.

Although the years in which the United States tried to "contain" Iran are long gone, American laws or rules prohibit virtually all commercial transactions between the two countries. However, since the ban on investment in, and trade with, Iran dates from a 1995 executive order, Mr Clinton can, if he so decides, modify it without congressional approval. American oilmen, frustrated as their competitors grab contracts with Iran, are hungry for an easing of the regulations. For their part, the Iranians would be happy if they were allowed to export, say, their carpets or caviare to America. Even more important to Iran would be a U-turn in America's determination to block it from any Caspian pipeline deal: Iran aspires, not unreasonably, to be one of the principal corridors bringing Caspian oil and gas to market.

Iran is also insistent that America should show some give on what it calls its "frozen assets". The shah ordered, and paid for, American military goods and services which, after the 1979 revolution, were not delivered. The dispute is before the American-Iranian claims tribunal in The Hague, an arbitration body set up in the early 1980s. Although some of the claims have been settled, Iran is still trying to claim amounts that go into billions of dollars. It would be good to tie up all this business, maybe with a unilateral American offer of a lump sum, even if that involved congressional approval.

If America were to tempt Iran to negotiation with juicy titbits, what should Iran offer in return? Some years ago, Iran stopped slinging money around the world to terrorist groups. It still supports Lebanon's Hizbullah guerrillas and will continue to do so as long as Israel occupies south Lebanon. But it could commit itself to stop, once Israel has left Lebanon. Iran could also commit itself to supporting Yasser Arafat in the Palestinian-Israeli peace process, thus taking the vitriol, and much of the danger, out of its traditional anti-Israeli stance.

Just sign here, please

All this is important. But a main reason behind America's sanctions is to deny Iran the money that it might otherwise spend on weapons of mass destruction. Iran, once the victim of Iraqi aggression, lives in a rough neighbourhood, surrounded by people who not only have ballistic missiles but also nuclear capacity (Russia, India, Pakistan, American forces in the Gulf). It has signed the Nuclear Non-Proliferation Treaty, but remains suspect. It is bound to look to its own security. But it would lessen suspicion if it subscribed to the newly tightened nuclear safeguards—which would cost it nothing if, as it claims, it has no military nuclear ambitions.

Iran is on the cusp of reformation. There are still powerful forces bent on keeping it in the darkness of petty rules and a harsh clerical judiciary. Its reforming leaders, rejecting any hint of patronage, still feel they have to move with great caution in their dealings with the United States. But the election gives America an unusual opportunity to help the reformists and further its own strategic interests. It should seize it.

THE WHITE HOUSE

WASHINGTON

Date 3/13/00

To: LYNN CUTLER

From: The Staff Secretary

IS THIS TOO

UPBEAT GIVEN WHAT

YOU SAID AT THE

SENIOR STAFF MTG

TODAY?

(B) **Secretary Glickman memo re: Pine Ridge** – Sec'y Glickman reports on the Youth Wellness and Opportunity Center at Pine Ridge, due to break ground in late April early May. This interagency effort, developed in response to your request during your New Markets trip, will get funding from USDA, HUD, Interior, Labor, and the National Boys and Girls Clubs; additional private sector involvement is still being considered. The 30,000 sq.-ft. $3.9M facility will focus on youth opportunities, such as job training and health care, and include meeting rooms and a technology center.

3-13-[illegible]

THE SECRETARY OF AGRICULTURE
WASHINGTON, D.C.
20250-0100

3-7-2000

MEMORANDUM FOR THE PRESIDENT

FROM: Secretary Dan Glickman

Dan Glickman

SUBJECT: The Pine Ridge Reservation – Youth Wellness and Opportunity Center

During the New Markets visit to the Pine Ridge Reservation last summer, you asked Secretary Cuomo and me to develop a facility for reservation youth. I am pleased to report that your idea is becoming a reality. The Tribe will break ground on its Youth Wellness and Opportunity Center, a project made possible by the work of the Departments of Agriculture (USDA), Housing and Urban Development (HUD), the Interior (DOI), and Labor (DOL), along with the National Boys and Girls Clubs of America and other entities from South Dakota and around the nation, in late April or early May.

The Center will focus on youth opportunities, including job training and health care services. It will also include office space, meeting rooms, a technology center, and a meditation room. There is little capacity for the Pine Ridge Reservation to incur debt; however, sufficient grant funds will be available. The cost for the 30,000-square-feet facility ($3.9 million) will be provided by several federal agencies (see below). In addition, there are several private sector assistance possibilities that are still being considered.

- Two USDA Rural Development Community Facilities grants totaling $1,150,000;
- A USDA Rural Business Enterprise Grant of $500,000, which was approved today;
- A HUD Neighborhood Investment grant of $1,500,000; and
- A DOI/Bureau of Indian Affairs grant of $750,000.
- NOTE: In addition to bricks and mortar dollars, a DOL Youth Opportunity Grant of $16 million over five years has been secured and will assist with operating expenses.

I will keep you updated as this project moves forward.

THE PRESIDENT HAS SEEN
3-13-00

THE VICE PRESIDENT

2000

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Burkhardt
(for reply)

To Vice Citizen
to Susan—
Wes amazing—
David

Ms. Susan McConchie
33 Liberty Lane
Keene, NH 03431

Dear Susan:

Thanks for your very thoughtful and moving letter. Tipper and I appreciate your sharing with us your private thoughts during what we know is a difficult time for you and your family.

David was a special person, as his family and many friends would quickly acknowledge. His life embodied one of the principles which makes our country great: the ability of all citizens to make the most of their own lives. Certainly, David lived his life to the fullest each and every day. Tipper and I will always treasure the memories we have of the times we spent with him.

Again, thanks for taking the time to write.

Sincerely,

Al Gore

Al Gore

AG/ea

Susan McConchie

38 Liberty Lane
Keene. NH 03431
603-352-[illegible]
Fax: 603-352-[illegible]

Re David Delaney

Dear Mr. Vice President and Mrs.Gore

I am David's sister. I want to thank you for taking the time to talk with us on your trip to Keene last weekend. We felt your sympathy in your kind hugs and words about David.Thank you too for the lovely letters from you and The President to mom. And a special thank you for the perfectly lovely Azalea topiary tree which remains in full bloom at my mother's house (Jean Delaney).

David was an amazing brother and person, and .I just wanted to tell you about my experience cleaning out his room the other day. I am finding pictures of you and David, buttons, name tags, inauguration invitations,pictures lovingly enlarged of Air Force One and Air Force Two, pictures of your entourage, all the newspaper articles you were ever mentioned in, letters and pictures from newspaper journalists and TV announcers,maps and postcards of Arkansas, letters from White House secretaries for you both and for "Mrs.President" and Mr. President. He was always mixing up names and what to call you so you were mostly Al and Tipper while The President and his wife were referred to as "Bill/ Mrs.President/Mrs.Hillary/Mrs. Clinton" depending on the day!

Dave placed each picture etc. individually in plastic baggies, Saran wrap or waxed paper, then into a brown paper bag, and then into a grocery plastic bag.You are well preserved you might say! To say he was proud to know you,to have shook your hand would be the biggest understatement of all.He loved the political hoopla, and what a politician he would have been! He was able to sway his way into places the rest of us would never be able to! I think the most impressive thing though is this: he may have been" mentally retarded", but he was an intelligent thinker! He really understood the issues of the moment, enough so that he could very easily hold his own with anyone.

He was so honest and caring, so thoughtful and kind.Did you know that he was going to make an apple pie to bring to your talk in Keene the day he was killed.Did you know that he had found the perfect Christmas present for Mrs.Gore- a cookbook of past presidential wives favorite recipes.My mom and I were trying to help him understand that he should not spend his money on gifts for you,you would not want him to, gifts could be seen as politically motivated-how do you explain" payola" to someone who thought it was perfectly ok to give presents at any time. We had this long talk with him the night before he died. He was showing all the little "goodies "as he called them he had bought for you two. We were trying to explain that he probably would not see you personally, but he would have none of that, and kept tuning us out.It simply did not occur to him that he could not do anything he set his mind to do.

He wanted to hear what your views were on Medicare as this affected Mom, and taxes as this affected his brother and me, and disabilities for his friends. He wanted to show you his Special Olympic medals so you would be proud of him, and that maybe you would give money for other athletes so they could go too. He knew about funding and grants!! He did think however that the money just came from your say so, and of course there would be money if the Vice President, and The President told the Congress to give it.

At primary time, and elections David would work for the Democratic Party here in Keene and state wide. His, and our dear friend Stephanie Powers (in the Department of Education) would know that wherever she went for events with you and President Clinton, or other politicians, she was sure to find David there, and yes,he would forge his way through the crowds.She would greet him with a Hi Dave, and he would be all set.We as his family were often afraid for his safety,but as he got to know the Secret Service people,or more correctly they recognized him, we understood he would be ok. After an event we would hear pretty much word for word your speeches and responses to questions for days.

And so he packed up a bag of stuff to bring with him to your speech on Dec.4,left it on the table at my moms, and went to get the apples for the pie he was to make at her house.In the bag were the gifts, Christmas cards for you and the Clintons, and handouts for your campaign.In his pocket afterwards at the hospital were his medals, your latest Gore button, and a Gore bumper sticker. His wallet was empty, his heart was full and the angels took him swiftly with no pain or recognition he had had an accident.

He was on the way to see somebody he felt was a dear friend, his Al Gore, and he hoped you would tell the President you saw him, and that everyone would enjoy the Christmas presents. We realize you passed by,or were made aware of his car accident.That you had a moment of silence for him touched many people that day. People have also remarked at how nice it was for you to talk about David at the dinner on Saturday.They sensed, and appreciated your sincerity on both occasions,and have been kind enough to tell us so.

Perhaps when you see the President and Mrs.Clinton you could share this letter with them.I really wanted you to know what an impact the four of you have had on one person's life, and that he in turn has been able to touch the souls of many others . He really made difference in this world and I am so very proud of him. He never thought just about himself, he realized the most important thing of living--that we have a responsibility to our brothers and neighbors to love them no matter who they are. He saw each of your souls plainly, just as you saw his. We are grateful for your recognition of David as just who he was. Thank you so very much.

Most sincerely yours,

Susan McConchie

'00 MAR 13 PM1:00

[To: Carol Cleveland, White House Staff Secretary's Office; FAX 202 456-2702; voice 202 456-2215.....Carol, per our discussion, this is the letter I've drafted. The event is April 5. If we can get it this week, I can have it included in the program book. Many, many thanks. Carolyn Curiel]

DATE

Warm greetings to the Imagen board, award recipients and honored guests gathered in Beverly Hills for the Annual Imagen Awards.

Please allow me to extend my heartiest congratulations on achieving a milestone. For 15 years, the Imagen Awards have recognized artists in the entertainment world who have helped to advance the image of Latinos in our popular culture.

The impact of these awards has been enormous. While Hispanic Americans comprise an ever-growing part of our society, their portrayal has not always reflected their widening positive influence. Latinos serve proudly at all levels in our government, on the Federal bench, in the armed services, on school boards, and they contribute in meaningful ways to public and community service every day. Latinos are becoming entrepreneurs in larger numbers than ever before in our history.

In the arts, American music has been happily injected with a Latin beat. We are seeing more Latino faces in the movies and on television. All that is good.

And while the Imagen Awards shine a light on the progress of the entertainment industry, they also remind us that there is more work to be done.

The American entertainment industry has a profound, global impact on how all of our people are perceived. Without true and positive images of some of our most important citizens, the picture we show America and the rest of the world is, at best, incomplete. That is why the achievements of the Imagen Foundation and its honorees are so important.

Hillary and I wish to join all of you in saluting the historic efforts of the award winners and all the people at Imagen. May you enjoy ever greater success for your important undertaking.

3/13/00

Felicidades a todos!

From Carolyn Curiel - Amb to Belize - former WH Speechwriter -

Sincerely,
B.C.

Send to Burkhardt?

Yes ✓

No

Cal

THE WHITE HOUSE

WASHINGTON

March 10, 2000

3 13

Copied
Lane
Podesta

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: NEAL LANE Neal

SUBJECT: Gene Patents

I am responding to your recent questions regarding patent policy with respect to human genes. Specifically, you asked (1) if the Patent and Trademark Office (PTO) had the capacity to draw the right lines in a timely manner, and (2) whether the patent issued on a gene involved in HIV infection was good or bad policy.

The answer to your first question hinges on available resources at PTO—both human and financial. In order to make informed decisions, patent examiners must have access to the same databases as patent applicants. In the case of gene patents, access to these databases is expensive but necessary to assure the quality of patent review. Patent pendency times have been a problem in the past but have largely been addressed by hiring more examiners. The Biotechnology Examination Group has hired more Ph.D.'s than any other part of PTO and accounts for 80 percent of PTO's commercial database use. Competition for these highly skilled recruits and steady growth in the numbers of filings will continue to exert pressure on patent examination resources.

The answer to your second question is more complex. PTO is bound by patent law as passed by Congress and interpreted by the Federal Circuit and the Supreme Court. The agency formulates policy within the constraints imposed by patent law and is usually reluctant to push against those limits. Recent news reports (see attached L.A. Times article and WP editorial) present valid arguments that PTO's new guidelines on gene patents do not go far enough toward narrowing permissible gene patent claims.

The recently issued Human Genome Sciences (HGS) patent covering a molecular receptor that plays a key role in HIV infection is an example of the potential negative impact of overly broad claims. In their patent filing, HGS claimed numerous speculative functions of the receptor, among them that it could be a viral target. They did not know at the time that it specifically

Attachments

cc: Vice President
Chief of Staff

facilitates the entry of HIV into cells. The patent, granted on the basis of very broad claims, now makes HGS a tollbooth deciding who can develop drugs that might be the best hope of curing or preventing AIDS. In a worst case scenario, some research might not be pursued, particularly in open academic settings, if a prohibitive licensing or royalty policy was established. If HGS exercises their patent rights responsibly, by licensing non-exclusively and at low cost, this might not be a problem. Important research and innovations could proceed with little or no encumbrance. But the terms and conditions of licensing are entirely up to HGS.

I do not mean to imply that patents in this area are bad. Intellectual property protection is a crucial incentive for investment in drug development and other commercial innovations. Some of the uncertainty that is facing the biotechnology and pharmaceutical community is normal in a nascent field. What is different in this case is that the human genome is a unique and limited resource that is vital to the next generation of medical interventions. If it is patented as soon as it is sequenced, all future gene-based products would require agreements negotiated with a handful of companies that have focused on rapid sequencing at the expense of deeper investigations of biological function and therapeutic utility. We should make certain that public health and medical innovations are not adversely influenced by such practices.

The seriousness of this situation merits further discussion with the PTO before any final decisions are made on their guidelines and before many more patents of the HGS type are issued. I plan to pursue this with PTO and will include other EOP offices in such discussions. In addition, it is important at this time that patent holders be encouraged to exercise their intellectual property rights responsibly, in a manner that is conducive to further innovations and accessible medical use.

'es Times

National Edition

EBRUARY 28, 2000

HE TIMES MIRROR COMPANY

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AN EDITION OF THE LOS ANGELES TIMES

in Mozambique

Associated Press

'e River in Mozambique, where 1,800 flood victims were rescued. **A4**

Researchers Worry Over Gene Profit, Ownership

■ **Technology:** Human Genome Sciences' patent on a gene the company didn't know would impact AIDS research raises questions about future work and drug development.

By PAUL JACOBS and PETER G. GOSSELIN
TIMES STAFF WRITERS

A newly issued patent on a gene that controls how AIDS begins infecting its victims is fueling controversy over who should own and profit from the torrent of genetic discoveries emerging from research labs and biotech companies across the country.

The patent, issued earlier this month to Maryland-based Human Genome Sciences, gives the company sweeping control over who gets to use the gene in commercial development of a new class of AIDS drugs, even though the firm knew nothing of the gene's role in AIDS when it sought the patent.

Company executives said the firm deserves the patent because it isolated and decoded the gene and made some informed guesses about its function. The U.S. patent office apparently agreed and granted the company a 17-year claim not only to the gene itself but also to key techniques for putting it to use.

But the academic scientists who discovered the gene's role in AIDS, as well as AIDS activists and some legal scholars, argue that the decision is a case of the patent system gone awry. They charge that the patent and thousands of other gene patents likely to be granted shortly will slow, not speed, the development of new drugs and entangle basic research for years to come.

In the end, the thing that most surprises the critics is what little difference the research that established the connection between the gene and AIDS made to the decision of who gets to own and profit from the discovery.

The gene provided the answer to a vexing mystery that academic research labs around the world were trying to solve five years ago: why some individuals who were repeatedly exposed to HIV, the virus that causes AIDS, never develop the disease.

Working properly, the gene produces a protein used as a "handle" by the virus to enter cells and begin infecting its victims. But in individuals with defective versions of the gene, no such protein is produced, and HIV cannot penetrate. The findings convinced the researchers that they were on the verge of a whole new way of treating the fatal disease—and perhaps profiting by their discoveries in the bargain.

However, Human Genome Sciences, which had already decoded the gene, had beaten the scientists to the patent office door.

After reviewing Human Genome Sciences' patent, Stanford Law School professor John H.

Please see GENE, A5

GENE

Continued from A1

Barton noted that it was different from the earliest gene patents, which were awarded to companies and research centers that showed how a gene could be used to produce a valuable drug product, such as human growth hormone or insulin.

"All this patent does is carve out an area where nobody else can do research," he said. "If [Human Genome Sciences] can keep you from making this [protein] in enough quantity to be able to do research, then they can in essence control the entire area. . . . If it doesn't produce a product and keeps others from doing research that would, then that's a big negative."

Human Genome Sciences officials insist that the company's patent will not impede research. They argue that the company is making the gene widely available to drug company clients in exchange for fees and future royalties and to academic researchers at no cost.

Biotech Companies Are Mining Gene Code

Human Genome Sciences is one of a new breed of biotechnology companies that are mining the human genetic code and filing patents on thousands of genes, in most cases without fully understanding their function or potential use in the treatment of disease. In the case of the AIDS gene, company officials acknowledge that they had no knowledge of the gene's role in the disease when they applied for a patent in June 1995.

That is what has prompted the criticism.

"These guys are the robber barons of the genetic age," complained Gregg Gonsalves, policy director for the Treatment Action Group, a New York-based organization that lobbies for AIDS research. "They are going to patent everything they can get their hands on and squeeze as much money out of it they can. This is not about making progress on AIDS; it is about making money."

AIDS patients who find that existing drugs are no longer working need new ones immediately and have no time for settling disputes over intellectual property rights, Gonsalves said.

Company chairman and CEO William A. Haseltine makes it clear that the firm intends to strongly enforce its patent position.

"If somebody uses this gene in a drug discovery program after the patent has been issued to find drugs . . . and does it for commercial purposes, they have infringed the patent," Haseltine warned. And if a company brings a drug to market after infringing the patent, "we'd be entitled not just to damages, but to double and triple damages."

The company's strong patent position was greeted warmly by the stock market, if not the scientific community. After the patent was announced, the company's share price rose by 50% over the next two trading sessions.

And there may be many more such patents to follow. Haseltine said the company has identified in whole or in part 95% of the 100,000 or so human genes. The company has already received more than 100 human gene patents and has 7,500 patent applications pending.

The AIDS gene patent was issued just as the U.S. Patent and Trademark Office is proposing to toughen its standards by requiring applicants to do more to demonstrate the function and usefulness of their discoveries. The office has issued more than 400 human gene patents, but there are tens of thousands more applications awaiting approval.

The new standards are in response to advances in technology that permit companies to isolate human genes and gene fragments by the thousands using high-speed automated machines for deciphering the genetic code. With the help of supercomputers that search databases of existing knowledge of human and animal genes for similarities, the companies are able to make sophisticated guesses about the function of a gene and its potential application to disease treatment and diagnosis.

Officials at the National Institutes of Health have complained that the proposed patent office guidelines, due to be adopted next month, do not raise the bar high enough on human gene patents and would keep in place a policy that creates barriers to research and drug development.

The awarding of the AIDS gene patent to Human Genome Sciences has become an example for critics of what's gone wrong with U.S. patent policy.

"If the patent office awards a patent to someone who clones a gene, even though they have no notion of its function and no real idea of its use, that would be like saying, 'I found a fungus, therefore I should get credit for penicillin,' " said Dr. Robert Gallo, who is now at the University of Maryland and headed a group that worked on the problem of how HIV infects cells.

"The kind of work that is being done at federally funded labs is figuring out the functions of various molecules," said New York University's Dr. Dan R. Littman, another scientist who contributed to solving the HIV mystery. "Now you have companies coming from a completely different direction and not even trying to understand function before seeking patents. . . . They can just sit there and wait for others to do the research for them."

Human Genome Sciences chairman Haseltine paints a different picture. He said that unlike other companies that mine the human genetic code, his company does extensive work after isolating and decoding a gene—for example, inserting the gene into special cells grown in test tubes to determine the gene's function.

"We did real biology," Haseltine said. "We didn't just find a gene and patent it."

Early on, he said, the company focused on a class of genes that produce protein receptors—sub-

The Sequencers vs. the Researchers

A small biotech company called Human Genome Sciences has n a patent on an AIDS gene even though it did none of the ,earch showing the gene's role in the disease. Here is the chain of events:

1986—British researcher Robin Weiss shows there must be a second route, other than the one already known, for HIV, the virus that causes AIDS, to enter cells and infect people.

June 5, 1995—Human Genome Sciences applies for a patent on a gene that produces a "receptor" protein that is later called CCR5. Receptors let things that are outside cells enter them. Company executives have no idea that CCR5 is an HIV receptor.

December 1995—U.S. researcher Robert Gallo, the co-discoverer of HIV, and colleagues find three chemicals that inhibit the AIDS virus. Gallo does not know how the chemicals work.

February 1996—Edward Berger at the NIH discovers that Gallo's inhibitors work in late-stage AIDS by blocking a receptor on the surface of T-Cells.

June 1996—In a period of just 10 days, five groups of scientists publish papers saying CCR5 is the receptor for virtually all strains of HIV.

January 2000—Schering-Plough researchers tell a San Francisco AIDS conference they have discovered new inhibitors Merck researchers are known to have made similar discoveries.

Feb. 15, 2000—The U.S. Patent and Trademark Office grants HGS a patent on the gene that makes CCR5 and on techniques for producing CCR5 artificially. The decision sends HGS stock flying and dismays researchers.

stances that are weaved into the fabric of cell surfaces, sitting like a satellite dish and picking up chemical signals from elsewhere in the body.

Similar protein receptors are known to play important roles in human biology.

In June 1995, the company applied for a patent for one of those genes, which produced a protein receptor that the company identified as "HDGNR10."

The patent spells out precisely the chemical building blocks that make up the gene and the protein. And it discusses how blocking or stimulating the gene or the protein could have an impact on a variety of diseases, including cancer, blood disorders, allergies and arthritis. There is no mention of AIDS or HIV in the patent. There is only a single passing reference to the fact that proteins in the same class as HDGNR10 can be targets of viruses.

That was enough, Haseltine said, to give the firm a patent that covers not only the gene and the protein product itself—what's called a "composition of matter patent"—but also the use of the gene in discovering new anti-AIDS drugs.

"In this case, we were clever enough to guess right that this is a viral receptor," Haseltine said.

Unaware that the patent application had been filed, a number of academic research labs were in hot pursuit of a genetic explanation for why some patients infected with HIV develop AIDS relatively slowly and why others, despite multiple exposures, do not develop AIDS at all.

Isolating a Protein and Its Role in AIDS

In late 1995, Gallo's group reported finding that chemicals called chemokines, which were released by certain white cells and were known to latch onto proteins on the surface of blood cells, also seemed to suppress HIV infections. This sent other researchers looking for the sites where the chemokines could interfere with HIV.

Over the next several months, a number of researchers independently discovered that HIV entered cells by grabbing hold of certain protein receptors that acted like handles for the virus on the cell surface. The most important of these is called the CCR5 receptor. The academic scientists isolated the protein and found the gene that produced it.

To clinch the role of the gene in AIDS, researchers were also able to show that cells with a defective CCR5 gene—taken from individuals who were exposed to HIV but who did not have AIDS—did not produce the CCR5 protein and could not be infected with the virus.

The discovery of the CCR5 gene was widely celebrated as a major advancement in AIDS research, paving the way for new drugs to treat the disease by blocking the cell surface protein.

"The likelihood is that this is *the* molecule that needs to be used for the virus to go from one person to another," said NYU's Littman.

The gene and the protein it produced were identical to those isolated by Human Genome Sciences—something that the academic researchers could not know because the company's patent application, although filed, was still not publicly disclosed.

In patenting, said Human Genome Sciences chairman Haseltine, "you are rewarded for speculation. If you teach what to do and you are right, you don't have to show it yourself. You are rewarded for intelligent and correct guesses. . . . "The patent office does not reward perspiration," he said. "They [patent officials] reward priority. They don't care if someone spent 20 years to find an invention or 20 minutes."

Other defenders of the patent system argue that scientists simply don't understand a system that rewards those who isolate substances from nature, even without knowing the best use for their discoveries.

"In chemical patent law for a 100 years, everywhere in the world, if you discover a compound that has any use, even a marginal use, you are entitled to a patent on the compound," said Jorge Goldstein, a Washington, D.C., patent attorney who represents Human Genome Sciences. He said that if a scientist discovers a new chemical for use as an antiseptic in hospitals, he still is entitled to a patent that would cover all of its future uses, even if it turns out to be a great anti-cancer drug. "If you use it, you are going to have to pay me a royalty, even though I did not discover its hot commercial use, but a marginal one," Goldstein said. "That's been the law for a hundred years. Biotech hasn't changed anything."

However, some legal scholars believe that there is something different about gene patents.

University of Michigan law professor Rebecca S. Eisenberg worries that awarding such patents will impede those who work on developing new drugs by forcing them to pay licensing fees and royalties both to those who isolated the gene as well as those who later discover its role in disease. "Each of the licenses cost something, and if there is a proliferation of these claims it becomes daunting to pull together all the licenses," she said.

And, indeed, a number of research centers have applied for, and in some cases have received, patents in this area.

"If someone in a company wants to use the CCR5 cloned gene, they may need two licenses," Haseltine said, "our license for composition of matter and a license [from NIH research by Edward Berger] to practice HIV inhibition."

On the other hand, companies that developed drugs before the Human Genome Sciences patent was issued can proceed without paying royalties, Haseltine said.

In fact, Schering-Plough Corp. is already working on AIDS drugs that block the CCR5 protein, said Robert J. Consalvo, director of external affairs for the New Jersey-based drug company. The drugs, he said, "were discovered by us prior to the HGS patent."

The Washington Post

AN INDEPENDENT NEWSPAPER

Who Should Own Your Genes?

AS THE RACE to map the human genome nears completion, companies are hurrying to patent as many chunks of it as possible in hopes of deriving lucrative medical treatments later on. Often they apply for patents on gene sequences about whose functions they know little or nothing. Anyone wanting to do further research on these genes—research crucial to figuring out how they actually work—would have to pay licensing fees and royalties to the companies that hold the patents. Depending on what kind of fees or conditions companies choose to set, this could slow research or complicate doctors' use of tests for genetic disorders.

The government's Human Genome Project, which puts genes into the public domain as it finds them, claims to be within a few months of sequencing all 100,000 genes. But as many as 70,000 of those could already be under patent application by one of the companies racing with the government to complete the map. How the U.S. Patent Office handles those applications will determine the level of public access to the genome for years to come.

There is a strong public interest in keeping the genome as freely accessible as possible, not only because it is an unparallelled scientific resource but because, as the underpinning of human life, it belongs in a certain sense to humanity. More pragmatically, it belongs to the public because public funds have been the foundation of the genome mapping effort.

Patent law has traditionally treated organic substances—even genes—as chemicals like any other, which qualify as "inventions" if someone isolates them and shows they can be used for a specific purpose. But for gene patent applications, examiners have deemed it enough to show knowledge of a gene's structure rather than offering conclusive evidence of what it does. The patent office granted a patent to Rockville-based Human Genome Sciences Inc., for example, for a gene that was later discovered—by scientists unaffiliated with the company—to play a key role in transmitting the AIDS virus.

Last year, after much outcry, the patent office issued revised guidelines—open for public comment until March 22—that require a somewhat more specific showing of "utility." But many scientists say the guidelines don't go far enough, since they still allow for patents based on "theoretical utility," which could mean as little as an apparent resemblance between the new sequence and other sequences previously discovered.

This is wrong, even if it reflects common practice for patenting other substances. The patent office should tighten its rules on the genome to the point where the vast majority of the basic sequence will end up in public, not private, hands. If that proves impossible under current law, Congress should carve out an exception in the patent law to recognize the public's unique claim on the genome. And companies that already hold gene patents should be obliged—by Congress if necessary—to make them available on reasonable licensing terms to researchers and doctors.

3-13-00

THE WHITE HOUSE

WASHINGTON

'00 MAR 11 P12:15

March 11, 2000

MEMORANDUM FOR THE PRESIDENT

FROM: LISEL LOY

SUBJECT: Recent Information Items

I am forwarding the following recent information items:

(A) **Lane memo on gene patents** – in response to your recent questions about patent policy with respect to human genes, Neal describes the Patent and Trademark Office's (PTO) ability to draw the right lines in a timely manner, noting the hiring of new, highly qualified examiners, which has reduced patent pendency times, but warning that competition for these highly-skilled recruits and increased filings will put pressure on PTO's resources. Human Genome Sciences' (HGS) newly-patented HIV-related gene illustrates the potential negative impact of such overly broad claims (HGS did not know that this gene facilitates the entry of HIV into cells); under a worst case scenario, such patents may chill research if the patent holder establishes prohibitive licensing or royalty policies; there may be no problem, however, if the holder exercises its rights responsibly. If the human genome is patented soon after it is sequenced, the patent-holder will, like HGS, act as a tollbooth for the development of future gene-based products, perhaps at a cost to public health and medical innovations. Given the importance of this issue, Neal and others are pursuing further discussion with the PTO before any decision is made about PTO's guidelines and before many other HGS-type patents are issued.

(B) **Secretary Glickman memo re: Pine Ridge** – Sec'y Glickman reports on the Youth Wellness and Opportunity Center at Pine Ridge, due to break ground in late April/early May. This interagency effort, developed in response to your request during your New Markets trip, will get funding from USDA, HUD, Interior, Labor, and the National Boys and Girls Clubs; additional private sector involvement is still being considered. The 30,000 sq.-ft, $3.9M facility will focus on youth opportunities, such as job training and health care, and include meeting rooms and a technology center.

Good!

(C) **Letter from Susan McConchie re: David Delaney** – the Vice President's office forwards a letter received by the Vice President and Mrs. Gore from Susan McConchie regarding her brother, David Delaney, along with the Vice President's response.

(D) **Ibarra memo re: National Association of Counties** – Micky forwards a list of activities that IGA coordinated during NACo's recent meeting, including remarks by Secretary Daley and Ambassador Barshefsky to the General Session, and IGA participation at the Board meeting.

DuPont Pharmaceuticals Company

cordially invites you to a reception

to honor the

Presidential Advisory Council on HIV/AIDS

to welcome

Honorable Ron Dellums as Chair

and to thank

R. Scott Hitt, M.D.

for his leadership and service

Monday, March 20

6 p.m.

The Decatur Carriage House

1610 H Street, NW

Washington, DC

R.s.v.p. by

Friday, March 17

(202) 232-4030

3/13/00
regretted to
Michael Darling
for Sean Maloney
C. Church

3-13-00

RED POT

Accept ______

Regret ✓

WILL BE IN INDIA

Carl

SEND TO MAUREEN H
+ DAN B. NEED A
MESSAGE FROM POTUS

STATE OF ARKANSAS

House of Representatives

REPRESENTATIVE
Barbara Horn
P. O. Box 64
Foreman, AR 71836-0064

Phone:
870-898-8800 Business
870-542-6665 Residence
870-898-8124 FAX

DISTRICT 20

Counties:
Little River County
Part of Miller County
Part of Sevier County

COMMITTEES

Vice Chairperson,
Public Health, Welfare and Labor
Chairperson,
Human Services Subcommittee

Insurance and Commerce
Utilities Subcommittee

Joint Committee on Energy

Legislative Council

March 7, 2000

3-13-00

Send to Burkhardt?
Yes ✓
No ____

cc: Counsel's Ofc
Yes ✓
No ____

Carl

President William Jefferson Clinton
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Re: Tony Smith
SRT/Covenant Trucking
Ashdown, AR 71822

President Clinton:

I am writing to request a Presidential Pardon for Tony Smith of Ashdown, Little River County, Arkansas.

Tony Smith and his family have been residents of Little River County approximately ten (10) years. He is the owner/operator of SRT/Covenant Trucking in Ashdown. Too, he has a cattle ranch. Last year he and his family were named the Little River County Farm Family of the Year.

Presently, SRT/Covenant Trucking have approximately three hundred fifty (350) employees. This trucking company is a very valued employer in our area. I believe they are the third largest employer within the county.

SRT/Covenant Trucking has an opportunity to expand their trucking business to Mexico. This would increase the number of employees to six hundred (600), which would be of great impact for our area.

In order for SRT/Covenant Trucking to expand their operation to Mexico Mr. Smith must obtain a pardon immediately. I know you are aware of the need for economic development and more jobs in rural Arkansas. It would be of great benefit for our area if Mr. Smith is enabled to expand his trucking business to Mexico.

President Clinton, I personally ask your influence and consideration on behalf of Tony Smith, Ashdown, Arkansas, in his efforts to obtain a Presidential Pardon.

Yours very truly,

Barbara Horn

Barbara Horn

BH/mgm

'00 MAR 13 P3:05

3-13-00

The Honorable Denni

United States Senato

Send to Nash?

Yes ✓

No ______

Parry, Romani & DeConcini, Inc.
233 Constitution Avenue, NE
Washington, DC 20002
202-547-4000
Fax 202-543-5044

P.C.

March 6, 2000

cc: Burkhardt for response and coordinate w/ Nash

BC SIG/REQ DOT

The Honorable William J. Clinton
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

Last December you honored me with my fifth appointment to the Federal Home Mortgage Bank (Freddie Mac) Board of Directors. My current term on the Board expires in May of this year. Due to the brief nature of this term I will only be present for one Board meeting, scheduled to take place in early March. I realize the White House's desire to put new people on this Board. However, since my first appointment to this Board there has always been one unfilled Presidential position – right now, that is the case. The four present appointees' terms expire in May, 2000.

Mr. President, I have become an active participant on the Board, not only due to my experience in the real estate business and prior government service, but from my interest and willingness to learn how the industry functions and fulfills its Congressional mandate to continue to provide affordable mortgages to working and low income Americans. I would appreciate your confidence in me by my re-appointment to the Freddie Mac Board of Directors for the balance of your term. As I am sure you are well aware, this would have to be submitted prior to mid May.

Although I have not had the good fortune to see you personally, Mr. President, since I left office in January, 1995, I have thought of you often. I have always supported and defended you, Mrs. Clinton and your administration – especially during the difficulties you faced last year. I truly believe you have served our Nation exceptionally well. And, I would very much like to continue to be one of your appointees during the remaining few months of your Administration.

Again, thank you for your confidence in me. If I can be of any assistance to you in your transition back to normal life – that is, as normal a life as a former President can expect, please do not hesitate to call on me. I wish you and your family much health, happiness and prosperity. Thank you for a job well done. I remain

Sincerely,

Dennis

Dennis DeConcini
United States Senator, Retired

DDC/jm

Thank you so much —
D

3-3-00

Jim Hodges
Governor

Mr President -

Thank you for allowing Rachel and me the opportunity to stay in the White House last week. We enjoyed it.

Jim Hodges

3-13-00

Send to Burkhardt?

Yes ✓

No ______

cd

Nice [illegible]

JOHN SYKES

3/9/00

Dear Mr. President,

Thank you so much for taking the time to see us on Wednesday. James and I went door to door on the Hill all day and the response was incredible. We found more friends of VH1 Save the Music than I expected. I will, however, keep my day job. Washington is tough!

I'm taking your advice and am working

3-13-00

Send to Burkhardt?

Yes ✓

No

cont

with Melanne to begin working on the State level through some of your friends.

Speaking of friends you're the best one anyone could _ever_ have. Thank you and I'll hopefully see you in June in New York.

Best regards,

John

PRESIDENT HAS SEEN
3-13-00

Bruce | cc JP/Ricchetti

See me on this
This is disturbing
if true but was done
good idea for future

BC

STATE OF NEW YORK
OFFICE OF THE ATTORNEY GENERAL
THE CAPITOL
ALBANY, NY 12224

ELIOT SPITZER
Attorney General

(518) 474-7330

March 6, 2000

copied
Podesta
Ricchetti
Reed

BY TELEFAX

Mr. Bruce Reed
Director
Domestic Policy Council
The White House
1600 Pennsylvania Ave.
Washington, D.C. 20500

Dear Bruce:

As you know, at the end of last year and the beginning of this one, certain cities and states were negotiating with members of the gun industry to settle filed or anticipated lawsuits. The objective of the lawsuits -- and, of course, of the settlement negotiations -- was to save lives by having the gun companies adopt commercial measures to keep guns out of criminals' hands and incorporate safety devices to prevent gun accidents.

Through a series of press announcements, the administration invited itself into the negotiations, only to have the gun manufacturers refuse to meet with you. The administration had, they said, unduly politicized the process. But even as they were refusing to meet with you, the manufacturers were urging that we go forward with our long-scheduled January negotiating session, telling us that they saw a possible consensus beginning to emerge. This was a striking moment. After decades of intractability, the gun industry was telling city and state plaintiffs that a possibility of meaningful reform was at hand.

You did not ask us to listen to the industry's counter-proposals to see whether progress was truly possible. Instead, you insisted that if you were unwelcome, then the cities and states should not go. We did not.

Now I learn that, in secret, you have reopened talks with a subset of the industry and -- for reasons I cannot fathom -- excluded the cities and states whose process you halted. It was exceedingly unwise to exclude those with expertise who established the framework for the settlement, and thus it is not surprising that, as one of your staff members told us on Friday, your current settlement efforts "are going nowhere".

Despite the foregoing, the White House potentially brings to the table resources and national regulatory power unavailable elsewhere. As things now stand, I can participate only from afar. The *only* goal should be saving lives by changing conduct within the gun industry. To that end, I set forth below: (1) how we got to the current stalemate; (2) where the emerging consensus was before your entrance; and (3) how the powers at the disposal of the federal government can recapture the momentum that has been lost.

1. How we got to the current stalemate

As you know, the federal government used the press to invite itself into the ongoing negotiations between the gun manufacturers and the cities and states. Speaking on behalf of New York State, I welcomed your participation.

In anticipation of the next negotiating session, my staff and I expended a great deal of time and effort educating members of the administration on the history and status of our proposals and negotiations -- negotiations that began in the summer of 1999 when New York reached out first to the industry and then to a widening circle of litigants. Due to your late entrance, we met (on an accelerated schedule) with the administration repeatedly both in New York and Washington. You asked us to provide you with our legal theories, settlement outlines, and negotiating drafts, all of which we did gladly.

Shortly before the January meeting, however, the gun industry refused to have the White House at the table. They feared, they said, that your presence would politicize what were already difficult talks. In response, you urged that no city or state attend the January session if you were unwelcome, and exhorted us all to stick together. We acceded, and canceled the negotiations, despite the industry's request that we continue without you. As a result, we never heard the industry's scheduled response to our proposals regarding downstream distribution.

Now it seems that solidarity is a one way street. In secret, with select manufacturers, the Departments of Treasury and Housing and Urban Development (HUD) restarted the very negotiations that you, personally, asked our group to eschew. Apparently considering our presence superfluous, you nonetheless find our work product essential; I am told that the administration is using our settlement framework and our negotiating drafts. I can only conclude that this is at your direction.

I was also disappointed by your behavior after I learned of the secret talks and informed the White House of my concerns. While my follow-up calls to you went unreturned, HUD staff quietly began to call others amongst the cities and states to inform them of "recent developments." I hope you understand that we can differentiate between genuine teamwork and the ploy of someone caught with his hand in the cookie jar.

2. Where we were before the administration "joined" the negotiations

I believe that before you injected yourself, support on both sides of the table was beginning to coalesce around a few broad principles. Prior to your involvement, we had discussed with the industry a Code of Conduct that would govern design, safety, and distribution of handguns, and would establish an enforcement mechanism to ensure compliance:

Principle 1: Manufacturers will take responsibility for their downstream sales. For years, manufacturers have argued that once a gun leaves their factory, they have no control over it. It was none of their business, they argued, how their guns happened to end up in the hands of murderers, rapists, and drug dealers, or why a small number of gun dealers sold the disproportionate number of guns used in crime. Until our recent discussions, the manufacturers felt that it was not their job to cut off renegade dealers, but rather the federal government's job to revoke their licenses. In short, they laid the failure to shut down renegade dealers squarely at your feet.

Some companies are now recognizing that they have a responsibility to use their economic power to combat the criminal market. They appear prepared, for the first time, to use their contract rights to exercise control over their distributors and retailers. In short, by using the same kind of contractual pass-through rights that are used in many other commercial contexts, some are ready to cut off wholesalers who keep selling guns to those dealers who sell too many guns into the criminal market.

Perhaps the most important conceptual shift is the manufacturers' recognition of the principle that they could and should prevent sales to straw purchasers. While we had not yet agreed to specific terms, proposals under discussion ranged from outright restrictions of multiple sales to restrictions on the timing of delivery of purchases.

Principle 2: Manufacturers will not design or sell handguns that are unduly appealing to criminals. It is no secret that certain gun manufacturers have targeted criminals as a distinct market, going so far, for example, as to advertise guns that are "fingerprint resistant." There was broad consensus among the manufacturers that guns should not be designed specifically to appeal to criminals. There was no consensus, however, as to what makes a gun attractive to criminals. Barrel length? Color? Large magazine capacity? Price?

There is no need to guess, and no need to predict. Data can resolve the inquiry. By combining their own sales figures with Bureau of Alcohol, Tobacco and Firearms ("ATF") traces showing which models are used in crime, manufacturers can see exactly which guns are used disproportionately by criminals. Thus in our Code of Conduct, we were negotiating with manufacturers to discontinue models that are or may become disproportionately used by criminals. Debate over barrel length, color, and price would evaporate, and the heart of the problem -- guns desirable to criminals -- is addressed.

Before you announced your interest, we designed the compliance system in the Code of Conduct to work by counting the number of trace *requests* that ATF makes of manufacturers; each time a manufacturer answered the request it was put on notice of which model was used in crime and to whom the manufacturer had sold it. With you now at the table, the manufacturer no longer has to do the math. Your cumulative data can directly answer the questions.

Principle 3: Manufacturers will design guns to be as safe as reasonably possible for purchasers and their families. Many manufacturers agreed with this principle so wholeheartedly that some were prepared to negotiate concrete deadlines for the introduction of specific safety features, such as selling every gun with an effective lock; requiring magazine disconnect safeties (which greatly reduce accidental firings) on all guns sold to the public; recalling guns that accidentally fired when dropped; and committing to specific dollar set-asides for research and development on gun safety, including smart gun technology.

A stumbling block for manufacturers was with guns procured by the government. Manufacturers argued that federal government specifications -- particularly the FBI's -- called for guns that *lacked* certain safety features, such as magazine disconnect safeties. Your ability to assist on this point is self-evident.

Principle 4: Compliance with the Code of Conduct must be verified. Once the Code of Conduct is in place, we must all have assurances that it is actually being followed. The cities and states were clear with the industry that we would not accept ATF as the sole monitor. Over the years, Congress has severely limited ATF's resources and powers. And, as a federal agency, ATF quite properly owes its fealty not to a private code of conduct but to its authorizing and appropriating statutes.

Our answer was a private monitor who would function as an independent, private-sector inspector general. A kind of super-auditor, the monitor would have full access to the books and records of the manufacturers and their distributors, investigative capability, and the power to force any non-compliant signatories to the agreement to adhere to its principles.

Among the many serious issues in the negotiations, the monitor question proved particularly difficult. Some in the industry insist that ATF be the monitor. Others realize that a clean bill of health from the plaintiffs' monitor would be a potent, almost irrebuttable, statement of a manufacturer's good corporate citizenship. In short, the industry will never receive the full benefit of a Code of Conduct without the sign-off of someone universally viewed as more independent than ATF.

3. How you can restart the lost momentum

All of the provisions of the Code of Conduct were crafted in the absence of a federal presence at the negotiations. With a federal presence, the possibilities expand significantly. By bringing available tools to bear, you should be able to break through the deadlock that your staffer described to me.

Use federal contract money as an incentive

First, you have a potent enticement at your disposal: the federal purse strings. Manufacturers sell countless firearms to federal law enforcement and the military. Others seek grants for "smart gun" technology. Progress could be swift if you made gun manufacturers' adherence to a Code of Conduct a prerequisite for receiving grants or for doing business with the government.

Create transparency in the crime gun market: Make ATF trace data public

You have invaluable data at your disposal, namely the ATF trace records showing exactly how guns get from manufacturers to wholesalers to the retailers who are portals into the underground market. While current data obviously would need to be withheld to protect ongoing investigations, older data should be made available to the nation, so that the public, the press, scholars, lawmakers, and the industry can see for themselves just how and where crime guns have flowed over time.

Sunshine is the best known cure for social ills. Knowledge leads to solutions. Consequently, I propose that all ATF trace data (save identifying information about the police officers who recovered the gun and about individual final purchasers) be made public and placed on the internet.

There is clear legal authority for the release of the data. Specifically, 27 C.F.R. § 178.25 ("Disclosure of Information") provides: "Upon the request of any Federal, State or local law enforcement agency, the regional director (compliance) may provide such agency any information contained in the records required to be maintained by the Act or this part." The ATF trace data falls within this definition. The Department of Law of the State of New York, of which I am head, is a "state agency" under the regulation. I, therefore, request the trace data, which -- by regulation -- you "may" provide to me. The debate about crime guns will be advanced enormously by transparency, as academicians, the press, the public, legislators, and the judiciary use the information to craft the appropriate policy solution to a thus-far intractable problem.

In conclusion, although disappointed and angry at the way that you have proceeded, I am hopeful that the resources of the federal government will be used in a productive fashion. I trust that this letter is the first step in clearing the air, and that we will be able to move forward together in a true partnership.

I look forward to hearing from you.

Sincerely,

ELIOT SPITZER

cc: Gun Litigation Negotiating Group

3-13-00

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

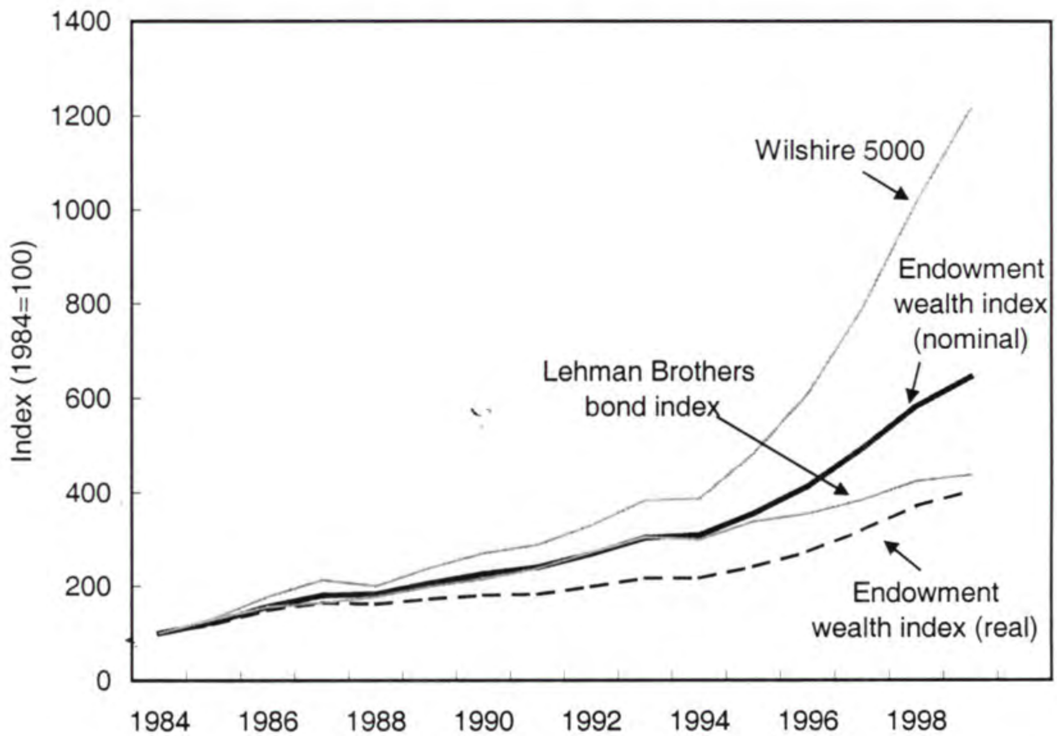
Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

copied
Baily
Podesta

March 10, 2000

CHART OF THE WEEK

Performance of College and University Endowments



The increase in the aggregate value of college and university endowments in recent years has been better than bonds but not as good as stocks, most likely because few if any endowments are exclusively invested in stocks. In addition, changes in endowments reflect fund raising and withdrawals. Adjusted for inflation, endowments in 1999 were 300 percent higher than they were in 1984. (An article in this briefing describes increases in tuition and financial aid at colleges and universities.)

CONTENTS

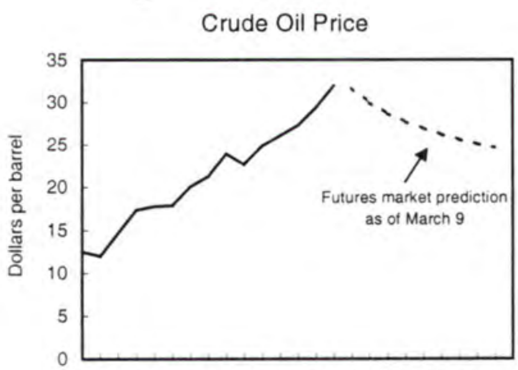
"It's not just me, Dad. Amazon.com has never made a cent, either."

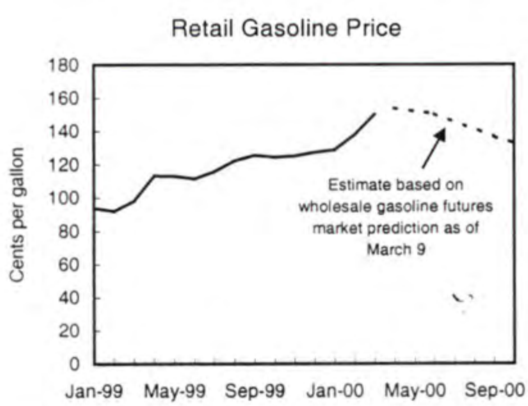
CURRENT DEVELOPMENT

Oil and Gasoline Outlook

Although crude oil prices reached a post-Gulf War high earlier this week before retreating a bit, lower prices in the futures market reflect expectations that OPEC will announce a supply increase at its March 27 meeting. Nevertheless, gasoline prices this summer will be substantially higher than they were last year.

Crude oil. This week's peak price of over $34 per barrel capped a year of increases (see upper chart). However, oil futures prices are signaling a decline to about $25 per barrel by the end of the year. Given current projections for world oil demand, these futures prices imply that markets are expecting an increase in supply of about 1 million barrels per day by this spring, 2 million barrels per day by the end of the summer, and 3 million barrels per day by the end of the year.





Gasoline. Low gasoline inventories and rising crude oil prices have led to rising gasoline prices, with the national average retail price reaching $1.50 per gallon (see lower chart). Since refiner margins historically increase during the spring and summer months because of the summer driving season, gasoline prices may keep rising even as crude oil prices fall. Nevertheless, futures prices suggest that the retail price of gasoline will decline to just above $1.30 per gallon by October. Local prices vary considerably around the national average. For example, in a recent survey, retail prices in Tulsa were about 20 cents per gallon lower than the national average while those in San Francisco were about 25 cents higher.

Risks. The decline in oil and gasoline prices implicit in the futures markets is subject to uncertainty. For example, the Department of Energy's most recent energy market forecast, released this week, estimates that gasoline prices will average about $1.50 per gallon throughout the summer, in part at least because DOE appears to expect less additional world crude supply than the markets. As a rough rule of thumb, each 1 million barrel per day increase in supply above current production and demand growth decreases crude prices by $4 per barrel and gasoline prices by about 10 cents per gallon in the short run. The markets appear to expect OPEC to increase supply by about a million barrels per day. But in the past 2 weeks, 1-month-out futures prices have shown considerable volatility, based in part on statements by various OPEC members about what will be decided at the March 27 meeting.

With gasoline inventories low, there is also uncertainty in the gasoline market over and above that associated with crude oil prices. Local price spikes may occur due to supply shocks such as a refinery or pipeline shutdown for repair. Such short-term price spikes occurred in the gasoline market in California last year due to a refinery fire, as well as in the home heating oil market in New England this winter because of weather-related delivery problems. DOE estimates that unexpected supply shocks could push monthly average gasoline prices up into the $1.75 to $1.80 per gallon range.

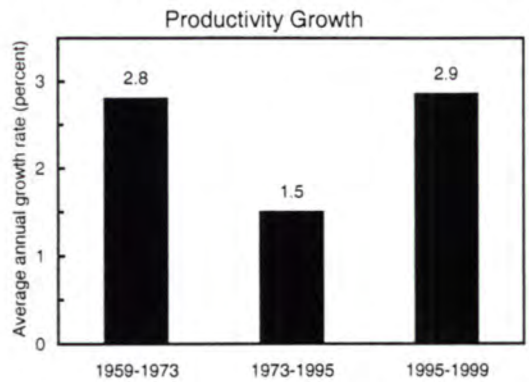
Macroeconomic effects. The higher crude oil prices will likely add an additional 0.2 to 0.3 percentage point to the consumer price index for February, and if gasoline prices remain at their current levels, another 0.2 to 0.3 percentage point in March. (A national average increase of 10 cents per gallon for gasoline increases the CPI by about 0.25 percentage point and the producer price index by about 0.6 percentage point.) However, the drop in oil prices over the rest of the year implied by the futures market would undo these increases.

3-13-00

SPECIAL ANALYSIS

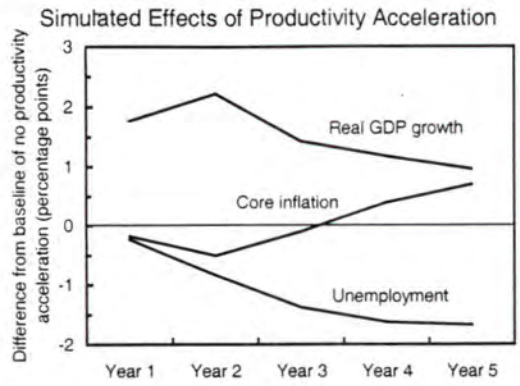
Growing Pains in the New Economy

The sustained increase in productivity growth since 1995 (see chart) bodes well for future growth in real wages. The recent productivity acceleration has also helped lower core inflation. Paradoxically, however, it may also be a source of potential overheating of the economy in the short run. Alan Greenspan pointed to such a possibility in recent testimony, observing that the improvement in productivity trends may be a reason why increases in spending have been outstripping increases in domestic supply, causing unemployment to fall and the current account deficit to widen, and increasing the risk of inflation.



A spending boom. One implication of accelerating productivity is higher expected future corporate profits through the effects of lower costs and increased sales. This improved profit outlook, in turn, justifies higher stock prices. The resulting increase in household wealth encourages greater consumer spending through the wealth effect described in last week's *Weekly Economic Briefing*. But the productivity acceleration also causes wages and incomes to rise faster, and as people come to expect this to continue, they raise their spending patterns accordingly. Together, these effects can cause current spending to increase more than current income, because households might rationally borrow against the income they expect to receive in the future in order to pay for rising standards of living starting today. A further boost to aggregate spending comes from business investment, as firms ramp up capacity to meet growing demand for their products.

An experiment. Record levels of consumer confidence, the booming stock market, and rapid growth in consumer and business spending offer circumstantial evidence of a spending boom fueled by the productivity acceleration. Still, sustained changes in productivity growth are rare, making a careful empirical test of the link between accelerating productivity and spending difficult. An experiment using the Federal Reserve's macroeconomic model provides some indirect support for this hypothesis, however. The experiment involves comparing two simulations: a base case with a constant trend rate of growth of productivity, and a second case with a 1 percentage point higher trend rate of growth of productivity. The Federal Reserve is assumed to hold the real federal funds rate constant in both simulations. The results of the experiment are meant to be illustrative of the linkages between productivity and spending; they are not mean to measure the extent to which productivity increases have contributed to actual economic developments.



Model results. In the experiment, the spending boom outlined above causes real GDP to grow faster than potential GDP for the first 4 years (see chart). The shortfall in supply is made up by hiring additional labor (which causes the unemployment rate to fall by 1.7 percentage points) and a widening of the current account deficit (not shown in chart) as imports make up for the share of demand not met by domestic producers.

The productivity acceleration has two competing effects on inflation. Because it takes several years for wage increases to catch up with the rise in productivity, unit labor costs initially fall, putting downward pressure on inflation. This impulse for falling inflation diminishes over time. If it were not for increased labor market tightness, the inflation rate would eventually stabilize at a lower level. This outcome could be accomplished if the Federal Reserve were to raise interest rates sufficiently to keep spending in line with potential GDP. Without such rate increases, however, the tighter labor markets resulting from the spending boom put upward pressure on wages and prices, eventually leading to a pickup in core inflation.

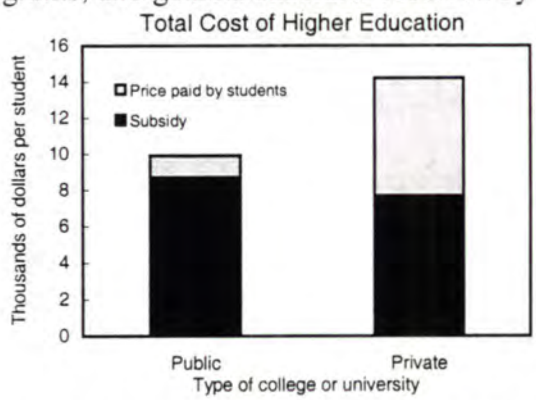
Conclusion. This model-based experiment provides one basis of support for Chairman Greenspan's contention that the productivity acceleration may be a key factor behind the recent spending boom and fall in unemployment. Other models might produce different results. But as long as the inflationary pressure from tight labor markets outweighs the dampening effect of lower unit labor costs, a policy tightening is needed to forestall rising inflation.

ARTICLE

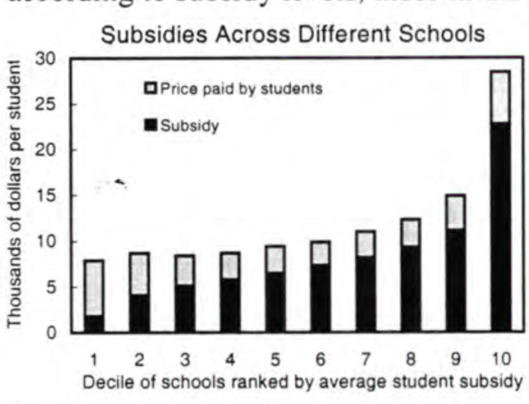
The Market for Higher Education

Tuition has been rising faster than inflation at many colleges, but a significant proportion of the increase in the "list" price of a college education has been offset by increases in financial aid. Many colleges use aid to compete for students, and such competition appears to have increased the likelihood that well-qualified applicants from financially disadvantaged backgrounds will attend good schools.

Subsidies for higher education. Most colleges and universities are non-profit institutions that subsidize the cost of educating their students. Those subsidies come in two forms: subsidies targeted at individual students through financial aid grants, and general subsidies received by all students because even the full tuition price does not cover the total cost of a student's education. On average, financial aid accounts for only about 25 percent of the total subsidy across all types of schools. A study of educational costs and net payments by students during the 1994-1995 school year found that the average subsidy (from both financial aid and general subsidies) was about $8,700 per year at public universities and colleges, and about $7,700 at private schools (see upper chart). Student payments make up the difference between the subsidy and the total cost of a college education, and these payments averaged $1,200 per year in the public sector and $6,500 per year at private institutions.



Subsidy differences across institutions. These averages conceal wide differences among individual institutions. When institutions are grouped according to subsidy levels, those in the upper 10 percent look very different from the rest (see lower chart). Among these institutions, which include both private schools like Harvard, Stanford, and Williams and public schools like Berkeley, UCLA, and the University of Minnesota, the average subsidy per student was $22,800 during the 1994-1995 school year. Students at these institutions paid an average of $5,700, which is also higher than at most other schools. The institutions with the highest subsidy level are also the most selective, and they attract students with better academic credentials. Students at these institutions are paying more for a more expensive (and presumably higher quality) education than most students at



less well subsidized schools. As the subsidy level declines, however, so does school selectivity and student quality.

Competition in higher education. This disparity in subsidy levels reflects the fact that at the upper end of the distribution, schools place a high value on their academic reputation and compete aggressively for the top caliber students necessary to maintain that reputation. By setting a price below the market clearing level, these schools can increase the pool of applicants and thereby select among applicants with better academic credentials.

Trends in tuition increases in higher education. Competition has led to changes in how schools price their services. Between the 1986-87 school year and the 1994-95 school year, real tuition "list" prices increased by 34 percent. As a result of increases in financial aid, however, the amount students actually paid increased only about half as much.

Effects on student access to college. The increasing competition for high quality students has helped students from disadvantaged financial backgrounds. One study found that in 1972 students from low income families who scored well on the SAT and who were in the top quarter of their high school class had a 6 percent probability of not going to college at all, and a 33 percent probability of going to one of the most expensive colleges. In 1992 students with the same background had a zero percent chance of not going to college, and a 43 percent chance of ending up at one of the top schools.

Conclusion. The cost of providing a college education varies widely among institutions, as does the amount of that cost which is subsidized. At the most selective schools with the largest subsidies, however, competition for students through financial aid awards appears to be helping those from financially disadvantaged backgrounds.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Beige Book Reports Growth Continuing in First Quarter. Reports from the twelve Federal Reserve Districts indicated appreciable expansion of economic activity during late January and February. The majority of districts reported strong growth, with the remaining reports pointing to moderate growth or continued high levels of activity. Retail sales expanded significantly over their year-earlier levels. Gains in manufacturing output were widespread. Providers of services to businesses and consumers continued to expand output and employment substantially. Real estate market activity and construction were at high levels, although slight cooling was evident in some areas. Conditions in the agricultural and resource extraction sectors were mixed. Demand for bank loans generally was strong, but several districts reported slower activity in some loan categories, especially consumer loans and residential mortgages. Constraints on the availability of labor and other production inputs were apparent in many areas. Most districts reported tight supplies and upward wage pressure for various types of labor, both skilled and entry level. Despite faster wage growth for some workers, increases in the prices of final goods and services were limited overall, although the prices of transportation services and some industrial commodities rose noticeably.

Class Size Research: a Critique of the Critics. A critical question in the economics of education policy is whether changes in school spending such as reductions in class size affect student performance. Evaluations of Tennessee's STAR experiment provide some of the strongest evidence that reducing class size has a positive effect on student performance, but other studies are less conclusive. In fact, one influential scholar who conducted a quantitative summary of the literature concluded that there is no strong or consistent relationship between school inputs and student performance. But this agnostic conclusion has been called into question by one of the leading proponents of the view that class size matters, who argues in a new study that once the quality of individual estimates is taken into account the weight of the evidence supports the conclusion that class size is systematically related to student achievement. In addition, the new study performs a cost-benefit analysis of class size reduction, based on the STAR experiment. The key finding is that the present value of the benefits of class size reduction in terms of increased student income is greater than, or roughly equal to, the costs, depending upon assumptions about the discount rate and productivity growth.

INTERNATIONAL ROUNDUP

Education Access Improving in Developing Countries. A new OECD report measuring educational performance in 18 non-OECD developing countries finds that most have achieved universal primary education and are closing the gap at the lower secondary level. In most countries, the percentage of the population that has completed at least a lower secondary education is significantly higher in the 25-34 year old age group than in the 55-64 year old age group, indicating broad progress in increasing education access over time. However, of the countries studied, only Argentina, Brazil, and Chile have participation rates higher than 75 percent for the final year of compulsory schooling, indicating that most countries still have not met the objective of universal compulsory education. Interestingly, all but one of the countries in the study invest a higher proportion of their public budgets in education than the average OECD country, indicating that education is a high priority. However, expenditure per student in these countries still lags far behind the OECD average at both the primary and secondary levels.

EC Endorses Emissions Trading. As a stepping stone to help the EU achieve its internationally agreed emission reduction targets, the European Commission launched the European Climate Change Program this week and released a Green Paper advocating greenhouse gas emissions trading. The latest data show that CO_2 emissions are increasing in the EU, and the Commission emphasized that without additional measures, the EU will not meet its Kyoto Protocol target of cutting greenhouse gas emissions by 8 percent between 1990 and 2008-12. Besides reducing emissions from specific sources, the EC advocates the adoption of an internal EU emissions trading scheme that will allow the energy sector and big industrial installations to buy and sell pollution permits.

Congressional Commission Recommends Contraction of Fund and Bank. This week, the International Financial Institution Advisory Commission, established by Congress in 1998, released a report advocating major reductions in the activities of the International Monetary Fund and the World Bank. The report recommends that the IMF restrict its lending to providing short-term liquidity and stop extending long-term loans in exchange for member countries' agreeing to abide by IMF-imposed conditions. The emergency loans would be made at a penalty (above-market) rate and have a limited maturity. The report suggests that the Bank end all resource transfers to countries that enjoy access to private capital markets (the bulk of current Bank lending) or that have per capita incomes exceeding $4,000. It recommends replacing loans and guarantees for physical infrastructure and social service projects with grants. It also calls for the World Bank to transfer primary responsibility for Latin America and Asia to these regions' development banks. The commission also proposes that both the IMF and the World Bank write off all their claims against heavily-indebted poor countries that implement an effective economic and social development strategy.

RELEASES THIS WEEK

Productivity

According to revised estimates, nonfarm business productivity rose 6.4 percent at an annual rate in the fourth quarter of 1999. Manufacturing productivity rose 10.3 percent.

MAJOR RELEASES NEXT WEEK

Advance Retail Sales (Tuesday)
Industrial Production and Capacity Utilization (Wednesday)
Producer Prices (Thursday)
Housing Starts (Thursday)
Consumer Prices (Friday)

U.S. ECONOMIC STATISTICS

	1970-1993	1999	1999:2	1999:3	1999:4
Percent growth (annual rate)					
Real GDP (chain-type)	3.0	4.5	1.9	5.7	6.9
GDP chain-type price index	5.2	1.6	1.3	1.1	2.0
Nonfarm business (NFB) sector:					
Productivity (chain-type)	1.7	**3.6**	0.6	5.0	**6.4**
Real compensation per hour:					
Using CPI	1.0	**1.7**	**1.4**	**2.1**	**0.8**
Using NFB deflator	1.5	**3.0**	2.9	4.0	**2.1**
Shares of Nominal GDP (percent)					
Business fixed investment	11.4	12.6	12.6	12.7	12.5
Residential investment	4.5	4.4	4.5	4.4	4.4
Exports	8.2	10.8	10.7	10.8	10.9
Imports	9.2	13.5	13.4	13.8	14.0
Personal saving	6.6	1.7	1.8	1.5	1.3
Federal surplus	-2.8	N.A.	1.3	1.4	N.A.

	1970-1993	1999	December 1999	January 2000	February 2000
Unemployment Rate (percent)	6.7**	4.2**	4.1	4.0	4.1
Payroll employment (thousands)					
increase per month			309	384	43
increase since Jan. 1993					20823
Inflation (percent per period)					
CPI	5.8	2.7	0.2	0.2	N.A.
PPI-Finished goods	5.0	3.0	0.1	0.0	N.A.

**Figures beginning 1994 are not comparable with earlier data.

New or revised data in **boldface**.

FINANCIAL STATISTICS

	1998	1999	January 2000	February 2000	March 9, 2000
Dow-Jones Industrial Average	8626	10465	11281	10542	10011
Interest Rates (percent per annum)					
3-month T-bill	4.78	4.64	5.32	5.55	5.66
10-year T-bond	5.26	5.65	6.66	6.52	6.35
Mortgage rate, 30-year fixed	6.94	7.43	8.21	8.33	8.23
Prime rate	8.35	8.00	8.50	8.73	8.75

INTERNATIONAL STATISTICS

Exchange Rates	**Current level March 9, 2000**	**Percent Change from Week ago**	**Percent Change from Year ago**
Euro (in U.S. dollars)	0.968	0.7	-10.9
Yen (per U.S. dollar)	106.5	-0.9	-12.3
Major currencies index (Mar. 1973=100) (trade-weighted value of the U.S. $)	95.44	-0.5	-0.1

International Comparisons [1]	**Real GDP growth** (percent change last 4 quarters)	**Unemployment rate** (percent)	**CPI inflation** (percent change in index last 12 months)
United States	4.5 (Q4)	4.1 (Feb)	2.7 (Jan)
Canada	4.7 (Q4)	6.8 (Jan)	2.3 (Jan)
Japan	1.0 (Q3)	4.7 (Dec)	-0.9 (Jan)
France	3.2 (Q4)	10.4 (Dec)	1.6 (Jan)
Germany	2.3 (Q4)	8.7 (Jan)	1.7 (Jan)
Italy	1.2 (Q3)	11.1 (Oct) [2]	2.2 (Jan)
United Kingdom	2.9 (Q4)	5.9 (Nov)	1.9 (Jan)

1/ For unemployment data, rates approximating U.S. concepts as calculated by the U.S. Department of Labor, Bureau of Labor Statistics, except as noted in footnote 2.
2/ Data from OECD standardized unemployment rates and reflects new series for Italy.

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THE WHITE HOUSE

WASHINGTON

March 10, 2000

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING

SUBJECT: NEC WEEKLY REPORT

Oil Prices: The price of oil ended the week up $0.25 for the week, closing at $31.76 per barrel. The price of oil, however, was quite volatile during the week, surging $1.95 per barrel (to $34.13) on Tuesday afternoon, reflecting concern that OPEC would not increase its production quotas sufficiently at its March 27th meeting. On Wednesday, the price was down $2.87 based on an Iranian/Saudi Arabian announcement that OPEC would produce "adequate and timely supplies of oil" in order to prevent harm to world economies. Prices rose on Thursday based on concern that OPEC would not increase output sufficiently. On Friday, the price was up 7 cents. This volatility, which reflects the uncertainty regarding OPEC's upcoming production decisions, is likely to continue until the markets have a better idea of what OPEC will do. That could take some time, even after the OPEC announcement, so that the market can determine whether the OPEC production increases are above current quotas, or above current production which is about 1 million barrels above current quotas. If OPEC increases quotas, but the higher quotas simply incorporate existing cheating, even a significant increase in the quotas (e.g., 2 million barrels a day) may not put sufficient additional oil on the market. Although new cheating would likely occur, it would happen more slowly than new production that was within higher quotas.

On Wednesday, DOE forecast that the price of gas will reach $1.57 per gallon this summer, although they acknowledged the possibility of higher prices (perhaps an additional 25 cents) due to short term volatility. The average retail price for self service regular unleaded reported this week was $1.501, up from $1.421 a week earlier. The average price in California rose to $1.633 from $1.518 the previous week.

Don't believe this?

The economic team has been working throughout the week to examine the limited range of options available to the government to affect prices, and to refine forecasts of the effects of using the Strategic Petroleum Reserve. At this point, the models suggest that its use would have only a limited effect on oil and gas prices (less than 10 cents per gallon for a 1 million barrel a day release). We are continuing to examine other factors related to the use of the SPR. On Friday, Secretary Richardson met with representatives of the oil industry to discuss DOE forecasts and better identify the industry's concerns about the upcoming summer driving season.

China PNTR – Release of Agreement: We have come under criticism for not publicly releasing our bilateral agreement. It is customary not to release bilateral accession agreements until the bilateral accession process of all nations is complete. The Chinese, as you will recall, were particularly sensitive about release of details of our tentative agreement last April. The Chinese have agreed, however, to release of our November agreement after both they and we have deposited copies early next week. We plan to distribute it on the Hill, along with a comprehensive distribution of our summary of the Agreement. The Agreement is currently available to all Members of Congress, cleared Congressional staff, and cleared trade advisors to the Administration representing business, organized labor and the environmental community. Last month, we also released more than 40 detailed fact sheets that describe the Agreement's provisions issue-by-issue.

China PNTR – Release of Agreement: We are leading an interagency policy group that is developing an Administration response to Rep. Levin's PNTR proposals. It is our hope to sit down with him soon and hammer out a package we can both support. We should be able to accept a number of his proposals, and for those which we cannot, we are developing alternatives. The one area we will not accept changes is to our trade laws such as Section 201 and Section 301. Both Rep. Levin and Senator Baucus have put forth proposals that basically fall into 5 categories: (1) reporting and review requirements; (2) a role for Congress, including Congressional mandates to take enforcement action; (3) changes to our trade remedy laws; (4) ancillary provisions on labor and environment; and (5) resources for technical assistance to China.

Minimum Wage / Tax Bill Passes the House: On Thursday, March 9, 2000, the House of Representatives passed an increase in the minimum wage by a vote of 282 to 143. The bill provides for a $1 increase (from $5.15 to $6.15) in the minimum wage, phased-in over two years. The amendment to phase the increase in over two years, rather than three, passed by a vote of 246 to 179, with 5 Democrats voting against and 42 Republicans voting for. The bill also includes Fair Labor Standards Act (FLSA) provisions that would deny overtime and other FLSA protections to approximately 1.5 million inside sales workers, funeral directors and embalmers and computer professionals. Forty-one Democrats voted with all but one Republican in supporting the attached tax package. The tax package, which the Republicans called "The Small Business Tax Fairness Act of 2000," would cost about $120 billion over 10 years: $80 billion of the cost is for estate tax reductions with the rest for pensions (mostly raising income and contribution limits), an increase in the business meal deduction, and other provisions. An analysis by Citizens for Tax Justice found that 73 percent of the tax cut would benefit the top 1 percent of Americans. An analysis by the Treasury estimated that 0.1 percent of the estate tax reduction would go to estates comprised primarily of family farms and 4 percent would go to estates primarily composed of small businesses. The Treasury analysis also found that in most years fewer than 2,000 estates composed primarily of family farms and family-owned businesses are subject to estate tax; the Republican tax bill would remove less than 1 percent of these estates from the estate tax rolls. In February, the Senate passed a measure, attached to the bankruptcy bill, to increase the minimum wage by $1 over three years and cut taxes by $103 billion over 10 years. The Senate bill has similar small business and pension provisions, but not estate tax reductions. At this point it is not clear what the process of developing a unified House-Senate bill will be or what that bill will look like.

Budget Resolution Mark-up in the House Next Week. The House Budget Committee is planning to mark-up its budget resolution on Wednesday March 15th. Senator Domenici and Representative Kasich held a joint news conference to announce their joint agreement for the budget resolution. Some Republicans, including Senator Gramm, are expected to push for larger spending cuts and larger tax cuts. The agreement is to put total discretionary spending at $597 billion in FY2001, with $307 billion for defense and $290 billion for non-defense discretionary. This compares to your proposal of $622 billion total, with $306 billion for defense and $316 billion for non-defense discretionary (the Administration has also proposed $8 billion of offsets that bring the actual cost down to $614 billion). The Republican non-defense discretionary number is $6 billion *below* the $296 billion level enacted in FY2000. Accomplishing this would require an average cut of 6 percent for all non-defense discretionary spending. Domenici and Kasich have indicated that they would fund education, National Institute of Health, and Veterans Administration Hospital and Medical Care at your proposed level; doing this would require 10 percent cuts in all other non-defense discretionary, including health the environment and public safety.

The House plans to only do a 5-year budget resolution. They have allocated $150 billion for tax cuts, with an additional $60 billion that could go for additional tax cuts or debt reduction. The cost of your tax proposals over 5 years, as estimated by the Department of the Treasury, is $96 billion gross and $55 billion net. We expect Representative McDermott to introduce an amendment that mimics the tax cuts proposed by George Bush; this tax cut would be substantially larger than the tax cut in the Republicans' budget resolution. We are working together with Democrats in Congress to develop an active and unified strategy to attack the budget resolution from a number of angles, including its threat to Social Security and Medicare, the cuts to domestic discretionary priorities, and the fiscal irresponsibility of the large tax cut and highly unrealistic discretionary spending assumptions. We will keep the debate focused on their large and exploding 10-year tax cuts. The Senate mark-up is expected to be on Wednesday March 22nd.

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EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

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March 10, 2000

MEMORANDUM FOR THE PRESIDENT

CC: JOHN PODESTA

FROM: GEORGE T. FRAMPTON, JR. DSS for

SUBJECT: CEQ WEEKLY REPORT

This is a joint report from CEQ and the Office of Environmental Initiatives.

RESOURCE STEWARDSHIP

Proposed Expansion of Fort Irwin

The Department of the Army has tried for many years to expand the National Training Center, an important training facility for combined arms training, located at Ft. Irwin in the western Mojave desert of southern California. Recreation and economic development interests and the presence of several endangered species, including the desert tortoise, have been obstacles to the proposed expansion. Congressman Jerry Lewis, Chairman of the House Armed Services Readiness Subcommittee, has a strong interest in ensuring that the Army is able to go forward with the expansion, while Senator Feinstein supports the expansion but also wants to ensure appropriate protection for wildlife. At a meeting I chaired this week with Secretary Caldera and representatives of the Department of the Interior, there was agreement to try to develop draft legislation that would provide for withdrawal of land for the Army while deferring their ability to use it for training until a habitat conservation plan had been approved that ensured protection for the desert tortoise and took into account future economic development.

Baca Ranch Acquisition

In another important step toward the acquisition of the Baca Ranch, the Senate Energy Committee held a hearing today on the legislation that would authorize this acquisition. Passage of this legislation will permit us to close on this property and bring it into Forest Service ownership. CEQ and USDA worked closely with Senators Domenici and Bingaman to draft this bill, and Senator Domenici has been working hard to get it passed. In part because of his efforts, the bill has generally been well received in the Senate and no significant opposition was stated at the hearing. A companion bill has been introduced in the House, where its future is a bit more uncertain. The Senate Energy Committee intends to act on the bill at the next markup, no later than March 29. The goal is to complete final passage before April 30 when the current purchase agreement with the owners of the Ranch expires, to avoid having to negotiate a short extension.

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Pipeline Safety

On Monday, March 13, the Senate Committee on Commerce, Science, and Transportation will hold a field hearing on the Olympic pipeline incident that killed three people – including two young boys – in Bellingham, WA, last June. The field hearing will take place in Bellingham. The Revised Pipelines Safety Act, the governing statute for the pipeline safety program, is up for reauthorization this year. Bills have been introduced in the both the House (by Congressman Metcalf) and Senate (by Senator Murray), and a legislative hearing in the Senate Commerce Committee is expected. Members of Congress, the pipeline industry, and environmental and community groups are anxious to pass a pipeline safety bill this session

CEQ is working with the Office of Pipeline Safety (DOT), DOJ, and EPA to craft an Administration bill in the hopes of delivering the proposal to the Hill some time this month. Key components of a bill would include enhanced data collection and use; improved public access to information; increased authority to regulate pipeline testing, monitoring, and operation, particularly in environmentally sensitive areas and areas of high population density; improved operator certification; and increased support for research and development. Issues regarding state preemption may also need to be addressed.

INTERNATIONAL LEADERSHIP

India

This week, an interagency delegation of CEQ, NSC, USAID, EPA, DOE and State Department officials concluded negotiations on a joint U.S.-Indian statement on environmental issues in advance of your trip. The statement breaks new ground on climate change in three areas: (1) acknowledgement by India of national goals for renewable energy and energy efficiency; (2) endorsement of the need for action by both developed and developing countries; and (3) agreement with your message that achieving robust economic growth is positively linked with taking actions to prevent climate change.

Tropical forest "hotspots"

The lead article in last week's Nature journal was "Biodiversity hotspots for conservation priorities," a summary of current scientific thinking about key international conservation priorities. The article makes the core point that the international community needs to focus its resources on highly threatened tropical forest "hotspots" – a message that is central to your Greening the Globe budget initiative. Your South Asia trip presents an opportunity to highlight parts of this initiative. Specifically, Bangladesh will be the first country to receive funding for USG "debt-for-nature" swaps under the Tropical Forest Conservation Act. In addition, India is the key country for tiger conservation and your visit to a tiger reserve in India presents an important opportunity to highlight USG leadership on these issues and the need for further international action.

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CLIMATE CHANGE

Press, Science, and Industry

The US experienced the warmest meteorological winter (December through February) on record and the third straight record warm winter, according new data released by NOAA (03/10) and reported on by *CBS Evening News* and *USA Today*, among others. For the same period worldwide temperature were the 6th highest ever. Researchers say the results are in line with long term global warming predictions.

NASA researchers are finding indications that "urban heat islands" – which are hotter than surrounding areas because of fewer trees, more dark pavement and buildings, and waste heat from cars and buildings--may actually alter local and regional weather patterns, reported *The San Francisco Chronicle (03/06)*. For example, large cities that have air temperatures 3 to 12 degrees warmer than adjacent areas can often create their own thunderstorms, among other local weather influences. Heat is also a major element in the production of smog, which causes asthma attacks and other respiratory ailments.

Around the world, ice sheets and glaciers are melting at a rate unprecedented since record-keeping began, according to a study by The Worldwatch Institute, and reported on by the BBC, Reuters and others (03/09). The report noted that the melting accelerated during the 1990s. For example, Arctic Ocean sea ice shrunk by 6% since 1978, with 14% loss of thicker, year-round ice.

UK Deputy Prime Minister John Prescott announced on March 9 that the UK is taking on a binding commitment to reduce greenhouse gas emissions by 21.5% by 2010, and that they are on track to reduce their emissions 15% below 1990 levels this year. In addition, he called specifically on the EU to push for early ratification of Kyoto Protocol by 2002, but pledged that Britain will achieve their commitment reductions whether the protocol enters into force or not.

Legislative

In addition to the bipartisan climate change caucus being formed in the House, a partisan House and Senate group, led by Senator John Kerry and Representative Frank Pallone, will kick off on April 4 a series of Earth Day activities highlighting climate change and clean energy solutions. Your proposed climate change/clean energy budget will be highlighted, with emphasis on the bioenergy/bioproducts initiative; the International Clean Energy Initiative; and Partnership for a New Generation of Vehicles.

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THE WHITE HOUSE

WASHINGTON

March 10, 2000

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MEMORANDUM FOR THE PRESIDENT

FROM: **THURGOOD MARSHALL, JR.** T.M.
KRIS M. BALDERSTON KMB

SUBJECT: **Summary of Cabinet Weekly Reports March 4 - 10, 2000**

DEPARTMENT OF TREASURY

- **Corporate Tax Shelters:** On March 8, Treasury's Acting Assistant Secretary for Tax Policy Talisman testified before the Senate Finance Committee on corporate tax shelters and the penalty and interest regime in the Internal Revenue Code. In connection with the hearing, on March 8, Secretary Summers sent a letter to Chairman Roth and Senator Moynihan urging the Senate Finance Committee to take legislative action to curb the use of corporate tax shelters. Roth announced he is in favor of legislation and would support significant aspects of the corporate tax shelter proposals in your FY2001 Budget.

- **Mozambique:** On March 8, Secretary Summers participated in an Oxfam-organized press conference on Capitol Hill regarding Mozambique. The two main issues of interest were financial assistance for Mozambique to assist in recovery from the recent floods and the Administration's $210 million supplemental budget request for the enhanced Highly Indebted Poor Countries Initiative. Secretary Summers announced that the U.S. is prepared to grant 100 percent debt relief for Mozambique, stressed that Mozambique is only one of many poor countries in need of debt relief, and noted that debt relief will materialize only with Congressional support of the Administration's supplemental budget request.

- **Firearms:** Secretary Summers and Attorney General Reno are preparing a transmittal letter to accompany the FBI's first annual report on the implementation of the National Instant Check System. The letter will provide a summary of the key points in the annual report, additional information from ATF on enforcement issues relating to the Brady Act, and will recommend improvements.

- **China:** On March 13, Secretary Summers will co-host with Secretary Daley a dinner for approximately 12 Chief Executive Officers of major multinationals, including General Motors and Honeywell, to discuss China PNTR. Ambassador Barshefsky will also attend.

- **Money Laundering Legislation:** On March 9, Deputy Secretary Eizenstat appeared before the House Committee on Banking and Financial Services to present proposed legislation for combating international money laundering. The legislation would give the Treasury Secretary a range of discretionary authorities to require U.S. financial institutions to keep records and file reports on international financial transactions, and even to condition or prohibit certain types of banking relationships, with respect to jurisdictions, institutions, or types of transactions deemed to be of "primary concern." The Administration's proposal has been embraced by the Banking community, and will be introduced on a bipartisan basis by Chairman Leach and Ranking Member LaFalce.

- **BusinessLINC:** On March 29, Secretary Summers will speak at a kick-off event on Capitol Hill for the Mississippi Delta BusinessLINC initiative. The event is being hosted by Senator Lott, the Entergy Corporation, which is leading the private sector Delta BusinessLINC effort, and the Enterprise Corporation of the Delta, which is a business development corporation serving as the BusinessLINC conduit between large and small businesses in the area. On March 8, agreement was reached to establish the seventh local BusinessLINC chapter in Houston, TX. The Business Roundtable is working to complete the BusinessLINC website by the end of March.

- **India:** On March 8, Secretary Summers participated in a conference call with the Board of the U.S.-India Business Council, which includes Chubb Insurance Company, McKinsey Company and Enron. Secretary Summers discussed his experiences from his recent trip to India. The Board expressed concerns they hoped you would address during your upcoming trip, including relief from India's aggressive tax positions, and the need to strengthen capital markets to provide funding for infrastructure, to further privatize industry and to reduce the deficit.

DEPARTMENT OF JUSTICE

- **Louima NYPD Trial:** On March 6, defendants Charles Schwartz, Thomas Bruder, and Thomas Weise, police officers assigned to the 70th Precinct of the NYC Police Department, were found guilty of conspiracy to obstruct justice for making false and misleading statements during the investigation of the assault on Abner Louima.

- **Ninth Circuit Rules for Golfer:** On March 6, the Ninth Circuit issued its ruling in a case addressing whether the Americans with Disabilities Act requires the PGA to modify its no-carts rule for a disabled golfer. Casey Martin is a professional golfer with a rare

THE PRESIDENT HAS SEEN
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disability that substantially limits his ability to walk. The court held that the golf courses remain places of public accommodation during PGA tournaments. The court rejected the argument that the playing areas are not covered because access is strictly controlled and is limited to a select group of highly skilled golfers who qualify. On the merits, the court held that permitting Martin to use a cart would not fundamentally alter the competition because, in view of Martin's particular condition, it would not give him an unfair advantage. The court found that the purpose of the no-cart rule was to inject fatigue into the game, but that Martin suffers more fatigue than the other golfers even if he uses a cart.

- **Winstar:** In the latest opinion following a trial on damages in the Winstar cases, the Court of Federal Claims has awarded $21 million. The plaintiff company, a real estate and golf resort developer which had invested in thrifts in the 1980s, had sought over a billion dollars in damages based upon the seizure of its thrift when it failed in late 1991. This is the fourth damages judgment issued in this large group of cases. The previous judgements were against Glendale Federal Bank ($909M) California Federal Bank ($23M) and LaSalle Tolman Bank ($5M). DOJ settled six cases to date, paying a total of $104M out of approximately $1.5B sought by the plaintiffs collectively.

- **Statute Prohibiting Material Support for Foreign Terrorists:** On March 3, the Ninth Circuit upheld the validity of the provisions in the Antiterrorism and Effective Death Penalty Act of 1996 that prohibit material support by U.S. persons for entities designated by the Secretary of State as foreign terrorist organizations. This suit was filed by U.S. citizens who said they had previously given money and other support to Kurdish and Tamil groups, now designated by the Secretary of State, and wished to continue doing so.

- **Computer Hacking:** On March 1, a WI computer hacker was sentenced to six months in prison, three years of supervised release, and $8,054 in restitution for intentionally hacking into the United States Army's web page in June 1999 and causing damage. Two months earlier, the defendant's apartment was subject to a court-authorized search by federal agents investigating Global Hell, a hacker group. After the search, the defendant admitted being a member of Global Hell and hacking into a number of other web sites.

- **Federal Law Enforcement Statistics:** On March 12, the Bureau of Justice Statistics is expected to release *Federal Law Enforcement Officers, 1998*, which provides national data on federal officers. In June 1998, there were about 83,000 federal officers with arrest and firearms authority, an increase of 11 percent since 1996. The largest increase – 33 percent – occurred within INS, specifically within the Border Patrol.

DEPARTMENT OF INTERIOR

- **Yosemite Valley Plan:** On March 27, DOI will release the Yosemite Valley Plan draft EIS for public comment. The draft EIS sets out five alternatives for restoration efforts and was prompted by the Merced River flood of 1997, which destroyed numerous facilities and campgounds. It will result in the restoration of nearly 200 acres of highly valued resource areas in the Valley. Most importantly, it will result in a 50 percent reduction in automobile traffic in the Valley, which suffers from severe auto congestion during the summer months.

- **Commonwealth of the Northern Mariana Islands Immigration:** The CNMI House of Representatives is moving ahead on several proposals it hopes will block the U.S. Congress from passing legislation aimed at imposing Federal immigration and labor laws in the Commonwealth. A joint resolution calls on the U.S. House of Representatives not to support the Northern Mariana Islands Covenant Implementation Act which was passed by the U.S. Senate in February.

- **Central Gulf of Mexico Sale 175:** March 15 is the date of the next Central Gulf of Mexico oil and gas lease sale, in New Orleans, LA. The annual sale will offer 4,203 blocks totaling 22.3M acres off LA, MS, and AL. Tracts are three to 300 miles offshore in water depths of four to 3,425 meters.

- **U.S. Soccer Foundation:** On March 29-30, OSM will meet with officials of the U.S. Soccer Foundation and the Commonwealth of VA. The Foundation is considering helping to fund the development of soccer fields on abandoned coal mine land being reclaimed with Abandoned Mine Reclamation Fund grants to states and Indian tribes. Several possible sites will be examined, with the idea of funding one or more demonstration sites that can be models for similar sites in other areas.

- **Umatilla River Chinook Salmon:** This year the largest ever return of spring chinook salmon is expected on northeastern OR's Umatilla River. Some 3,500 spring chinook adults are expected to return this spring. Better ocean conditions and a good out-migration when the fish left four years ago are the reasons for the exceptional return. A key to this success is the cooperative effort between BOR, the Confederated Tribes of the Umatilla, local irrigation districts, and the OR Department of Fish and Wildlife. Agencies cooperatively crafted the Umatilla Basin Project, a water exchange that trades Umatilla River water for Columbia River water.

- **New World Mine 2000 Clean-Up:** NPS reviewed the draft Engineering Evaluation/Cost Analysis for the 2000 cleanup work in the New World Mining District adjacent to Yellowstone NP. Comments focused on the contractor's proposal to forgo using a synthetic base liner and leachate collection system in the proposed Soda Butte waste rock repository. Waste materials from various "contaminated" areas in the New World Mining District will be transported by truck to the repository. Maxim's groundwater studies do not support the idea that a liner and collection system are not needed. The Soda Butte repository drains into Soda Butte Creek, which flows into Yellowstone NP.

- **Underground Railroad:** NPS is developing a Cooperative Agreement to commemorate, honor, and interpret the history of the Underground Railroad. Activities discussed include a tour of the designated sites, using Government and non-Government facilities and programs of an educational, research, or interpretive nature. The tour would be filmed for use in schools, libraries, colleges and universities.

- **Water Education Posters:** Spanish-speaking students can now learn about water through Spanish versions of the USGS Water Education Poster Series. Hazardous Waste, Watersheds, and Oceans posters are available in Spanish.

UNITED STATES DEPARTMENT OF AGRICULTURE

- **Organic Standards:** On March 7, Secretary Glickman presented USDA's new proposal for national organic foods standards. As much as 25 percent of all shoppers buy organic food at least once a week, partly accounting for the fact that they make up the fastest growing segment of the food industry with sales now totaling over $6B annually.

- **Plum Pox:** On March 2, USDA published declarations of emergency and extraordinary emergency in response to plum pox virus detections in PA. The actions will make available funding for USDA and PA to begin actions, including the eradication of infected orchards to control the disease, which has never before been detected in the U.S. and poses a serious threat to the U.S. stone fruit industry.

- **Commodity Markets:** Widespread precipitation in the Southern Plains and poor export prospects sent wheat prices down. Relatively strong exports and continued poor subsoil moisture in much of the Corn Belt helped support corn prices. Soybean prices moved higher on export sales to China. Rice cash prices held steady, but futures were up on dry conditions in the South which may curtail plantings. Cotton prices surged on strong foreign demand. Cattle prices moved sharply higher, on the strength of strong demand for boxed beef. Weak wholesale carcass values led to light hog marketings and lower prices. Broiler prices were stable, but large supplies continued to pressure prices. Cheese prices were up fractionally, but production remains heavy. Butter prices moved up as cream began moving into increased production of other products, such as ice cream.

- **Giant Sequoia Preservation:** On March 17-18, USDA will host public hearings in CA on establishing the national monument to protect the giant sequoias, following up on your February announcement.

- **Baca Ranch:** On March 10, USDA officials testified before the Senate Subcommittee on Forests and Public Lands Management on the Forest Service's planned acquisition of the Baca (NM) Ranch, with specific attention on GAO's questions about the Forest Service's appraisal of the value of the ranch.

- **CA Museum:** On March 10, USDA awarded International Agri-Center a $1.2M loan to develop a farm equipment and learning center in Tulare, CA, a facility that will create 150 jobs initially and 1000 jobs over the next seven years.

DEPARTMENT OF COMMERCE

- **Meeting with EU Commissioner:** On March 6, Secretary Daley met with the EU Commissioner for Enterprise and Information Society. Topics discussed included: electronic commerce and data privacy, telecommunications, WTO review of U.S. foreign sales corporations, the Transatlantic Business Dialogue's program for 2000, and China WTO accession.

- **Wireless Innovation in Communications:** On February 29, the National Telecommunications and Information Administration (NTIA) announced a new initiative on wireless communications that will enable Federal agencies more actively to promote innovation in the development and use of new communication technologies. The Wireless Innovations in Communications Initiative will be composed of senior federal experts, and will be a committee within the Interdepartment Radio Advisory Committee, which is chaired by NTIA. NTIA manages those uses of the radio frequency needed by the Federal Government to satisfy radio communication needs.

- **Biological Weapons Convention:** The Biological Weapons Convention protocol negotiations will resume in Geneva, Switzerland, on March 13. Although the U.S. would like to achieve a protocol by the end of the year, factions of countries to the Convention appear to be far apart in their approach for export controls, only one of the many contentious issues before the participants. Non-Aligned Movement countries, including China, India, and Brazil, are forcefully pushing for the abolishment of existing export controls. The Western Group, of which the U.S. is a member, is determined to sustain export controls and support multilateral control efforts like the Australia Group.

- **Latin American Telecommunications Summit:** Deputy Secretary Mallett, A/S for Communications and Information Rohde, and FCC Chairman Kennard will lead the US delegation to LATS 2000, to be held in Lima, Peru, from March 13-16.

DEPARTMENT OF LABOR

- **Ergo Rule Hearing:** On March 13, OSHA will convene the first hearing on the Proposed Ergonomics Rule in Washington, D.C.

- **Aerospace Collective Bargaining:** The strike by the Society of Professional Engineering Employees Association against Boeing Corp entered its 29th day on March 8. Company officials have threatened to impose the first-year wage proposals contained in the two previously rejected offers. The last existing contract expired in December 1999. SPEEA-members are upset over several issues, particularly the absence of a ten percent bonus won in September by Boeing workers represented by the International Association of Machinists. It is the largest strike by professional employees against a major company. At the recent AFL-CIO Executive Council Meeting, affiliates were asked to assist SPEEA members, and the Communications Workers and American Federation of State County and Municipal Employees have responded with $25,000 each for the strikers.

- **Women's History Month:** In celebration of Women's History Month, DOL is disseminating a series of radio actualities featuring Secretary Herman discussing a variety of key DOL issues, including: women and retirement security (March 5), women and ergonomics (March 12), women and equal pay (March 19), and a know your rights/don't work in the dark actuality (March 26).

- **Youth Offender Grants:** The joint DOL Employment and Training Administration and DOJ Youth Offender Team are developing staff recommendations for awarding new FY2000 Youth Offender grants and continuing current grants.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

- **Measles Elimination:** On March 16-17, the Centers for Disease Control and Prevention's National Immunization Program will host a "Measles Elimination" scientific review meeting in Atlanta, GA, to discuss whether to declare measles eliminated in the U.S. Current data suggest that the only cases of measles in the U.S. are imported from other countries and that the U.S. has not had a case of indigenous measles for years.

- **LIHEAP FY2001 Median Income Estimates:** On March 9, a *Federal Register* Notice was published, announcing the State median income estimates for four-person families for use under LIHEAP. LIHEAP grantees may adopt these estimates beginning with the date of this notice and October 1 or by the beginning of a LIHEAP grantee's fiscal year, whichever is later. The listing of estimated State median incomes concerns maximum income levels for households to which grantees may make payments under LIHEAP.

- **Devices to Prevent Sudden Infant Death Syndrome:** During the week of March 13, FDA expects to issue an industry-wide letter stating that products claiming prevention of SIDS may be subject to FDA pre-market review. *The Washington Post* has been researching a story on devices that are marketed to prevent SIDS and has asked FDA about baby propping devices intended to prevent SIDS. In addition, the Consumer Product Safety Commission plans to issue a press release warning about such products, noting the recommendation of the American Academy of Pediatrics that babies be placed on their backs to sleep to reduce the risk of SIDS.

- **Gene Therapy Trials:** On March 7, as part of ongoing efforts to ensure patient protection in gene therapy trials, FDA and NIH announced two new initiatives to further strengthen the safeguards for individuals enrolled in clinical studies for gene therapy. These two new initiatives--the Gene Therapy Clinical Trial Monitoring Plan and the Gene Transfer Safety Symposia--complement current patient protections. FDA's clinical trials monitoring plan addresses emerging evidence that the monitoring by study sponsors of several recent gene therapy trials has been less than adequate. To buttress the rigor of the oversight, FDA will require that sponsors of gene therapy trials routinely submit their monitoring plans to the FDA. In a second new initiative, a series of Gene Transfer Safety Symposia, NIH and FDA will enhance patient safety by providing critical forums for the sharing and analysis of medical and scientific data from gene transfer research.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- **FHA Privatization Proposal:** An independent report issued by the accounting firm of Deloitte & Touche says the Federal Housing Administration's Mutual Mortgage Insurance Fund is in its strongest financial condition since it was created in 1934, with a record economic value of $16.6B. The report prompted the Mortgage Bankers Association of America, the National Association of Home Builders, the National Association of Realtors, and the U.S. Conference of Mayors to issue a letter asking Congress to oppose a Congressional proposal to privatize FHA and its sister agency Ginnie Mae, which are now part of HUD. A privatized FHA and Ginnie Mae would be less able to promote homeownership by minorities and low-and moderate-income families because the privatized corporation would be focused on increasing profits.

- **Mortgages for Affordable Housing:** HUD has issued a proposed rule that would require the nation's two largest housing finance companies to buy $2.4 trillion in mortgages over the next ten years to provide affordable housing for about 28.1 million low- and moderate-income families. The historic action by HUD raises the required percentage of mortgage loans for low- and moderate-income families that Fannie Mae and Freddie Mac must buy from the current 42 percent of their total purchases to a new high of 50 percent – a 19 percent increase – in 2001. The percentage will first increase to 48 percent in 2000.

- **January 2000 New Home Sales:** New home sales in January were 882,000 units on a seasonally-adjusted annual basis. Sales were down 4.2 percent from December, and down 3.9 percent from January 1999 when 918,000 homes were sold on a seasonally adjusted annual basis. While there has been a decrease, this is still one of the top twenty monthly rates ever reported.

- **IA Prisoners Helping Homebuyers:** The IA HUD CB Team visited the Newton, IA Correctional Facility, site of an innovative partnership between Avalon Industries, Inc. and Iowa Prison Industries. Avalon, an IA-based construction firm, is producing affordable modular homes using inmates as employees, working within the prison. Inmates working on the housing units are paid $6 per hour, compared to 42 cents per hour for most other jobs in the prison. Federal and state taxes are withheld, along with child support if due, restitution and victim compensation. In FY1999, deductions for these items totaled almost $2.3 million. Inmates are guaranteed at least 20 percent of their pay for themselves.

- **Gun Buyback Initiative:** The Flint, MI Housing Commission will reprogram $70,000 of its FY1999 Public and Indian Housing Drug Elimination Program grant funding ($274,486) and will receive $30,100 in matching funds from HUD for a total of $100,100 for its Gun BuyBack Initiative. The Commission's goal is to take approximately 2,000 guns off the street. For every gun that is brought back the person will receive $50 gift certificate. The Housing Commission will work in cooperation with the Flint Police Department in disposing the guns.

DEPARTMENT OF TRANSPORTATION

- **Defibrillators on Commercial Aircraft:** On March 1, DOT submitted this FAA Notice of Proposed Rulemaking to OMB requiring air carriers to place enhanced medical kits on commercial flights. The NPRM would add various additional medicines and equipment to current medical kits, but the most significant new provision would be a requirement for an automated external defibrillator on all flights with a flight attendant on board. While airlines would be required to provide training to flight attendants in how to operate the AED's, the rule would not require the airlines or their employees to actually use the devices in a medical emergency. Carriers would decide individually whether to administer a shock, divert the aircraft to a nearby airport, or take other action.

- **Lifesafers 2000 Conference:** On March 13, Secretary Slater will address the Lifesavers 2000 National Conference in Atlanta, GA. This is the largest and most important event of the year for professionals involved in highway safety. Secretary Slater will present a letter from the President to participants congratulating them on their successes and emphasizing the Administration's commitment to safety. Secretary Slater will also unveil a new program, "Wake Up and Get Some Sleep," designed to fight drowsy driving among shift workers.

- **WA State Vessel Regulation:** On March 6, the Supreme Court held that U.S. law preempts the State of Washington's "Best Achievable Protection" regulations insofar as they attempt to address general navigation, watch procedures, crew English language skills and training, and maritime casualty reporting. The U.S. intervened in the litigation and argued that the WA State provisions imposed vessel entry standards that conflicted with those imposed under U.S. Coast Guard regulations and international agreements to which the U.S. is a party.

- **Future Rail Industry Structure:** On March 7, Secretary Slater was the lead-off witness in three days of hearings conducted by the Surface Transportation Board addressing the future of the rail industry. Secretary Slater urged that, in light of the few remaining Class I railroads and the possibility that unrestrained mergers could soon result in only two or three national rail carriers, the Board should depart from its traditional case-by-case merger analysis and consider the downstream effects of any proposed merger. The Board instituted its proceeding on January 20 to gather the views of interested railroads, shippers, and others on the implications of possible additional consolidation in the railroad industry. The Board noted the widespread concerns voiced about the timing of the recently announced Burlington Northern/Canadian Pacific merger and the possibility of that transaction triggering others, with ultimately as few as two major rail systems serving the entire North American continent.

DEPARTMENT OF ENERGY

- **Nuclear Cities Conference:** A conference on Russia's Nuclear Cities will be held from March 14-15 in Princeton, NJ. The conference, "Helping Russia Downsize its Weapons Complex," is sponsored by the Research Program on Nuclear Policy Alternatives at Princeton University.

- **DOE-Russian Non-Proliferation Evaluation Task Force:** Secretary Richardson has asked the Secretary of Energy Advisory Board to establish a Task Force on DOE Non-proliferation Programs in the Former Soviet Union. The Task Force will provide the Secretary with an independent appraisal of DOE programs with Russia. It will be co-chaired by Lloyd Cutler and former Senator Howard Baker. Other members of the Task Force include SEAB members Andrew Athy, Brian Atwood, Butler Derrick, and Robert Hanfling; as well as Sam Nunn, Bruce Blair, Lynn Davis, Susan Eisenhower, Lee Hamilton, Gary Hart, and David Skaggs.

- **ENERGY STAR Awards:** On March 21, DOE and EPA will recognize outstanding partners in the Energy Star program. The reception will be attended by high level representatives from Energy Star business partners, including Whirlpool Corporation, Sears Roebuck & Company, Alside, Viking Industries, Inc., and Thermal Industries, Inc.

- **DDOE/NASA Partnership on GLAST:** NASA awarded $52M to DOE's Stanford Linear Accelerator Center for the Gamma Ray Large Area Space Telescope experiment. GLAST will explore such objects as distant galaxies fueled by super massive black holes at the center, neutron stars and individual black holes, remnants of stars that have ended their life with an explosion (supernova), and many others at the extremes of mass and energy. The GLAST collaboration consists of 32 institutions from six countries and is planned for launch in 2005.

- **DOE Technology to Be Featured on *By Bob Vila*:** On March 13, the GFX, a money-saving energy-recovery device that is applicable in industrial, commercial, institutional and residential applications will be highlighted on *At Home with Bob Vila*. This technology is currently being evaluated for use in industrial applications in textile and food processing.

- **Article in *Nature* Misrepresents DOE Role in Genome Project:** The March 2 issue of *Nature* printed an article entitled, "U.S. Agency Pulls Plug on Role in Genome Project." The article states that "scientists at DOE say they will stop large-scale human sequencing later this year, when a preliminary draft of the human genome sequence is due to be completed." This is not true. As part of the international consortium that is coordinating the determination of a representative human DNA sequence, DOE agreed to be responsible for sequencing human chromosomes 5, 16, and 19. DOE's commitment to this responsibility has not changed. DOE's Joint Genome Institute's Production Sequencing Facility is completing the working draft sequence of these three chromosomes for delivery to the scientific community later this month. The Institute is also committed to determining the complete, high quality sequence of these chromosomes by 2003. DOE's human DNA sequencing efforts will continue to be coordinated with the National Human Genome Research Institute at the National Institutes of Health and the Wellcome Trust in the United Kingdom.

- **Oil Heat Flyer:** In response to escalating heating oil prices in the Northeast, DOE has joined with the Petroleum Marketers Association of America (PMAA) to help homeowners reduce heating oil use and save money. DOE and the PMAA are distributing a flyer to local oil heat dealers for distribution to their customers.

- **NV Terawatt Facility:** On March 13, Senator Reid will celebrate the dedication of the Terawatt facility at the University of Nevada, Reno campus. This facility, funded by DOE, Los Alamos national Laboratory, and Lawrence Livermore National Laboratory, will be home to the Zebra z-pinch, the most powerful electrical generator and x-ray source at a university in the US. The facility will provide students with a unique learning opportunity to investigate plasma and atomic physics, advance radiography and fusion energy research, develop applications in the medical, materials, and environmental sciences, and help construct the scientific basis for the development of the world's most powerful z-pinches, to determine strategies for dealing with the aging U.S. nuclear stockpile.

DEPARTMENT OF EDUCATION

- **Kansas City, MO Desegregation Case:** On February 29, the Eighth Circuit reversed a district court's November 17 dismissal of desegregation litigation involving Kansas City schools. The Eighth Circuit held the district court erred in declaring the school district unitary without giving notice either to the district or the plaintiffs or permitting the parties to present evidence and argue the case. Although the Eighth Circuit did not address the merits of the unitary status issue, it did recognize that the school district has the burden of proving it is unitary in the subsequent unitary status hearing. That finding means the school district will have to address the achievement gap between African American and white students.

- **NY School Statistics:** On March 7, the New York City board of education reported that, after years of decline, the city's high school dropout rate increased in 1998, rising from 15.6 percent to 17.5 percent. The state education department also released figures that show city students lagging behind their peers across the state on statewide tests. The scores suggest that city students may face difficulties as minimum scores are phased in as graduation requirements.

- **KY Higher Education Agreement:** DOEd expects to enter a partnership agreement with the State of KY to eliminate vestiges of desegregation in the state's higher education system. The proposed agreement would address enhancement of Kentucky State University, the state's only historically black university; initiatives to improve the climate on other campuses, including employment of more African Americans at historically white institutions; and recruitment and retention of African American students.

DEPARTMENT OF VETERANS AFFAIRS

- **Alzheimer's and Genetics:** In a study conducted by researchers from VA's Central Arkansas Healthcare System, which was reported in the March edition of *Annals of Neurology*, if one parent has a certain gene linked to Alzheimer's disease, the chances of a person developing the incurable neurological disease triple in comparison to the general population, while the same gene in both parents increases the risk eleven-fold.

ENVIRONMENTAL PROTECTION AGENCY

- **Toxic Pesticides and CA Public Schools:** On March 6, the Environmental Working Group released a report showing that more than 2.3M pounds of the highly toxic pesticide methyl bromide were used near 455 CA public schools in 1998. The report also criticized the Davis administration for creating rules on the use of the pesticide that do not offer enough protection for children. A spokesman for the Governor said the new rules, which are not yet final, are much stronger than those of Davis' predecessor.

- **Metal Plating Waste Accumulation Rule:** On March 1, EPA signed a rule implementing an agreement reached with the Metal Plating Industry to achieve environmental objectives, but allowing for more flexibility. The rule will allow metal plating facilities to store waste in greater quantity and for longer time periods if the waste is sent to a recycling facility. Under the new rule it becomes economically viable to recycle the waste by allowing greater quantities to accumulate prior to shipment.

- **Consumer Labeling Initiative:** On March 6, EPA announced its new Consumer Labeling Initiative – "Read the Label *FIRST!*" consumer education campaign at the Philadelphia Flower Show. The campaign hopes to draw attention to improved pesticide product labels. EPA began the Consumer Labeling Initiative in March 1996 as part of Vice President Gore's commitment to reinvent government.

- **Better America Bonds:** Administrator Browner and EPA officials continue to meet with a variety of stakeholders on the Livable Communities Initiative and the expanded Better America Bonds proposal, including U.S. Conference of Mayors, National Association of Counties, National Association of Regional Councils, American Institute of Architects, Sierra Club, and Trust for Public Land and the Environmental Financing Advisory Board. Versions of the Better America Bonds proposal continue to gain support on Capitol Hill. In the House, Congressmen Matsui and Doggett introduced the Better America Bonds Act, which now has 124 cosponsors. In the Senate, Senators Baucus and Hatch introduced the Community Open Space Bonds Act which now has five cosponsors.

UNITED NATIONS

- **Debate on Humanitarian Action:** On, March 9, the Bangladeshi Foreign Minister presided over an Open Debate on "Maintaining peace and Security: Security Council and Humanitarian Action." A Presidential Statement will be issued on behalf of the Council in support of the provision of humanitarian assistance. Ambassador Holbrooke will make a statement on behalf of the U.S. on the same theme.

- **Iraq:** Executive Chairman Hans Blix has started to put together the organizational structure for the UN Monitoring, Verification and Inspection Commission (UNMOVIC). Under Secretary- General for Disarmament Dhanapala has forwarded a list proposing the College of Commissioners to the Security Council on behalf of the Secretary General. State Department Assistant Secretary for the Non-Proliferation Robert Einhorn is one of the new commissioners. The Hajj is about to start in Saudi Arabia and will conclude on March 16. Iraq rejected a Security Council resolution, and has again broken sanction by flying aircraft carrying pilgrims to Saudi Arabia.

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UNITED STATES TRADE REPRESENTATIVE

- **Meeting with Ukrainian Prime Minister:** On March 15, Ambassador Barshefsky will meet with Ukraine's new reform-minded Prime Minister, Viktor Yushchenko, to encourage him to reinvigorate Ukraine's WTO accession efforts and to address the serious problem with massive unauthorized production and export of CDs. The CD piracy problem has led to the opening of a review of Ukraine's GSP benefits and to U.S. industry demanding that Ukraine be designated a Priority Foreign Country.

SMALL BUSINESS ADMINISTRATION

- **Small Business Tax Assistance:** Through a cosponsorship with the Service Corps of Retired Executives, the IRS has developed a new CD-ROM that will assist small businesses with tax preparation. The CD-ROM is offered free of charge and IRS has offered to distribute 100 copies of the software to each SCORE chapter nationwide.

- **Online Women's Business Center:** On March 29, SBA will demonstrate the Online Women's Business Center at your Interagency Council on Women information fair to honor International and Women's History Month. Federal agencies will be presenting activities and programs designed to benefit women and families as part of the fair.

- **Strategic Alliances:** As a result of meetings between Administrator Alvarez and Minister Vasundhara Raje, Minister of India's Small Scale Industries and Agro and Rural Industries, and Ambassador Chandra, Administrator Alvarez has been invited to give the keynote address and participate in briefings at the Millennium 2000 Business Conference to be held in India during your visit.

- **Credit Repair Seminar:** SBA's Office of Veterans Affairs is working closely with the National Institute for Consumer Education at Eastern Michigan University in Ypsilanti, MI, the Congressional Black Caucus Foundation, Hispanic Chambers of Commerce and the Black Chambers of Commerce to determine the possibility of a partnership to provide credit repair seminars to veterans. This potential national effort will help corporations, like General Motors, partner with foundations to reach out to the disabled veterans community to establish credit worthiness and provide technical assistance and other resources to veteran entrepreneurs. Pilot projects are being planned in 18 states with high concentrations of veterans, including VA, CA, WI, TX, and MO.

GENERAL SERVICES ADMINISTRATION

- **Buffalo, NY Security Information Radio Network:** The GSA Field Office in Buffalo is involved with a cooperative security information group in downtown Buffalo. The group consists of representatives from public and private law enforcement and security

THE PRESIDENT HAS SEEN
3-13-00

organizations. Recently it instituted a shared radio network called "Secure-Net." The purpose of this network is to share information related to security and crime prevention among the various partners in downtown Buffalo. The GSA Federal Protective Service have begun monitoring this frequency. In an emergency, Federal Protective Service can also communicate with the various commercial security offices where GSA has leases and with other law enforcement agencies in the area. The network has already been beneficial in detecting crimes in progress that may have an impact on one or more federal facilities.

SOCIAL SECURITY ADMINISTRATION

- **Impact of Welfare Reform:** The April 2000 issue of *Esquire* Magazine includes an article by Charles Pierce that chronicles the life of a young boy born with a congenital heart defect who lost eligibility for Supplemental Security Income payments as a result of welfare reform changes and then subsequently died from his impairment. The article criticizes the media, Congress, the Administration, and SSA for their roles in welfare reform.

Bruce — I need to get a copy of this.

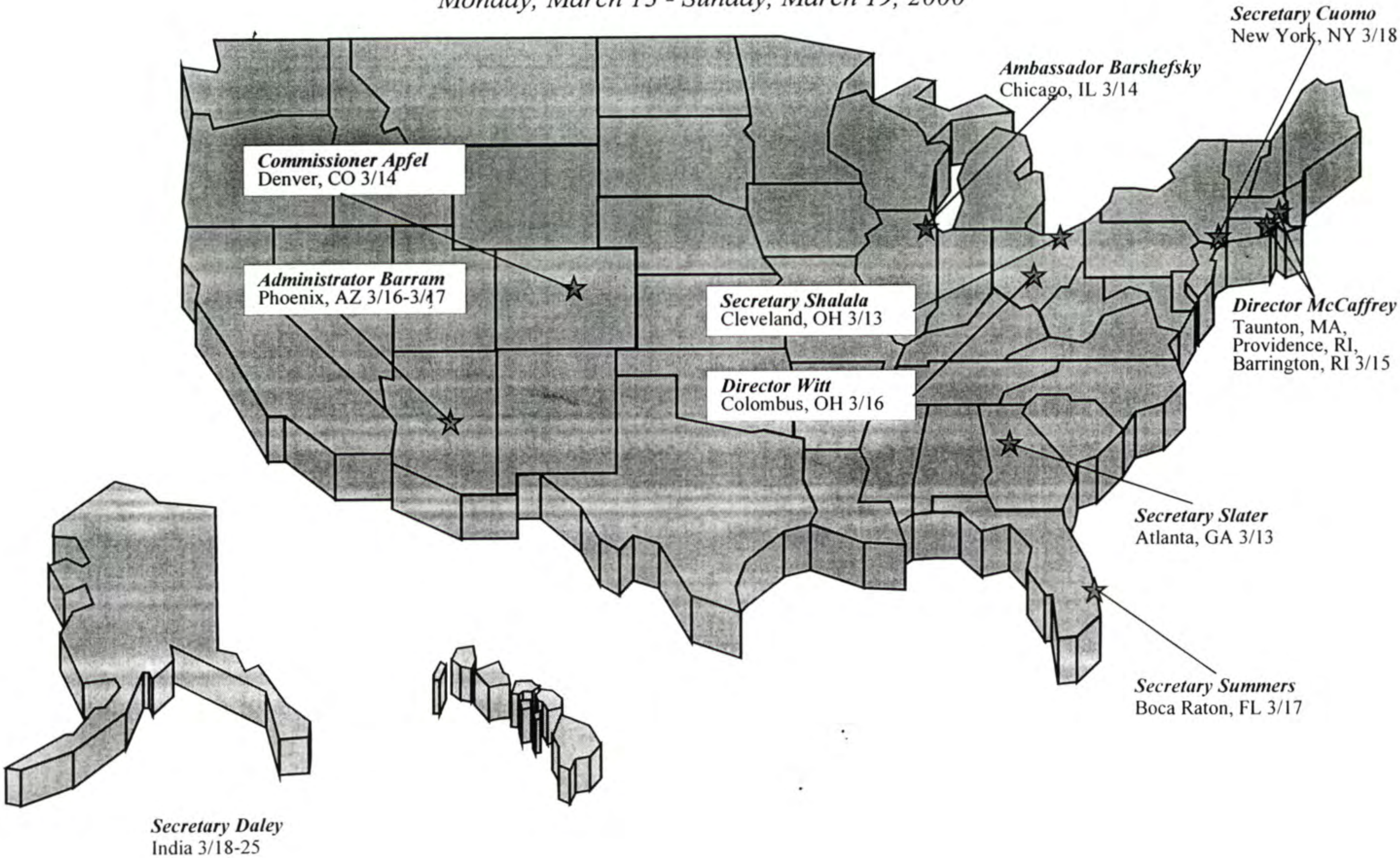
- **Identity Theft Summit:** On March 15, James G. Huse, Jr., SSA's Inspector General, will moderate a panel at the first National Identity Theft Summit being held in Washington DC. This summit calls together for the first time victims of identity theft, members of the Federal Government, the financial community, and others in the private sector to discuss how identity theft occurs and how it can be prevented.

copied Reed

- **U.S.-Korean Social Security Agreement:** SSA is working with State and the Korean Embassy to complete arrangements for the signing of a U.S.-Korean Social Security (Totalization) agreement. Tentative plans are for Secretary Albright and the Korean Foreign Minister to sign the principal agreement setting forth the basic rules for coordinating the two countries' Social Security systems at a brief ceremony at the State Department on March 13. The U.S.-Korean agreement, which is expected to enter into force in the first half of 2001, will be the first U.S. Totalization agreement with an Asian country.

Cabinet Travel

Monday, March 13 - Sunday, March 19, 2000



cc:
The Vice President
John Podesta
Martin Baily
Sandy Berger
Sidney Blumenthal
Chuck Brain
Charles Burson
Mary Beth Cahill
Maria Echaveste
George Frampton
Mickey Ibarra
Ben Johnson
Joel Johnson
Janis Kearney
Neal Lane
Jack Lew
Ann Lewis
Joe Lockhart
Buddy MacKay
Sean Maloney
Minyon Moore
Bruce Reed
Steve Ricchetti
Gene Sperling
Lauren Supina
Loretta Ucelli
Melanne Verveer

3-13-00

THE WHITE HOUSE

WASHINGTON

Copied
MacKay
Podesta

March 10, 2000

MEMORANDUM FOR THE PRESIDENT AND THE VICE-PRESIDENT

FROM: Kenneth H. MacKay, Jr.

SUBJECT: Special Envoy for the Americas Weekly Report

Colombia: Along with the NSC and State, I have been involved in efforts to strengthen support for the Colombia Supplemental. I met individually with house members including Jim McGovern, Barney Frank, Gary Ackerman and Porter Goss to discuss the package. They were generally supportive, but indicated concern over implementation issues and human rights. I also accompanied Colombian Vice President Bell when he addressed the Human Rights Caucus. My Chief of Staff, Francisco Sanchez, spoke on behalf of the Administration, on a panel hosted by the U.S. Chamber of Commerce with Colombian Vice President Gustavo Bell. We are participating in a joint effort with Colombia to ensure that the private sector is fully involved in advancing Plan Colombia. In addition, members of my staff were briefed by representatives of the airline industry about the upcoming talks between the US and Colombian governments regarding opening new routes between our countries. The talks will be occurring next week in Washington and my staff will continue to monitor this issue.

Disaster Preparedness: My senior advisor, Mark Schlakman, recently attended a hemispheric disaster management exercise in the Dominican Republic which was co-hosted by General Charles Wilhelm of the US Southern Command. The humanitarian exercise included representation from more than 30 countries throughout the Americas and was designed to simulate regional disaster response activities and to serve as a vehicle to raise related issues of concern. The collective effort serve's as a useful resource in our effort to improve coordinated disaster management practices throughout the region.

Domestic Outreach: Next week, I am hosting a conference on Women in the Americas, which will highlight the Administration's accomplishments and explore the role of women on the future of the Americas. Attorney General Janet Reno, Administrator Aida Alvarez, Maria Echaveste and other administration officials will address the forum of over 200 women.

Uruguay: I led the delegation to Uruguay for the inauguration of President Jorge Batlle. While in Uruguay I had successful and substantial meetings with members of President Batlle's new cabinet. I will be sending you a full trip report on these meetings following my trip to Chile.

Chile: I am co-heading the delegation to Chile for the inauguration of President Ricardo Lagos.

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THE WHITE HOUSE

WASHINGTON

March 10, 2000

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WEEKLY MEMORANDUM FOR THE PRESIDENT

THROUGH: JOHN PODESTA

FROM: LYNN CUTLER

CC: MARIA ECHAVESTE

SUBJECT: INDIAN COUNTRY

Follow Up on Departure Statement

- All of the tribal leaders who were at the departure statement last Friday were so thrilled to be there. As you know from seeing some of them again yesterday, the warmth and friendship they feel for you are evident.

DCCC Luncheon

- I have sent your remarks from the DCCC lunch to all of the Members who were in attendance and asked them to disseminate the remarks to their friends in Indian country. I am also sending them out to several leaders.

Digital Divide Trip

- Per your suggestion, I am investigating a New Mexico site for an Indian country visit during the April Digital Divide trip. There are some good possibilities there. You were absolutely right about Montana--it would not work.

Indian Business Linc Proposal

- We have received an excellent suggestion from Treasury--they have been consulting with tribal leaders who are successful in business about the proposed Indian Business Linc proposal. Michael Barr thought it would be a great idea to take one or two of these success stories with us on the trip and thus portray some Indian people as "givers", rather than eternal recipients. It's right on the theme of your remarks yesterday.

3/13/00

Sean -
Should we get to send to the President?

Yes ✓

No ______

Pine Ridge

- As you know from Secretary Glickman's memo, the youth center you proposed is about to become a reality. Unfortunately, the latest news is that President Salway has declared a state of emergency on the reservation, so we really can't go out there for any of the deliverables that are ready. Interior is trying to get resolution on this situation, which has gone on too long.

Native Hawaiians

- Per your note on the letter from Senator Akaka that requests establishment of an office at Interior for Native Hawaiians, I learned that Secretary Gover has an active plan underway to establish one. I told that to the Senator when he was here for the Indian budget event. He was very pleased. I've asked BIA to communicate with him.

Delta Regional Authority

- I spoke this week to the Mississippi counties about the proposed authority. DOT was also there. We asked them to engage in working for this. They were very pleased that you were prepared to fight for this.

- Several of the outreach offices have sent the paper on the Delta Regional Authority out to their constituencies.

- This Monday we will brief the leaders of the state municipal leagues in each of the seven states. They are here for National League of Cities. I have asked your speechwriter for Sunday to include something on this for your speech to the full meeting.

THE WHITE HOUSE
WASHINGTON

Young man wants
to meet Potus!

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Yes ✓
No ____

cc: scheduling [illegible]

BETTY - FOR
HANDLING ~~HOWEVER~~
YOU WANT. THANKS.
SANDY.

Sandy Rinck
Special Assistant to the Secretary

United States Department of Education
600 Independence Avenue S.W.
Washington, D.C. 20202
(202) 401-3000

THE SECRETARY OF EDUCATION
WASHINGTON, D.C. 20202

February 24, 2000

Mr. William C. Niner
2919 Hampstead Mexico Road
Hampstead, Maryland 20174

Dear William:

It was a pleasure meeting you at the recent NAFEO conference and, as you requested, I am forwarding your letter over to President Clinton at the White House.

As you can imagine, the President's schedule is extremely full with a lot of travel in this busy year. Nevertheless, I know he will enjoy learning about your future goal and your path to achieve it, as was I.

Best wishes for a meaningful future, William.

Yours sincerely,

Dick Riley
Richard W. Riley

✓ cc/ President Clinton

2919 Hampstead Mexico Rd.
Hampstead, MD 21074
February 14, 2000

The Honorable Richard Riley
United States Department of Education
Washington, D.C.

Dear Secretary Riley:

I am currently a senior Honor student at the University of Maryland Eastern Shore maintaining a 3.95 GPA. I would like to thank you for meeting with me at the National Association for Equal Opportunity (NAFEO) conference in Washington, D.C. It was a true honor to personally meet and speak with a leader of your high caliber. I enjoyed listening to your words of advice concerning my future political aspirations as I hope to enter politics in the future and work my way up the political ladder.

Additionally, I have enclosed to a letter to President Clinton since I would like to meet with President Clinton. As we had discussed at the conference, I am interested in meeting President Clinton because he has been a political role model of mine and I am interested in one day running for his position to help lead the United States. He has been an inspiration to me seeing how he came from a small town and worked his way up the political ladder. I feel that meeting him will have the same effect on me as when he met President Kennedy which helped to encourage his political future. In addition, if you are able to help me, I have included a letter to President Clinton as to why I want to meet with him. I know that this is an immense request to fulfill, but you are the only one who can.

Again it was an honor meeting you and I would also like to thank you for your time and consideration. I would greatly appreciate any assistance that you could provide. God bless you and the United States, Secretary Riley.

Sincerely,

William C. Niner

William C. Niner

Enclosures: Letter to President Clinton

2919 Hampstead Mexico Road
Hampstead, MD 21074
February 14, 2000

The Honorable William Clinton
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear President Clinton:

I am a senior Honor Student at the University of Maryland Eastern Shore maintaining a 3.95 GPA and a United States Achievement Academy All-American Scholar. Once I have completed my studies here at the University of Maryland Eastern Shore, I plan to attend law school which I hope will help to propel me into a political career working my way up the political ladder to the United States Presidency.

Additionally, I have learned a lot reading your book Between Hope and History: Meeting America's Challenges for the 21st Century. Your writings and leadership has helped to inspire my future political aspirations. You have been a political role model to me and have given me an example to follow of a true leader. Your leadership has encouraged me to work on starting my future political career which led me to an internship with United States Congressman Roscoe Bartlett. In addition, I continually volunteer on many political campaigns within my locality. These events have given me the opportunity to speak with your wife First Lady Hillary Rodham Clinton, United States Senator Paul Sarbanes, United States Senator Barbara Mikulski, former Maryland Governor Harry Hughes, and other political leaders. Indeed, I have enjoyed meeting with these leaders, but I have not had the honor to meet with you, who I regard as my greatest role model.

Since your inspiration has helped to enhance my desire of serving the United States, I would like to ask if I could personally meet with you firsthand to discuss my possible role in shaping the future of America and the United States Government. This firsthand experience would be very influential and help me become a better future leader for our country. I feel that meeting you will have the same effect on me as when you met President Kennedy. In addition, I feel that I could learn a lot from speaking with you. I know this is an immense request to fulfill, but you are the only person who can.

Thank you for your time and consideration. I know you are extremely busy running the country, but I would greatly appreciate getting a few minutes to meet with you. God bless you and the United States, President Clinton.

Sincerely,

William C. Niner

William C. Niner

THE PRESIDENT HAS SEEN
3-13-00

THE WHITE HOUSE

WASHINGTON

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Reed
Liu
Podesta

March 10, 2000

MEMORANDUM FOR THE PRESIDENT

FROM: Bruce Reed
Eric Liu

SUBJECT: DPC Weekly Report

1. Crime – Juvenile Crime Conference. In a letter sent Thursday, Representative Conyers asked Representative Hyde to help press Senator Hatch for a meeting of the conferees within two weeks. Conyers added that if a conference meeting could be scheduled, he would work in good faith with Hyde to develop a "middle ground" on gun provisions. Conyers specifically cited your idea – allowing the deposit of guns with local police departments in the few instances where gun show background checks take longer than 24 hours – as a measure he would be willing to consider in the spirit of compromise. As of Friday afternoon, Hyde had not responded. Meanwhile, the NRA on Thursday sent out alerts to members of Congress urging them to oppose the Lofgren motion to instruct conferees on the juvenile crime bill. The Lofgren motion merely calls on conferees to meet in the next two weeks, and makes no explicit mention of gun provisions.

2. Crime – HUD Gun Buyback. On Thursday, the House Appropriations Committee voted on its supplemental appropriations bill. As you know, the bill originally contained language to rescind funding for HUD's gun buyback program. At the last minute, Subcommittee Chairman Walsh offered an amendment to strike the rescission language. In doing so, however, he argued that rescission language was not needed since HUD does not actually have legal authority to spend Drug Elimination Grant money on buybacks. He further threatened that if money were obligated prior to authorization of a buyback program, he would refer the issue to the GAO and would initiate appropriate action. HUD maintains that Congress gave it clear authority to make grants to eliminate drug-related and *violent* crime. To date, about 80 public housing authorities – including Flint and Memphis – have committed to conducting buybacks with HUD funding.

3. Education – ESEA Action. The Senate Health, Labor, Education, and Pensions Committee passed out an ESEA bill this week, with all Democrats voting against it. The bill includes a provision that would turn Title I into a block grant. Democratic amendments on class size, teacher quality, after-school, school modernization, public school choice, and accountability were defeated. Meanwhile, Senator Lieberman and seven New Democratic colleagues introduced their own ESEA proposal this week. The Lieberman bill includes accountability measures and a class size authorization similar to our bill. It consolidates a number of programs into broad performance-based grants, including some key administration priorities like after-school and education technology. At our urging, Lieberman included minimum percentages that

3-13-00

must be spent on those priorities, but he still consolidates more than we would like. Lieberman plans to offer his bill as an amendment during floor consideration of ESEA, expected early next month. We expect the floor debate on the Republican ESEA bill to divide sharply along partisan lines.

4. Health Care – Medicare Coverage of Augmentative Communication Devices. After receiving a letter from Stephen Hawking, you asked for an update on HCFA's review of the feasibility of providing Medicare reimbursement for augmentative communication devices. On April 1, HCFA will announce its decision to extend Medicare coverage for these devices to beneficiaries with severe speech language or communication disorders. We will draft a response at the appropriate time advising Hawking of this good news and thanking him for his guidance.

5. Health Care – Alleged Sales of Fetal Tissue. You inquired about recent reports alleging a widespread black market in fetal tissue. If true, the allegations on "20/20" and in letters from Kate Britton are clearly illegal. That said, the two primary witnesses cited by "20/20" proved at a congressional hearing Thursday to be unreliable. The first refused to testify altogether; the second recanted virtually all of his initial charges. Nonetheless, NIH this week contacted all 150 institutions currently receiving federal funds for fetal tissue research to reiterate their legal obligations regarding the use and acquisition of fetal tissue. NIH has also begun a series of random record audits, and we will work with them to monitor this issue closely.

6. Health Care – CBO Scoring of Administration's Drug Benefit. On Thursday, CBO released its budget estimates, with Medicare costs and savings figures quite comparable to those of OMB/HCFA. In fact, the prescription drug benefit was scored at $10 billion less than the number estimated by OMB/HCFA ($160 billion versus $150 billion). We had feared a wide gap, and this removes a major barrier to consensus. It is important to note, however, that CBO's future projections of a benefit for catastrophic drug expenses may significantly exceed ours. CBO is reportedly concerned that an open-ended benefit for catastrophic drug expenses might provide too little incentive for pharmaceutical companies to constrain the price of their products.

7. Health Care – Medicare and Finance Committee. We have heard reports that Chairman Roth is contemplating a universal, subsidized Medicare drug benefit in the context of a down payment on reform. The benefit would be income-related, effectively reducing the subsidy for higher-income individuals. If true, this could lay the foundation for eventual agreement with Committee Democrats. The Committee now plans on marking up a reform initiative in early May after it completes hearings. We are scheduled to transmit our legislative language next week.

8. Health Care – Response to New York Times Article on Prescription Drugs. Earlier this week, the New York Times inaccurately suggested that a series of studies published in Health Affairs revealed the shortcomings of our prescription drug proposal. The findings include: that low-income beneficiaries would be helped disproportionately by a drug benefit; that some seniors experience catastrophic drug expenses and need extra protections; and that some private health plans provide coverage to Medicare beneficiaries that meets or exceeds benefits provided by our plan. We have responded simply by pointing out that our plan provides additional protections to low-income beneficiaries; includes $35 billion to add coverage for Medicare beneficiaries with catastrophic drug costs; and makes the new benefit optional so that those with more generous plan can stay in them.

3-13-00

9. **Health Care – Update on Minnesota's CHIP Waiver Request.** You asked for an update on Minnesota's CHIP waiver request, described by Governor Ventura in a recent letter. By the end of the month, Minnesota plans to submit a draft waiver proposal to exceed the 10 percent cap on CHIP administrative expenditures for costs associated with identifying and enrolling uninsured children. We have historically opposed such requests. At the same time, a number of states have not spent their full CHIP coverage allotments and many are in the process of submitting waivers to use their enhanced federal matching payments for other purposes. Minnesota may be a somewhat sympathetic case, since it has already extended coverage to 45 percent of children, but we will have to make waiver decisions with an eye to precedent and to the likely deluge of requests from other states. We want to preserve CHIP's original intent (to most efficiently cover as many children as possible), without passing up a possible way to cover more of the uninsured. We have begun to explore options and will keep you apprised.

10. **Health Care – Update on Colon Cancer.** Earlier this month, you proclaimed March National Colorectal Cancer Awareness Month. This coincides with the work of Katie Couric and others to promote public awareness of the disease and the importance of screening. We are considering a radio address for you to highlight federal efforts on this front.

THE ANNENBERG PUBLIC POLICY CENTER
OF THE UNIVERSITY OF PENNSYLVANIA
3620 Walnut Sreet, Philadelphia, Pennsylvania 19104-6220

Melanne
Pls review
Then tell
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BC

3-9-00

THE WHITE HOUSE
WASHINGTON

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to send the attached -

Should we have

someone review for

Potus?

THE PRESIDENT
3-13-00

W.
WOMEN'S CAMPAIGN INTERNATIONAL

MARJORIE MARGOLIES-MEZVINSKY
ONE PRESIDENTIAL BOULEVARD
BALA CYNWYD, PA 19004
(TEL.) 610-664-7808
(FAX.) 610-660-6113

FREDRICA S. FRIEDMAN
857 FIFTH AVENUE
NEW YORK, NY 10021
(TEL.) 917-553-6558
(FAX.) 212-521-7172

Dear Betty -

Thanks so much for 'locking and loading' the meeting with the President. It was so nice to see you. I really appreciate his offering to help.

He asked me to send him some information on WCI. Please filter it - if it's too much. I have enclosed our last State Department grant proposal - so he could see some of the operational details of the organization.

Please pass on my sincere thanks.

Warmest
Marjorie

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Podesta

JP

This is scary

Have we ever supported
this bill — esp HOC —
See circled paragraph —

BC

said that she looks ... forward to sitting on the ... my very best efforts to approach every case in a fair, thoughtful and open-minded manner."

Sen. Barbara Boxer, D-Calif., forced a vote on Paez, who was nominated in January 1996, and Berzon, nominated in January 1998, by blocking a vote on the appointment of the mayor of Tupelo, Miss., to the Tennessee Valley Authority board.

In addition to voting on the 9th Circuit appointments, Senate Judiciary Chairman Orrin G. Hatch, R-Utah, and Sen. Frank Murkowski, R-Alaska, introduced legislation to split the court into two circuits, one that would include California, Nevada and Arizona, and a new 12th Circuit encompassing Hawaii and the northwestern states, including Alaska. They contended that the 9th circuit the nation's biggest is too large to function well.

Critics of Paez cited some of his rulings and his critical public remarks about California Proposition 187, which sought to deny public benefits to illegal immigrants, and Proposition 209, which barred certain affirmative-action preferences.

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Boxer responded that Paez was merely following the prosecutor's recommendation.

Thomas L. Jipping, director of the conservative Free Congress Foundation, said that Republicans who voted for the nominations helped to "further politicize the judiciary by moving the nation's most activist court further in the wrong direction."

Berzon and Paez attended Boalt Hall Law School at the University of California, Berkeley, and both told senators during hearings that David H. Souter, a moderate appointed by President Bush, is the current Supreme Court justice they admire most.

Officials Accused of 'Contortions' to Avoid Funding Inquiries
By William C. Rempel and Alan C. Miller
Los Angeles Times

WASHINGTON A confidential report by the Justice Department's former chief campaign finance investigator, kept sealed by Attorney General Janet Reno for nearly two years, accused senior Justice officials of engaging in "gamesmanship" and legal "contortions" to avoid an independent inquiry into Clinton-Gore campaign fund-raising abuses.

According to an edited version of the 94-page document, former task force supervisor Charles G. LaBella also faulted Reno's top advisers for using "intellectually dishonest" double standards endorsing independent counsels to investigate Cabinet-level administration officials while opposing them for similar or stronger cases involving senior White House figures.

Among those getting special treatment, the report said, were President Clinton, Vice President Al Gore, first lady Hillary Rodham Clinton and former White House aide Harold M. Ickes. It is the first indication that the task force was considering Mrs. Clinton's conduct in the fund-raising scandal.

The bluntly worded July 1998 report also called for a sweeping outside investigation into "the entire landscape" of campaign finance allegations, referring to the possibility of broad schemes "conjured up by sophisticated political operatives to circumvent" election finance laws during the 1996 presidential race.

Senior Justice Department officials strongly rejected LaBella's assertions, saying that the report leaped to "outrageous" conclusions and personalized policy differences. According to members and aides have been allowed to read the report under strictly controlled circumstances. The Los Angeles Times reviewed an excised version of the report and related documents.

The disclosures are certain to provide Reno's critics, including Republican lawmakers, with powerful ammunition to renew charges that she acted to protect the White House. Already, last week's conviction of longtime Gore fund-raiser Maria Hsia on campaign finance violations resurrected Republican charges that th Justice Department has failed to get to the bottom of the scandal.

And questions raised about Gore and Hillary Clinton in the long-sealed documents could ricochet across the 2000 political landscape as well, as Gore seeks the Democratic presidential nomination and the first lady bids for a U.S. Senate seat in New York. Ickes, a former White House deputy chief of staff who spearheaded the Clinton-Gore re-election effort, is a key figure in Mrs. Clinton's Senate campaign.

LaBella's accusations are particularly troubling for the Clinton administration because the career prosecutor was hand-picked in September 1997 to bolster public confidence in the Justice Department-controlled investigations of political fund-raising abuses.

It was Reno who chose LaBella to head the Campaign Financing Task Force and salvage much-criticized investigations then run by the department's Public Integrity Section. He arrived with a reputation as an aggressive prosecutor from high-profile cases in New York and San Diego.

Responding on behalf of Clinton, Gore and the first lad White House spokesman Jim Kennedy said: "We're not going to comment on selectively leaked information that's allegedly from a sealed report we've never seen. However, this whole matter has been investigated repeatedly at a cost of millions of dollars with absolutely no finding of wrongdoing on the part of the president, the vice president or the first lady."

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Ten months into his tenure with the task force, LaBella filed his report to Reno, warning that numerous conflicts of intere made the Justice Department's insistence that its own lawyers handle the inquiry into the 1996 Clinton-Gore campaign "a recipe for disaster." LaBella was joined on what he called an "interim report" by James DeSarno, an assistant FBI director who supervis agents assigned to the task force.

Under the independent counsel act, the attorney genera was required to seek an outside prosecutor upon receiving credibl information that the president, vice president or other senior officials may have violated the law or when an investigation by th Justice Department "may result in personal, financial or political conflict of interest."

LaBella maintained that both circumstances applied an that Justice officials "resisted a common sense ... application" of the law.

In singling out Clinton, Gore, Mrs. Clinton and Ickes, LaBella's report did not accuse them of specific criminal violatior Rather, it cited questionable actions by them and "a pattern of conduct worthy of investigation" by an independent counsel.

For example, LaBella noted administration dealings wi various Asian-American fund-raisers for the Democratic National Committee as well as with wealthy foreign nationals that it said administration, including the vice president, for their unwavering and unlimited support of my nomination," said Paez, who was presiding over a trial during the vote. "I also would like to thank all of the senators who spoke on my behalf, supported my nomination and who voted for confirmation today."

Latinos hold 42 of 879 positions in the federal judiciary or about 4.5 percent of the total even though they make up 11 percent of the nation's population and are projected to become the nation's largest minority group in 2005, according to the Mexican American Legal Defense and Educational Fund.

The National Women's Law Center in Washington issued a statement lauding the confirmations and praising Berzon's "expertise in employment discrimination and other areas of the law that are central to equal opportunity for women.".

Reached at her law office in San Francisco, Berzon, 54, said that she looks "forward to sitting on the 9th Circuit and pledge my very best efforts to approach every case in a fair, thoughtful and open-minded manner."

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According to an edited version of the 94-page document, former task force supervisor Charles G. LaBella also faulted Reno's top advisers for using "intellectually dishonest" double standards endorsing independent counsels to investigate Cabinet-level

Justice Department spokesman Myron Marlin, Reno "based her decision on the facts and the laws without regard to politics, the pundits or pressure."

While it has long been known that LaBella, as well as FBI Director Louis J. Freeh, supported the appointment of an independent counsel, the previously undisclosed documents provide an extraordinary glimpse behind the scenes of a Justice Department storm that swirled around Reno's controversial rejections of outside counsels.

They also include LaBella's stinging indictment of a campaign finance system that he said encourages abuse by both major parties and of enforcement of fund-raising laws that he said is so weak it is "a bad joke" on the American public.

Since receiving the report, Reno has kept it within the Justice Department and defied congressional pressure to release it, even under threat of contempt action. A handful of Congress members and aides have been allowed to read the report under strictly controlled circumstances. The Los Angeles Times reviewed an excised version of the report and related documents.

The disclosures are certain to provide Reno's critics, including Republican lawmakers, with powerful ammunition to renew charges that she acted to protect the White House. Already, last week's conviction of longtime Gore fund-raiser Maria Hsia on campaign finance violations resurrected Republican charges that the Justice Department has failed to get to the bottom of the scandal.

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Under the independent counsel act, the attorney general

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"suggests a level of knowledge within the White House including the president's and first lady's offices concerning the injection of foreign funds into the re-election effort."

The report said that one of the common themes among various cases under review at the time was "the calculated use of access" to the White House and high-level officials, "including the president and vice president."

The previously secret documents contradict Reno's assurances to Congress that no serious rifts divided her Justice Department advisers. Indeed, documents and interviews with a number of former task force members reveal a bureaucratic brawl that went well beyond the commonplace tensions between hard-nosed field prosecutors and seasoned Washington superiors.

"They didn't want us to succeed. It made them look bad," said one former task force attorney who described "unprecedented hostility" from senior Justice officials.

Another former task force prosecutor, Steve Clark of San Diego, complained in a scathing internal memo in December 1997 that his efforts to investigate possible corruption by both major parties was frustrated by "behind-the-scenes maneuvering, personal animosity, distortions of fact and contortions of law" by high-level Justice officials.

Top Justice lawyers took strong exception to the LaBella report. Its frank language privately outraged some of Reno's closest advisers.

Lee J. Radek, chief of the Public Integrity Section, responded with a blistering letter to Reno. He called LaBella's legal arguments "flawed," challenged the grounds for implicating the first lady and ridiculed the underlying elements of LaBella's case for an independent counsel. He said that, given one legal standard LaBella sought to apply, "every member of Congress would be under criminal investigation."

Radek, a 29-year Justice Department veteran and staunch foe of independent counsel referrals for Gore, Ickes and the Clintons, also said that he was furious over LaBella's suggestion that the motivations of some Reno aides were "colored by bad faith, a deliberate twisting of the law and an effort to protect the White House."

LaBella, who was a senior field prosecutor in San Diego, replaced one of Radek's staff attorneys who was dumped after a series of investigative embarrassments and accusations of mismanagement put the task force under heavy political fire.

Radek said in an interview that he and LaBella had "an honest disagreement" about the application of the independent counsel act but that "the attorney general's standing order was to leave no stone unturned."

Since the fund-raising controversy broke in newspaper headlines in late 1996, Reno repeatedly has rejected outside prosecutors for narrowly focused investigations of alleged White House wrongdoing. She did so following preliminary reviews of such matters as fund-raising telephone calls by Gore from the White House, so-called "issues ads" funded by the Democratic National Committee and congressional testimony by Ickes.

She also opposed requests for sweeping inquiries as proposed by LaBella and Freeh.

LaBella left the task force voluntarily days after filing his report to return to San Diego as acting U.S. attorney. But, when he was passed over for the permanent federal appointment in 1999, he ended his 17-year government career and joined Decision Strategies Fairfax International, a private investigation company. Reno's Republican critics accused the administration of denying LaBella the U.S. attorney's job as punishment for recommending an independent counsel.

excised to protect grand jury secrecy and ongoing investigations, some of the deleted material was pieced together from other documents. Most of that missing information relates directly to the task force cases against Clinton, Gore, Ickes and Mrs. Clinton.

In one instance, documents show, task force investigators regarded as suspicious the timing of Clinton's appointment of friend and fund-raiser Yah Lin (Charlie) Trie to a U.S.-Pacific trade advisory panel in 1996. That appointment came shortly after Trie delivered $460,000 in donations from a Taiwan-based Buddhist sect to the president's legal defense trust fund, set up to help defray the Clintons' private legal bills. An investigative document called this "a potential quid pro quo" that should be probed by an independent counsel.

Ultimately, Trie acted as a self-described "mailman," delivering a total of $639,000 in checks and money orders from the Buddhist group. The entire amount was rejected by the trust, however, on grounds that it was from foreign sources.

Both Ickes and Mrs. Clinton met with the defense fund trustee to discuss Trie's donations and the first lady and president agreed that the money should be returned. According to the report, none of the three the president, Mrs. Clinton or Ickes informed the DNC, where Trie was a major fund-raiser, that he was bringing in foreign donations.

The report said that each had, at least arguably, a fiduciary responsibility to alert Democratic officials and said that Mrs. Clinton's "potential criminal involvement" grew out of this failure. Trie continued to raise large sums for the Democrats. He pleaded guilty to campaign finance violations last May.

In his response to LaBella's report a few days later, Radek countered that, based on these facts, he was unaware of any legal theory under which Mrs. Clinton could be prosecuted and said that LaBella failed to supply one.

Ickes, who declined to be interviewed, told Senate investigators that he "never connected" Trie with fund raising for the DNC until his name surfaced in news stories in October 1996; he then contacted a party official.

The report also contended that Clinton knew or should have known some of his supporters were bringing in foreign money. It cited circumstantial evidence suggesting "a conscious avoidance of the truth concerning some of the more flamboyant fund-raisers such as Trie."

Radek dismissed such arguments as vague and said that he found Clinton's professed lack of knowledge believable because it was "very unlikely" that notorious fund-raisers informed anyone they were making illegal donations.

Regarding Gore, task force documents indicate skepticism of the vice president's "failure of recollection" and other inconsistencies in his story. The report found that Gore "may have provided false testimony."

The allegation stems from a marathon fund-raising effort launched over White House phones in late 1995, purportedly to raise unrestricted "soft money," which was outside the election law ban on political fund raising conducted from a federal workplace. The money was for media ads to help the DNC and state party organizations.

Gore told investigators he believed that no "hard money" was raised or used in the media fund. Democratic records later showed that some money Gore raised did end up in hard money accounts.

Gore denied any wrongdoing. In his initial defense of the calls in March 1997, he maintained that he broke no laws because there was "no controlling legal authority" covering such fund-raising solicitations. Later, the DNC said that funds were allocated unprecedented hostility" from senior Justice officials.

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Underlying LaBella's argument for an outside prosecutor was criticism of what he called an excessively narrow "stovepipe approach" to the myriad campaign finance allegations. His report urged a broader investigation, in part, because seemingly innocent conduct in one inquiry could take on a more sinister gloss when viewed in the context of other cases.

"This is especially true with respect to the conduct of senior White House officials and key DNC and Clinton/Gore officials," the report said.

At the same time, the report seemed to minimize likelihood of a single, centrally controlled or highly disciplined conspiracy. It said: "The campaign finance allegations ... present the earmarks of a loose enterprise employing different actors at different levels who share a common goal: bring in the money."

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Confronted with notes and memos indicating that a November 1995 meeting Gore attended in the Map Room of the White House included discussions about raising hard money, the vice president said he did not recall such conversations or the memos.

Previously undisclosed documents show that former White House Chief of Staff Leon E. Panetta told FBI agents that he remembered Gore "attentively listening" to discussions about the hard money aspects of the media fund and "walking through the papers" as the November 1995 meeting progressed. These documents also indicate that the task force obtained photographs from that meeting showing Gore looking at papers that he said he did not recall reviewing.

Reno ordered an initial 90-day review of the Gore phone