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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	[Personally Identifiable Information] [partial] (2 pages)	02/26/1993	b(6)

COLLECTION:
Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 359

FOLDER TITLE:
February 1993 [15]

2018-0662-S
rs3036

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

THE WHITE HOUSE
WASHINGTON

DATE: 02/25/93

TO: MACK MCLARTY
BOB RUBIN

FROM: **JOHN D. PODESTA**
Assistant to the President and
Staff Secretary

The attached has been forwarded
to the President.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

MEMBER

93 FEB 25 P5:03

February 25, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ALAN S. BLINDER
MEMBER-DESIGNATE AB

SUBJECT: February 11, 1993 Wall Street Journal Article

You sent us for comment a Wall Street Journal op-ed by James D. Davidson (attached) "predicting" a 1990s depression. Laura asked me to respond.

In general, doomsday scenarios (just like "golden age" scenarios) should be taken with several grains of salt. The statistical foundations for such prognostications are generally weak to nonexistent. In fact, they are usually no more than hunches, sensationalized to get media attention and/or sell books. The truth is almost always more boring.

In this particular case (see numbered passages underlined in red):

1. There is precious little evidence to support the existence of regular, long waves of the sort claimed here--which is not to say that speculative cycles of boom and bust do not occur under capitalism. They do; and we seem to be suffering the hangover of one now.

2. It is simply untrue that recent years have seen "the most expansionary monetary policy in American history." Indeed, some claim that monetary policy has been excessively tight. (This is in dispute; it depends on which M you watch.)

3. Very few economists (only a few ultra-right-wingers) would argue that, e.g., the FDIC makes financial crises worse. We need the FDIC!

4. The author, however, certainly has a point about the need to eliminate "the excess debt." This is precisely what Alan Greenspan means when he talks about "headwinds" impeding recovery. These headwinds are, however, diminishing as debt burdens recede.

One last point: Among the major factors turning what might have been a serious recession into the Great Depression of the 1930s were:

-- strongly contractionary monetary policy from an inept Fed;

-- collapse of the international gold standard;

-- an outbreak of protectionism and consequent collapse of world trade.

None of these are likely to happen in the 1990s, though many people are worried about the Bundesbank's tight monetary policies.

Attachment

The Depression of the 1990s—It's Already Here

Counterpoint

By James Dale Davidson

Most observers, including The Wall Street Journal, believe that the economy has now emerged from recession. The consensus expects 3% real growth, declining unemployment and a sustained improvement in earnings. Don't bet on it.

The past three years have not been a normal postwar recession, but a depression. Depressions don't end just because we have an election or a Christmas shopping spree. They are periods of long-term structural adjustment that require the liquidation of bad debts and the shrinkage of excess capacity. This process has only begun. If I am correct, the current episode of strength will soon peter out in a triple dip, followed by a deeper stage of depression.

The key to recognizing the deflationary danger facing the economy is to move beyond the conventional view that economic history began with the end of World War II. We are now experiencing the end of the ninth great credit cycle since the middle of the 16th century. Each of these episodes has involved a similar pattern of economic shocks and adjustments, spreading over decades. Each began with a major property rights disturbance. These usually are associated with wars. But the current depression was set in motion 20 years ago by the OPEC shock, a trillion dollar wealth transfer that raised inflation and lowered real rates of growth.

As in previous credit cycles, the acute inflationary period lasted for most of a decade. This was a time when debtors made windfalls and returns to investments in real assets skyrocketed. Eventually, however, the market compensated. Nominal interest rates and commodity prices rose and then peaked. There followed a decade of relatively benign disinflation. It is no coincidence that the world's great asset manias have occurred during disinflationary decades: Tulipmania, the South Sea Bubble, the Mississippi Scheme, Wall Street in the roaring '20s, the recent Tokyo boom of the 1980s.

These investment booms were driven by the logic of disinflation. Lower nominal interest rates tend to raise the capital value of many types of assets. When capital gains are temporarily compounding faster than both the rate of interest and the rate at which the economy grows, investors are encouraged to expand debt. But the compounding of debt sets a trap that ultimately brings the boom to an end.

Just as everyone has come to count on the idea that the lofty asset valuations are permanent, there is a crash in the assets market of the leading economy. This tends to happen nine to 10 years after the peak in commodity prices, and 15 to 20 years after the initial property rights shock that set in motion the decade of inflation. Tokyo's 1990 crash fits that pattern. It is one of the strongest hints that the troubles in Japan, as well as those in the rest of the world, are the result of a major world depression which is still to reach its deepest stage.

The crucial difference between the depression of the 1990s and that of the 1930s is that the first phase of the current depression has been dragged out. Governments are playing a much larger role in economies today. By borrowing against the future, politicians have so far been able to prevent the collapse in income and the debt liquidation associated with the second and deeper stage of the Great Depression.

Notwithstanding the most expansionary monetary and fiscal policy in American history, and the role of automatic stabilizers (such as unemployment insurance and banking bailouts) in delaying the progress of depression, economic growth has been the weakest since the 1930s. Real disposable income rose by only 1% from the supposed start of the recovery to end of the third quarter of 1992. Payroll employed is lower now than when the recovery is supposed to have begun 23 months ago. Actual jobs, as opposed to "seasonally adjusted" figures, fell again in November and December.

Looking across the globe, there is little sign that sustainable recovery is at hand. Quite the contrary. Debt levels have reached the saturation point in all the leading countries. This has put the credit cycle into reverse, arresting the tendency for spending growth to be financed through debt growth. Because spending can no longer be accelerated by rapid debt growth, income has started to fall, and credit problems are growing in all the leading economies.

Notwithstanding the most expansionary monetary and fiscal policy in American history, economic growth has been the weakest since the 1930s.

Real asset prices have been under sharp deflationary pressures. The fall in property prices is most acute in countries that had the greatest access to world capital markets in the 1980s: Japan, Britain, the U.S., and other English-speaking industrialized countries. But banking systems are strained everywhere. Europe and Japan are rapidly weakening.

The downturn of the early 1990s has been a depression, but not yet one with a capital "D." Only Britain among the advanced countries has experienced a fall in output as severe as that of the 1930s, and only in Scandinavia has unemployment reached the extreme levels seen in the deepest stage of the Great Depression. If this is depression, as I believe, the worst is still to come.

Programs to prevent debt liquidation, such as the Federal Deposit Insurance Corp., Fannie Mae, the Resolution Trust Corp., and a whole host of other subsidy programs, do not alter the basic contractionary forces in the system; they make them worse. They add to the total debt burden, and do so in ways that exhaust the good credit of the government even before the contraction has reached its deepest stage. Far from being a policy to prevent or contain depression, this is a policy that guarantees absolute ruin if it is wrong.

History shows that once nominal growth slows in a heavily indebted economy, there can be no recovery until the excess debt is eliminated. Political efforts to expand debt do nothing to lift the burden of debt service, which is the cause of slow growth and faltering incomes in the first place.

Too many people have become complacent about deflation. From Toledo to Tokyo, few believe that the inevitable consequences of deflation are inevitable. But watch out. Debt has grown too large to be sustained out of cash flow. As soon as the balance sheet is depleted, a deeper crisis of asset liquidation will catch the world by surprise.

Mr. Davidson is co-author of "The Great Reckoning" (Simon & Schuster) and a principal of Strategic Advisors Corp., Baltimore.

THE WALL STREET JOURNAL

THE WHITE HOUSE
WASHINGTON

February 25, 1993

MR. PRESIDENT:

I have provided Mack and Bob Rubin a copy of the attached.

John Podesta

Bring on industrial policy

OPPOSING VIEW **Why is the president so timid about government working with business?**

President Clinton's "technology initiative" that will spend $17 billion over four years is too little industrial policy for our changing economy. I applaud the sentiment behind it — that government and the private sector should sometimes be partners in economic expansion, especially when the partnership helps generate jobs. Other countries, notably Japan, have found these partnerships beneficial to economic development.

By Julianne Malveaux, a San Francisco economist and lecturer.

But I am puzzled that Clinton proposes such a cautious partnership, much as I am puzzled over the cautious stimulus package that he proposed, a plan to create 700,000 jobs instead of the 2 million or 3 million we need.

For 12 years, the Reagan-Bush administrations behaved as if markets work without any government intervention. They fiddled while Rome burned, taking a hands-off position even as jobs vanished, layoffs increased and workers felt more economic insecurity.

Clinton promised an activist government, but he's moved with all the caution of a swimmer putting a toe in water. His election represented a mandate, but he's failed to run with it, traipsing the country like a candidate, trying to convince us that he's doing the right thing.

When it comes to putting government in America's business and helping industries thrive when they might not otherwise, I know he's doing the right thing. But he's not doing enough and he's not serving us well when he ignores the term "industrial policy." It's not a bad word, a curse or a threat — it simply means that the government gets involved in the health of our economy. Other governments are far more aggressive in subsidizing and promoting their industries.

Instead of half-stepping toward industrial policy, the president ought to leap toward it. It increases our ability to compete internationally.

THE NATION'S NEWSPAPER
USA TODAY
NO. 1 IN THE USA FIRST IN DAILY READERS

2/25/93

111

THE PRESIDENT HAS SEEN
2/25/93

CEA
Laura +
my mom
has been to see the
job tonight BC

ok for

THE WHITE HOUSE

WASHINGTON

93 FEB 25 P1:22

February 25, 1993

RECOMMENDED TELEPHONE CALL

TO: Chairman Bill Natcher
225-3501 or 225-3508

DATE: Within the next three days.

RECOMMENDED BY: Howard Paster HP

PURPOSE: To thank him for the manner that he is handling the Appropriations process.

BACKGROUND: As Chairman of the House Appropriations Committee, Representative Natcher's support is integral to the success of the President's economic package. He has been extremely cooperative to date, moving quickly to help the President. Then, just as nicely, he agreed to slow down and wait for the budget resolution. At all times, he told the Committee not to change the plan.

CONTACT PERSON: Dianne Rihely, Administrative Assistant to Chairman Natcher

DATE OF SUBMISSION: February 25, 1993

ACTION:

chron

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 2/25

TO: ~~Tony Lake~~ Tony Lake ; Bob Bell

FROM: JOHN D. PODESTA
Assistant to the President and
Staff Secretary

Do we have
a pattern beginning?

JOHN

[redacted]

[redacted]

THE WHITE HOUSE

WASHINGTON

February 12, 1993

INFORMATION

MEMORANDUM FOR THE PRESIDENT

On January 16, 1993, then President Bush signed and forwarded to the Senate for confirmation the names of 22 officers, including Brigadier General John M. Nauseef, for promotion to the grade of major general in the United States Air Force. That nomination is currently pending Senate confirmation. The Secretary of the Air Force is reviewing the results of a recently completed Department of Defense Inspector General administrative inquiry, which alleges improprieties by Brigadier General Nauseef.

The attached letter (Tab A) has been forwarded to the Chairman of the Senate Armed Services Committee by the Deputy Assistant Secretary (Military Manpower & Personnel Policy). The Department of Defense will advise us and the Committee of the results of the investigation as soon as possible.

Jay B Yorkeley Capt, USN
for JOHN A. GAUGHAN
Director
White House Military Office

Attachment

C.C. TO TONY LAKE

RETURN TO CLERK

JDP

THE OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301-4000

FORCE MANAGEMENT
AND PERSONNEL

04 FEB 1993

Honorable Sam Nunn
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

I am writing in reference to the nomination of Brigadier General John M. Nauseef, United States Air Force, for promotion to major general, which the President signed on January 16, 1993, and forwarded to the Senate for confirmation. The Secretary of the Air Force is reviewing the results of a recently completed Department of Defense Inspector General administrative inquiry, which alleges improprieties by Brigadier General Nauseef. The Department will advise the Committee of the results of the investigation as soon as possible.

The Department appreciates your assistance in facilitating the confirmation of pending nominations.

Sincerely,

Winter Alexander

ROBERT M. ALEXANDER
Lieutenant General, USAF
Deputy Assistant Secretary
(Military Manpower & Personnel Policy)

2/16/93
1:19 p

ROUTING SLIP

FROM: Mack McLarty
Chief of Staff

DATE: 2-16-93

TO:

Rahm Emanuel		John Podesta	✓
Marcia Hale		Carol Rasco	
Alexis Herman		Bob Rubin	
Nancy Hernreich		Eli Segal	
Anthony Lake		George Stephanopoulos	
Bruce Lindsey		Christine Varney	
Regina Montoya		David Watkins	
Bernie Nussbaum		Maggie Williams	
Howard Paster		OTHER	

003699

FOR YOUR:

Action		Information	
See me			

for the President

copy to Lindsey for response
JDP

JIM SASSER
TENNESSEE

COMMITTEES:
APPROPRIATIONS
BANKING, HOUSING, AND URBAN AFFAIRS
BUDGET—CHAIRMAN
GOVERNMENTAL AFFAIRS

United States Senate

WASHINGTON, DC 20510-4201

February 15, 1993

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

I want to strongly recommend that my Chief of Staff, Craven Crowell, be appointed to the upcoming nine-year term as a Director at the Tennessee Valley Authority. Of all the candidates mentioned so far, Craven is by far the most qualified, having worked as an executive at TVA for nine years.

I also believe Craven would do an excellent job of promoting the Clinton Administration agenda, particularly those goals involving the environment and conservation. He believes in team work and would seek opportunities to form partnerships with other government agencies for the common good.

Your consideration of this request would be greatly appreciated.

Sincerely,

Jim Sasser

Jim Sasser
United States Senator

THE WHITE HOUSE

WASHINGTON

February 23, 1993

MARK
Gearan
fyi
Podesta

MEMORANDUM FOR DAVID WATKINS
Assistant to the President for
Management and Administration

FROM: Marsha Scott
Deputy Assistant to the President
Director of Presidential Correspondence

RE: Payroll

CC: John Podesta
Linda Watson

Please add the following persons to the payroll:

- Patrick Briggs, starting February 7 at 24,000 in the staff assistant slot in the Greetings/Comments area.
- Richard Aamodt, starting February 7, at 25,000 in a mail analyst slot in Mail Analysis.
- Steve Nolet, starting February 7, at 20,000 in Agency Liaison staff assistant slot.
- Emily Curtis, starting February 17, at 20,000 as a correspondence analyst in Mail Analysis.
- Amanda Draper, starting February 17, at 20,000 as a correspondence analyst in Mail Analysis.
- Beth Salerno, starting February 22, at 24,000 in the staff assistant slot in the Gift Unit.
- Susan Beverage, starting February 7, at 25,000 in the case worker slot in Agency Liaison.

Finally, please move David Marchick to the Deputy Director of Correspondence slot, effective February 8, at $55,000.

— Thank you.

DATE: 2/18/93

TO: Howard Paster

FROM: JOHN D. PODESTA
Assistant to the President and
Staff Secretary

ROUTING SLIP

93 FEB 18 A9:46

FROM: Mack McLarty
Chief of Staff

DATE: 2/18/93

TO:

Rahm Emanuel	____	John Podesta	✓
Marcia Hale	____	Carol Rasco	____
Alexis Herman	____	Bob Rubin	____
Nancy Hernreich	____	Eli Segal	____
Anthony Lake	____	George Stephanopoulos	____
Bruce Lindsey	____	Christine Varney	____
Regina Montoya	____	David Watkins	____
Bernie Nussbaum	____	Maggie Williams	____
Howard Paster	____	OTHER	____

FOR YOUR:

Action	____	Information	____
See me	____		

for the President
I've forwarded to Paster for a response, but wanted you to see
jdp

CHAIRMAN
DICK ARMEY
26TH DISTRICT, TEXAS

ROOM 1618
LONGWORTH HOUSE OFFICE BUILDING
202-225-5107

House Republican Conference

U.S. House of Representatives

Washington, DC 20515

93 FEB 18 A9:46

February 17, 1993

President William J. Clinton
The White House
Washington, D.C. 20500

Dear Mr. President,

As you may remember, my first official act as Chairman of the House Republican Conference was to invite you to address our members. Regrettably, there was not time available prior to your swearing-in, and your transition office declined the invite.

House Republicans would appreciate an opportunity to share directly with you our thoughts about economic growth initiatives in the coming week, but would understand if your schedule does not permit that. We would hope to have you visit us some time between now and when Congress adjourns for the Easter recess on April 5.

I would like to reiterate our interest in having you address House Republicans on important issues such as economic growth, health care and welfare reform, how your administation foresees dealing with the changes in Russia and more urgent matters like Bosnia and Somalia, as well as how you view your dealings with Congress and what prospects for bipartisan cooperation may exist.

As you know, Ronald Reagan effectively implemented important reforms by forging a coalition in the House of Republicans and moderate, predominately Southern Democrats. On issues like the line item veto, congressional reform, and welfare reform many of our members would like to work with your administration to enact much needed change.

Sincerely,

Dick Armey

DICK ARMEY
Chairman
House Republican Conference

THE WHITE HOUSE

WASHINGTON

93 FEB 17 A10:18

February 15, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN

SUBJECT: **National Commission to Promote a Strong and Competitive Airline Industry**

The attached is self-explanatory, and is responsive to your interest in having a Commission to focus on the problems of the U.S. airline and the U.S. aircraft manufacturing industries.

This is being done jointly with the Congress because Congress already had the process in place. Doing otherwise would have created enormous antagonism.

Attachment

cc: Dr. Laura Tyson

003150

BR

THE SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

MEMORANDUM FOR THE PRESIDENT

FROM: FEDERICO PEÑA J.B.

SUBJECT: National Commission to Promote a Strong and Competitive Airline Industry

I am making substantial progress in working with the House and Senate on a bipartisan bill to establish the subject Commission. I have been working with key Congressmen and Senators over the past several days, and expect that drafting of a bill will be completed shortly. I anticipate holding a joint press conference with House and Senate members as early as next Tuesday morning to announce the Commission.

The Commission will be bipartisan and comprised of 15 members. Five members (including a Chairman) are to be appointed by you, 5 by the House, and 5 by the Senate. Of the 10 congressional appointees, 6 will be Democratic appointees and 4 will be Republican appointees. In addition, 4 members of Congress and one member of the Administration will serve as *ex officio* members of the Commission to provide advice and counsel. I will be forwarding names of recommended appointees to you soon.

The Commission is to complete its work in 90 days and will investigate the following issues:

- The financial condition of the U.S. airline industry, including but not limited to cost borne by the industry, fares, the impact of deregulation, international aviation policy, the ability of the United States to achieve long-term competitiveness in international aviation, and the cost impact of phaseout and non-addition of noisy aircraft on industry finances.

- The state of the U.S. aircraft manufacturing industry, its financial prospects and ability to compete in the global marketplace.

- The future competitiveness of the domestic airline industry, including legal or other impediments to effective competition.

In each of these areas, the Commission will be charged with understanding the problems, defining their causes, and developing balanced recommendations to you and the Congress on actions that can be taken by the aviation industry or the Government to promote the industry's financial strength and competitiveness.

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

93 FEB 25 P10:45

February 26, 1993

Call to Carl

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN PODESTA

SUBJECT: Tully Children Trust

Carl Wagner has been working to set up a trust for Paul Tully's daughters. He intends to solicit by mail about 4,000 of Paul's friends to contribute to the trust. He has asked that a letter from you to prospective donors be included in the packets remembering Paul, but not directly soliciting funds.

I ran this past Bernie and Vince and they were concerned that a letter from you to donors might set a precedent for requests for other solicitations. They asked that an accompanying letter from you be addressed to Carl and avoid direct solicitation.

I think they are being hyper-sensitive and that given Paul's special friendship and unique role in the party, no precedent would be set by the letter Carl proposes.

In any event, I have redrafted Carl's letter to reflect their perspective. Carl's incoming letter, together with two possible drafts are included for your review and action. If you are agreeable to a letter, please edit either of the enclosed drafts or provide further guidance.

_____Approve Version A to Donors	_____Approve Version B to Carl	_____Discuss Further

Give him OK — John call — Send send

cc: Bruce Lindsey

THE WHITE HOUSE
WASHINGTON

February 18, 1993 93 FEB 19 P5:24

Vince:

Attached is a letter we've previously discussed regarding the educational trust fund for Paul Tully's two daughters.

Please review and return to me A.S.A.P. Thanks for your help.

John Podesta

2/19

John -

Our preference is a letter from the President to Wagner or ~~and~~ a family member which, inter alia, acknowledges his understanding about the effort for the trust fund and wishes it success — the letter could be mass mailed with the solicitation from Wagner

We recognize this is a special case but prefer to avoid precedent of direct solicitation

V

WAGNER COMMUNICATIONS GROUP

[illegible]
[illegible]
Washington, DC [illegible]
[illegible]

16 February 1993

The President
The White House

Dear Mr. President,

I have organized an educational trust for Paul Tully's two daughters. It will be managed by three trustees to be named shortly. In the interim I am serving as a trustee so the fundraising and management tasks of the trust can be undertaken. In that capacity I am sending a letter soliciting contributions to former colleagues of Paul, including those who worked in the campaigns of Senator Kennedy, Vice President Mondale, and Governor Dukakis. Your campaign has also provided a comparable list.

To enhance the success of this effort I would like to include a letter from you in the mailing acknowledging the contribution Paul made to public service and politics. A proposed draft is enclosed. It would not solicit contributions directly as I think that would be inappropriate.

I am sorry to address a painful memory so close to your inauguration, but appreciate your help.

Swe and I are hopeful and happy for you, Hilary and Chelsea. Hopefully we will see you personally to extend our congratulations. Of course, you have our standing offer to assist you in any way we can in fulling the mission of your Presidency. The entire nation hopes and will help in the enterprise of your governance. I'm a phone call away if I can be of assistance.

Sincerely,

Carl

Carl R. Wagner

cc Bruce Lindsey
John Podesta
Enclosures

Version B

Dear Carl,

The loss of Paul Tully deeply saddened Hillary and me. He was a dear friend and a trusted advisor.

Paul had one of the nation's best political minds -- and one of its biggest hearts. He gave himself to politics and principles in the only way he knew how -- with unstinting energy and all-out commitment. We will miss him and so will our party and our country.

No one, of course, will miss Paul more than his own family. That's why I am grateful to hear that you have stepped forward to help Paul's family in a special and important way -- by organizing the Paul Tully Trust to help meet the costs of education for Paul's daughters Jessica and Miranda.

I hope that all those who receive your letter about Paul will take the time to read about him and about the new trust fund, which will honor the memory of a cherished friend and colleague who touched each of our lives in his own unique and special way.

Version A

TRUST FOR THE DAUGHTERS OF PAUL TULLY
COPY: 16 February 1993

Bill Clinton

Ms. Jane Donor
1121 Main Street
Washington, D.C. 20013

Dear Jane,

The loss of Paul Tully deeply saddened Hillary and me. He was a dear friend and a trusted advisor.

Paul had one of the nation's best political minds -- and one of its biggest hearts. He gave himself to politics and principles in the only way he knew how -- with unstinting energy and all-out commitment. We will miss him and so will our party and our country.

No one, of course, will miss Paul more than his own family. Carl Wagner, one of Paul's closest friends, has stepped forward to help Paul's family in a special and important way -- by organizing The Trust for the Daughters of Paul Tully to help meet the costs of education for Pauls daughters Jessica and Miranda.

I hope that you will take the time to read the enclosed letter from Carl about the trust fund which will honor the memory of a cherished friend and colleague who touched each of our lives in his own unique way.

With thanks,

Bill Clinton

The Trust for the Daughters of Paul Tully

Ms. Jane Y. Donor
1121 Main Street
Washington, D. C. 20013

Dear Jane,

"Tully."

Just the single word evokes a hundred memories -- the grunts that communicated what words couldn't, the body language that said even more, the irreverence, the humor, the big heart and the relentless devotion to a politics that matters.

Paul started his political life (given the all-consuming nature of his commitment and his lack of interest in personal advancement, one could hardly call it a career) in 1968.

That year was his reference point. His U.S. Senator was Robert Kennedy. The moral spokesman for the country was Martin Luther King. The call of our Presidents was for a New Frontier and A Great Society. The challenge they put forward was for personal commitment and above all personal involvement. The sidelines were for football.

Paul stepped up to that challenge barely three weeks after graduation and never quit. It became the driving principle of his life. It accounted for his energy and relentless devotion to politics.

For Paul the payoff of politics was participation -- not politics. There was no audience he enjoyed more than the young. A group of kids wondering whether it was worth their while to get involved, worth risking their hopes on taking politics seriously.

That was his audience. He would pace, he would huff and puff, and he'd reason. But, above all, he would inspire. He left no doubt about his belief -- he was a liberal -- and no question that every person's shoulder should be at the wheel of change.

Tully left so much behind. He strengthened the convictions, lifted the spirits, and bettered the skills of almost everyone whose life he touched.

If you knew Tully well, though, what he didn't leave behind won't surprise you: no personal possessions to speak of, no portfolio of investments, no money to help with his daughters' education.

That's where you and I come in. Paul gave so much of himself to each of us. Now, it's time to give a little back. A group of Paul's friends have established The Trust for the Daughters of Paul Tully, a fund whose sole purpose is to pay for the education of Jessica and Miranda.

I am writing on behalf of the Trust to ask that you consider sending as generous a contribution as you can possibly afford. We're hoping that many of Paul's friends will send gifts of $500, $1,000 or more. But, each of us will have to personally decide the amount of our contribution.

All I ask is that you be as generous as possible and, in considering how much to send, you remember how much Tully meant to the candidates he worked for, the causes he devoted himself to and the people he taught about politics and about life.

Thank you in advance for your personal generosity.

Sincerely,

Carl R. Wagner

P.S. The Trust for the Daughters of Paul Tully is being administered by the (name of bank). We have enclosed a reply envelope so that you can return your gift directly to that location.

REPLY FORM

The Trust for the Daughters of Paul Tully

I am pleased to make a special, tax deductible contribution to The Trust for the Daughters of Paul Tully. I understand that the funds I am contributing will be used for the purpose of furthering the education of Paul's daughters, Jessica and Miranda.

My gift is in the amount of:

___$1,000 ___$500 ___Other ($_____)

Chron

THE WHITE HOUSE
WASHINGTON

DATE: 2/25

TO: MACK, HOWARD, RAHM

FROM: **JOHN D. PODESTA**
Assistant to the President and
Staff Secretary

The attached was provided by a friend on the Hill — unsolicited.

456.2215

John --

I am enclosing the text of Shelby's banking committee statement, which consists of his stating that the Administration's plan is 70 percent tax increases and only 30 percent spending cuts, questioning the President's economic assumptions, and complaining about the "lack of emphasis that I see on spending cuts in the proposal."

The language itself does not read as being that strongly anti-Administration on the page, but in the hearing itself, it was delivered in a hostile, annoyed fashion indicating strong unhappiness with the plan.

I am also enclosing recent clips which demonstrate that the positions expressed in the hearing were consistent with statements made elsewhere.

If I can be of assistance, please let me know.

-- JMW JMW

1 statement be made a part of the record.

2 The Chairman. Without objection.

3 Senator Shelby. And I have a couple of comments.

4 Chairman Greenspan, I'm very interested, as all America

5 is, I suppose, in your reaction to the Administration's

6 proposal.

7 As I read the Administration's plan, it seems that 70

8 percent of deficit reduction will be financed by tax

9 increases rather than spending cuts.

10 Do we need a short-term stimulus that creates short-

11 term jobs, for the most part? Have we cut spending enough?

12 How severe is the impact of these higher taxes on the

13 economy?

14 You're in a position to gauge this better than most.

15 I'm also, Chairman Greenspan, interested in economic

16 assumptions used by the President. For example, the

17 President relies on the economic assumptions compiled by the

18 Congressional Budget Office. He predicts short-term T-bill

19 rates at 4.3 for 1994, and ten-year Treasury note rates of

20 6.6.

21 Given the lack of emphasis that I see on spending cuts

22 in the proposal, do you believe that the investors will

23 retain the level of confidence suggested by these rates?

24 I think that's very important, too, and I know you're

25 going to have a chance to comment on all this. I've got to

20 spending, now more than a trillion a year, would be reduced
21 by only $5 billion next year and $6 billion in 1995.
22 All the rest of the deficit reduction would be
23 accomplished by tax increases. Only in the last two years of
24 Mr. Clinton's terms would spending cuts begin to bite.
25 And then in the commentary, and this is the point that I

1ST STORY of Level 1 printed in FULL format.

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The Boston Globe

February 21, 1993, Sunday, City Edition

SECTION: NATIONAL/FOREIGN; Pg. 23

LENGTH: 1028 words

HEADLINE: Local interests bedevil cuts

BYLINE: By Michael Kranish, Globe Staff

DATELINE: WASHINGTON

KEYWORD: CONGRESS REACTION BUDGET DECREASE ECONOMY BILL CLINTON

BODY:

Republican Sen. Phil Gramm of Texas is among the loudest critics arguing for bigger federal budget cuts. But what about eliminating the superconducting supecollider, being built in his home state? Not if he can help it, the senator said Friday, bemoaning the decline in governmental "science spending."

Democratic Sen. Richard Shelby of Alabama embarrassed Vice President Al Gore by telling him in front of reporters last week that President Clinton's plan did not cut enough spending. So what about saving $ 10 billion by killing the space station, which benefits aerospace workers in Alabama?

Shelby would be "very concerned" about any cut and would oppose it, his press secretary said. Does he have any specific cuts to offer Clinton? "We don't really have concrete places we can give you for cuts," his press secretary, Tricia Primrose, said. "We would be happy to try to revisit this with you next week."

It was this attitude - some call it hypocrisy - that Clinton doubtless had in mind when he said in St. Louis last week that he would consider bigger spending cuts, but only if his opponents were specific. "Not hot air," Clinton said. "Show me where."

For all the talk about taxes as Clinton began his make-or-break job of trying to sell his budget package, it is quickly becoming clear that the question of where to cut spending will drive much of the debate.

The result, ultimately, could be stalemate. Many of the same people calling for cuts are doing everything in their power to protect their pet projects. Yet much of the debate is over these programs.

Gramm, in an interview Friday, said Clinton has misled the public by promoting his plan as a dramatic reduction in domestic spending. Gramm said that the domestic cuts are outweighed by what Clinton has called increased "investment," with the only overall reduction coming as a result of decreased defense spending.

Over four years, Clinton's plan cuts spending by $ 247 billion, of which $ 76 billion is from defense. At the same time, the plan increases domestic

spending by $ 169 billion. Thus, excluding new taxes from the equation, Clinton has a net spending reduction of $ 78 billion.

"There are no net spending cuts in any area of the federal budget except defense," Gramm said. The Texas senator said that Clinton should cut much more deeply from domestic programs.

That raises the question of whether Gramm would support cutting programs that benefit Texas, such as the supercollider. Eliminating the program would save $ 3 billion over five years, according to the Congressional Budget Office. Gramm leaves no doubt he wants to protect the massive project.

"We spent 5.2 percent of the budget on science 25 years ago and today we are spending 1.8 percent of the budget on science," Gramm said "I do not believe that science spending is the problem."

But Gramm is highly sensitive to charges that he is all for cutting programs except those that benefit his home state. So he put out a challenge to Clinton: If the president will name a level of spending that he wants to cut, Gramm will match him. Gramm said he can cut spending to any level without harming the supercollider, but he said that in principal he would put the supercollider on the table.

In general, Clinton's cuts have raised relatively little outcry in comparison to his proposed new taxes. If the same cuts had been proposed by a Republican president, it is likely Democrats would have blasted them as unfair. Thus, Clinton has shown that, if nothing else, he is able to propose spending cuts that are acceptable to both parties.

But Clinton could have gone much further. Some of his advisors urged him to cut or eliminate the most visible signs of questionable spending, such as the supercollider and the space station. Cutting just those two programs would have saved saved $ 13 billion over five years.

But Clinton was intensely lobbied by members of Congress who fought to save their pet programs. In the case of the supercollider, Clinton's political advisers warned him that he would be breaking a campaign promise if he killed it - and that he also might be endangering the election prospects of Democrat Robert Krueger, who is running to replace Lloyd Bentsen in the Senate. Bentsen, now Treasury Secretary, also lobbied Clinton to keep the supercollider intact.

Indeed, the political muscle of Democrats and Republicans has already been felt in the White House. When Clinton was figuring out how to put together an energy tax, he was strongly lobbied by Sen. Robert Byrd of West Virginia to give a break to the coal industry. Byrd got what he wanted - the energy tax will hit coal only half as hard as oil - largely because he is the chairman of the Senate Appropriations Committee.

While there was plenty of bickering last week over the need for more spending cuts, there were relatively few replies to the president's call for specific suggestions. One of the few to answer the call was Rep. Scott Klug of Wisconsin, a Republican who sent Clinton a list of 79 proposed cuts. Among Klug's suggestions was that the supercollider be abandoned and that an expensive new Space Shuttle engine be discontinued.

Klug, however, wondered whether such cuts would take place because they have such powerful defenders in Congress in both parties. He noted that an array of legislators, especially in Texas, are protecting the supercollider, while the Space Shuttle engine is being built in the district of Rep. Jamie Whitten, the Democrat who until recently was chairman of the House Appropriations Committee.

Eliminating the program to build the advanced solid rocket motor would save $ 1.9 billion over five years, according to the Congressional Budget Office. The engine has been criticized as unnecessary by critics who say other, less expensive modifications in the shuttle can improve safety better than a new engine.

"The problem is not in the White House," Klug said. "The problem is in the Congress. They don't want to cut stuff. This is the real dilemma for the president. He has to run this gauntlet of Congress where everyone is protecting their programs."

4TH STORY of Level 1 printed in FULL format.

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GANNETT NEWS SERVICE

February 18, 1993, Thursday

LENGTH: 698 words

HEADLINE: GOP ATTACK ON CLINTON PROPOSAL INTENSIFIES

BYLINE: NORM BREWER; Gannett News Service

DATELINE: WASHINGTON

KEYWORD: CLINT-CONGRESS2-19

BODY:

WASHINGTON _ Republican lawmakers are betting that public support for President Clinton's economic package will erode as people become more aware of how hard it will hit them.

Polls taken immediately after Clinton's speech showed people approving of the package by at least 4 to 1, with the implicit warning that Republicans could end up holding the short stick if they didn't temper their harsh criticism.

But as new holes showed up in Clinton's package Thursday, Republicans were, if anything, sharpening their tongues as Congress shut down for the weekend and lawmakers went home to face voters.

"This is nothing but tax and spend, wrap it any way you want to," Ohio Rep. John Kasich, ranking Republican on the House Budget Committee told Democrats in a floor speech. "You'd better watch yourselves when you go home this weekend."

If Clinton's basic strategy is to take his plan to the people, Republicans also are signaling a willingness to fight on that turf: Before Clinton got to St. Louis Wednesday, Missouri's GOP senators, Christopher Bond and John Danforth, had been there, setting out their objections.

Meanwhile, Vice President Al Gore began shoring up Democratic support. One lawmaker he called in to his Capitol office was Sen. Richard Shelby, D-Ala., a conservative who sees Clinton's package as "high on taxes and low on cuts."

Gore "was telling me how important it was to keep the package together and for all of us to vote together," Shelby said.

Shelby said he told Gore he would offer suggestions for spending cuts, and Gore encouraged that.

"They realize there are going to be changes ...," Shelby said. "This is just Round One in what will be a long process."

Most Democrats have closed ranks behind Clinton, praising his economic address Wednesday as breaking the neglect that Ronald Reagan and George Bush showed toward domestic problems for the past decade.

"The country found out it had a leader with courage and vision," said Rep. Vic Fazio of California, chairman of the House Democratic caucus. "I think the nation is ready to follow."

But Rep. Anna Eshoo, D-Calif., set out in a floor speech how lawmakers are being torn. Groups trying to protect their special interests are applying tremendous pressure, and congressional careers are "on the line," she said, while adding that it is a time for "courage."

Clearly, then, there's virtually no chance Democrats will stay in line if Clinton can't hold public support.

Rep. Dick Armey of Texas, who chairs the House Republican caucus, said people's initial reaction to Clinton's speech was a testament to his ability as a "rhetorical innovator."

But, Armey said, "I'd be surprised if that holds up ... as people read the details and watch what he does more than what he says."

That argument was fueled Thursday when the White House released more details on Clinton's plan. The new documents made clear that the net reduction in the federal budget deficit will be $ 325 billion over four years. A $ 493 billion deficit reduction figure the administration claimed on Wednesday failed to take into account new spending and tax breaks Clinton is also proposing.

"That is not good faith on the part of the administration," Rep. Gerald Solomon, R-N.Y., said. "If he (Clinton) expects to get Republican support and conservative Democrat support, the figures have got to be honest."

The other basic complaint by Republicans is that new taxes will be greater than spending cuts. "We're asking the American people to pay taxes so we (Congress) can spend more," said New Mexico Sen. Pete Domenici, ranking Republican on the Senate Budget Committee. "I don't know how that's going to help the economy."

Rep. Spencer Bachus, R-Ala., said past performance shows the Democrat-controlled Congress is "totally, pathologically drunk on spending. The bartender (Clinton) just told the drunk, 'Here, Buddy, you'd better have another drink."

But Democrats counter that over the four years of Clinton's presidency, he will reduce the annual deficit by $ 140 billion _ nearly half _ while reinvigorating the economy.

"I'm interested in the long-term effects of the package," said Rep. David Obey, D-Wis.

SUBJECT: REPUBLICAN PARTY; SPEECH; CONGRESS; CLINTON ECONOMIC PLAN:REACTION:GOP:OPPOSITION

Chron

THE WHITE HOUSE
WASHINGTON

DATE: 2/25/93

TO: NANCY SOUDERBERG

FROM: **JOHN D. PODESTA**
Assistant to the President and
Staff Secretary

Can you take care of this
i.e. send a letter from the
President. Let me know if
that's inappropriate.

MAX BAUCUS
MONTANA

WASHINGTON, DC
(202) 224-2651

MONTANA
TOLL FREE NUMBER
1-800-332-6106

United States Senate

WASHINGTON, DC 20510

Dwight -

This is the letter I told you about. If you can get them a TY note it would be very much appreciated.

Thanks

John

(224-3639)

This is the letter I mentioned to you from Ed's Burmese friends in Thailand. As I think Ed told you, they're just looking for a thank you/acknowledgment.

~~Dott~~
Dwight

BILLINGS (406) 657-6790 | BOZEMAN (406) 586-6104 | BUTTE (406) 782-8700 | GREAT FALLS (406) 761-1574

ORGANIZATION OF PEACE AND NATIONAL DEVELOPMENT
(BURMA)

DATED : DECEMBER 15, 1992.

CONGRATULATORY MESSAGE

To,

Mr. President
United States of America.

Dear Sir,

On this special occasion of being elected as the " Forty Second President of the United States of America ", we would like to extend our best wishes and congratulations to you and the Vice President.

As a world leader, we earnestly hope and wish that you and your administration can bring prosperity to your fully democratic country. We also hope that you can concentrate on economic and social problems in your country and wish you success in carrying out these tasks. Also, as you and your admirable congress had committed for human rights, we hope you will look into the political situation of our country and help the people freedom from fear and plight caused by tyrant military dictatorship.

Yours sincerely

Kyaw Dun
(Chairman)
Central Political Bureau
Organization of Peace and National Development

THE WHITE HOUSE
WASHINGTON

February 27, 1993

MR. PRESIDENT:

The attached is prepared each week by the Office on Management and Budget for Leon Panetta and senior White House staff. I thought you might like to see the document or a summary each week. Please indicate your preference.

[ ] receive entire document

[ ] receive summary

[ ] route to NEC

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 26, 1992

MEMORANDUM FOR THE DIRECTOR

FROM: Joseph J. Minarik

SUBJECT: Friday Economic and Financial Report

SUMMARY

The revision to fourth quarter GDP announced this morning, along with other information, suggests:

- The economy is stronger than generally appreciated. Real GDP advanced at a 4.8 percent annual rate in the fourth quarter, up from the 3.8 percent estimated earlier. Growth appears to be between 3 and 4 percent in the current quarter.

- The FY 1993 budget deficit may be $9 billion and the FY 1994 deficit $16 billion lower than estimated previously, other things unchanged. **[Internal use only.]**

- Long-term interest rates have declined about 85 basis points since last November, reflecting in part the financial markets' favorable response to the Administration's economic package. Such a sustained decline in rates could add as much as 1 percent to the level of real GDP by the end of 1993 and 2-1/2 percent by the end of 1994, other things unchanged, according to a model simulation. Some of these effects are already included in the budget estimates.

In its semiannual report to Congress this week:

- The Fed expects 1993 GDP growth to be 3 to 3-1/4 percent, slightly higher than the 2.8 percent used for the baseline budget estimates.

- The Fed announced a 1/2 percentage point cut in M2 and M3 growth targets for 1993 on the grounds that slow money growth is a consequence of a continued shift by investors into nonmoney instruments, such as stocks and bonds. The lower targets do not imply a tighter monetary policy.

Things Are Seldom What They Seem

This morning, the Commerce Department revised its initial estimate of fourth quarter real GDP growth upward by one full percentage point to a 4.8 percent annual rate. The new GDP figures make the fourth quarter the strongest in five years.

- o Consumers rediscovered their Christmas spirit to an even greater extent than estimated earlier, and exporters managed to boost their sales despite weakening markets abroad. These two components accounted for all of the GDP revision.

- o On balance, the changes to the other components were about offsetting.

Although the inflation rate measured by the GDP price deflator was revised up slightly, at 2.0 percent it still remained low by historical standards. Higher real growth and inflation resulted in an upward revision to nominal GDP by almost $12 billion. (For details of the GDP revision, see attachment.)

	1992				
	Q1	Q2	Q3	Q4	
				Prelim	Revised
	(% change, annual rate)				
Real GDP	2.9	1.5	3.4	3.8	4.8
Real Final Sales*	4.7	-0.1	2.8	4.5	5.2
GDP Deflator	3.1	2.7	2.0	1.7	2.0
Nominal GDP	6.2	4.3	5.3	5.7	7.1

*GDP minus inventory

This revision, along with the sharp drop in long-term interest rates since November and other new information, implies the FY 1993 budget deficit might be lowered by $9 billion if nothing else changes, and the FY 1994 deficit by $16 billion. **[These estimates are for INTERNAL USE ONLY.]**

The pace of expansion in the fourth quarter is not sustainable. Consumer spending, which comprises two-thirds of GDP, is not likely to continue at the nearly 5 percent annual rate of the fourth quarter or the 10 percent clip of December -- Christmas, as we all know, comes but once a year. Nor is it likely that exports can maintain the 10 percent annual rate of growth of the last quarter when the economics of our major trading partners are stagnating.

Nonetheless, the fourth quarter GDP figures, as well as the limited information for January-February, suggest that there is sufficient forward momentum to achieve between a 3 and 4 percent rate of GDP growth in the current quarter. The CBO projection used for the baseline FY 1993 deficit projection was a 2.7 percent annualized growth rate. **[For INTERNAL USE ONLY.]**

Among the recent upbeat indicators:

- In the last two weeks, **initial claims for unemployment insurance**, including emergency program claims, fell to nearly their lowest level of the past 14 months. That suggests the February labor market report, to be released next Friday, may show new job creation continued at the December-January pace of about 100,000 new jobs per month.

- Discretionary spending on furniture and general merchandise were strong in January and **retailers** report buoyant sales continuing. Also, **domestic car sales** so far this year have held at about the 6-1/2 million unit annual rate of the fourth quarter.

However,

- **Consumer confidence** moved down in February, as measured by the University of Michigan Index of Consumer Sentiment (-3.0 percent) and the Conference Board Index (-10.7 percent). Nonetheless, confidence has improved substantially since the election.

- **Housing starts** fell 1.7 percent in January, in part because of adverse weather.

- Orders for **durable capital goods** were off in January, after a strong rise in December.

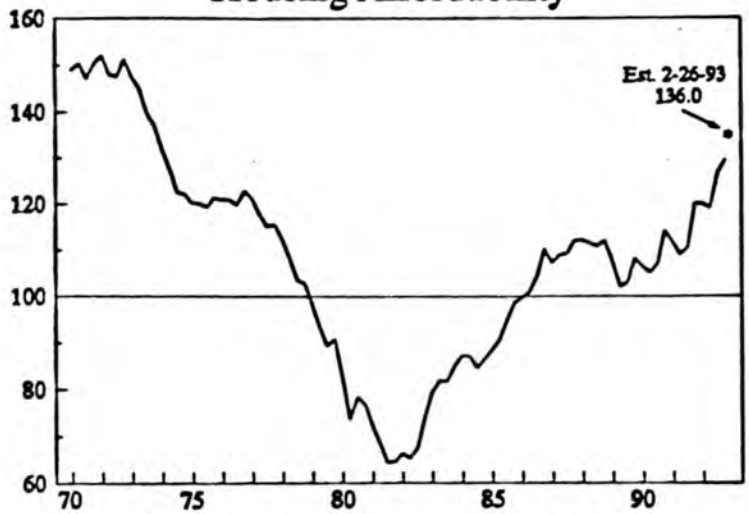
Looking Ahead

The recent significant decline in long-term rates, if sustained, will mean economic strength well beyond the current quarter.

- The yields on 30-year Treasury bonds have declined about 85 basis points since the election. Mortgage and other private sector long rates have fallen by similar amounts.

- Refinancing is surging again, easing the burden of mortgage payments and freeing income for consumption. Lower mortgage rates have also made purchasing a house more affordable than at any time since the early 1970s.

Housing Affordability



Note: A reading of 100 indicates that a family earning the median income had sufficient income to obtain a mortgage on a median-priced home. The higher the index, the more affordable is purchasing a home.

Source: National Association of Realtors

o Based on a simulation with the Laurence H. Meyer & Associates macro model, a sustained 85 basis point decline in long-term interest rates would raise real GDP about one percentage point by the fourth quarter of 1993 and by two and a half percentage points by the end of 1994. The biggest beneficiaries are business fixed investment and housing. Some of the simulation-based improvement is already reflected in the Administration's budget assumptions that included a 20 basis point decline in long-term rates through the end of 1994.

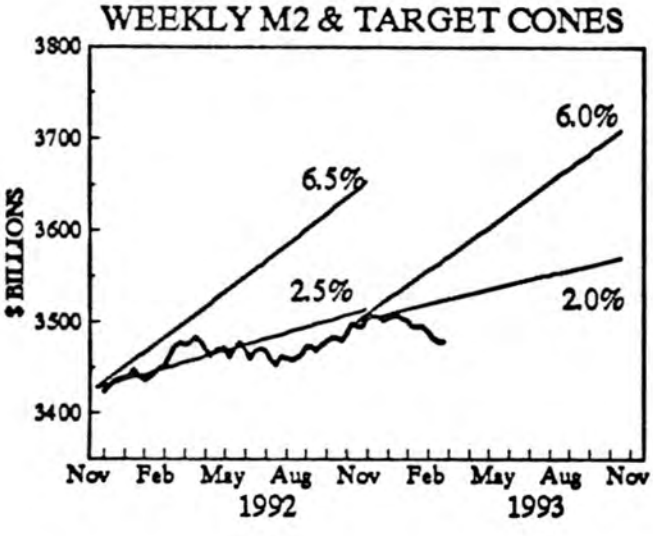
Effects of 85 Basis Point Decline in Treasury Bond Rates*
(change relative to the baseline)

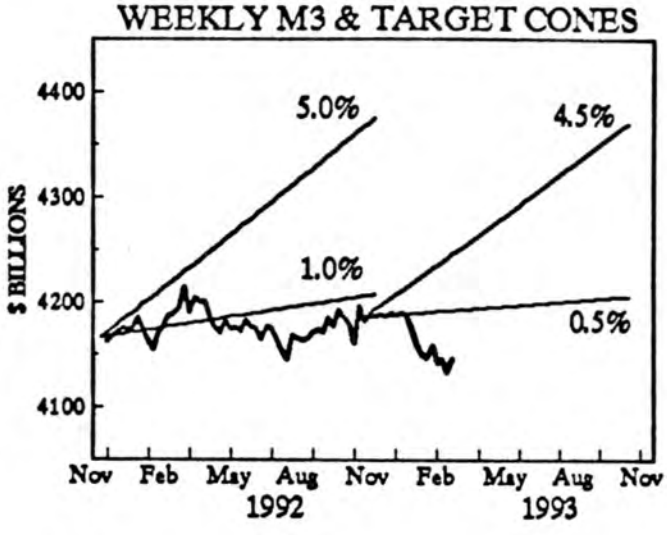
	Percent Increase by Q4/93	Percent Increase by Q4/94
Treasury Bond Rate, Basis Points	-85	-85
Real GDP	1.0	2.5
Personal Consumption Expenditures	0.5	1.5
Nonresidential Investment	3.7	8.9
Residential Investment	3.3	5.6
CPI	0.3	0.6

*Simulation performed with the Laurence Meyer & Associates model.

Highlights of the Fed's Monetary Policy Report

The Federal Open Market Committee's (FOMC) semiannual report to Congress presents a relatively sanguine picture of the economic outlook despite the weakness of the money aggregates and the Fed's failure to meet its targets. The Fed attributes the continued slow money growth to structural changes that it expects to persist through this year. Therefore, it decided to lower the money targets initially set for 1993 to ranges believed to be more consistent with the current demand for money. The Fed expects its revised targets to be generous enough to permit slightly higher GDP growth in 1993 than assumed in the Administration's budget.





Explanation for the Money Shortfall -- Last year, M2 grew by 1.9 percent, which was below the FOMC's wide target range of 2-1/2 to 6-1/2. The broader aggregate, M3, increased by only 0.5 percent, also below its 1 to 5 percent target band. The only aggregate to stay within its targets was the total debt of financial sectors. Last week, the FOMC lowered both the M2 and M3 target ranges by 1/2 percentage point.

The Fed attributes most of the shortfall in money growth to voluntary shifts from money holdings to the capital market.

- Bond and equity mutual funds (excluding retirement accounts) increased by $125 billion last year, up from an increase of $117 billion in 1991 and an average increase of just $30 billion over each of the previous five years.

- The 1991-92 increases in mutual fund assets exceeded the absolute increase in M2 for the first time ever.

- The Fed believes this trend is due, in large part, to the steeply sloped yield curve which makes the return on M2 and M3 deposits very unattractive. It expects this trend to continue as long as the yield curve remains steep.

A second factor cited by the Fed as contributing to weakness in money growth relates to households' restructuring of debt. Consumer loan rates have moved down less rapidly than deposit rates, providing a considerable incentive to use funds in deposit accounts to pay down debt or limit its growth.

What Does All This Mean?

The Fed views the restructuring of debt and asset shifts as healthy signs for future economic growth and is not concerned about the associated slowdown in the broader money aggregates. It believes it has fully accommodated the need for transactions balances consistent with a strong economy.

- The growth in narrowly defined money, M1, accelerated to 14.3 percent last year, the second fastest increase on record.

- Total bank reserves increased by 20 percent last year. The monetary base, which includes bank reserves and currency, rose by a record 10.5 percent.

- Slow money growth did not inhibit the real economy from accelerating to a 4 percent pace in the second half of 1992.

Strong Economy Seen in 1993 -- FOMC members generally see the economic outlook as slightly better than assumed in the budget baseline, with higher growth and lower inflation.

- The central tendency of real GDP projections by FOMC members is for 1993 growth of 3 to 3-1/4 percent. This compares to the budget baseline assumption of 2.8 percent. (The FOMC projections were based on a somewhat higher level of GDP in the fourth quarter of 1992 than in the budget.)

- The FOMC's expected increase in the CPI this year is 2-1/2 percent to 2-3/4 percent, lower than the 2.8 percent in the budget baseline.

- The unemployment rate is estimated at 6-3/4 to 7 percent by the FOMC members, about the same as the Administration's 6.9 percent.

The comparison with the FOMC projections highlights the realistic baseline adopted by this Administration for its budget projections. Previous Administrations consistently assumed stronger growth than the FOMC -- and more often than not have been disappointed -- and deficits have been higher than anticipated.

<u>Bottom Line</u> -- The Fed will accommodate a moderate rate of economic growth this year. Given the sharp structural shifts in money demand, it is likely to react more strongly to its perception of the real economy and incipient inflationary pressures than to another failure to hit its money targets. Short-term interest rates will probably be held steady throughout the year.

REVISED FOURTH QUARTER GDP

Real GDP growth was revised up 1 percentage point to a 4.8 percent annual rate, the fastest growth since 1988/Q4. Although inflation was revised up slightly, it still remains low at just a 2.0 percent rate.

	1992				
	Q1	Q2	Q3	Q4	
				Prelim.	Revised
	(% change, annual rate)				
Real GDP	2.9	1.5	3.4	3.8	4.8
Real Final Sales	4.7	-0.1	2.8	4.5	5.2
GDP Deflator	3.1	2.7	2.0	1.7	2.0

The stronger growth was due primarily to higher consumer spending and exports. Revisions to the other components were relatively small.

	(% change, annual rate)				
Consumer Spending	5.1	-0.1	3.7	4.3	4.8
Nonresidential Fixed Invest.	3.0	16.1	3.1	9.7	9.9
Residential Investment	20.1	12.6	0.2	29.1	26.1
Government	1.7	-1.2	3.8	-1.7	-2.1
Federal	-3.0	-2.7	7.5	-3.3	-4.0
State & local	5.1	-0.2	1.4	-0.6	-0.8

Exports were revised up substantially, leading to a smaller foreign sector deficit. Inventory accumulation was also stronger than previously estimated.

	($87 billions)				
Inventory Change	-12.6	7.8	15.0	7.2	9.9
Nonfarm	-10.7	6.0	9.6	3.0	5.7
Net Exports	-21.5	-43.9	-52.7	-54.6	-48.0
Exports	565.4	563.4	575.9	581.2	589.5
Imports	586.6	607.3	628.6	635.8	637.4

Stronger consumer spending was matched by stronger growth of real disposable income, leaving the saving rate unchanged at 4.5 percent. Profits rose sharply.

	(% change, annual rate)				
Saving Rate	4.9	5.3	4.6	4.5	4.5
Real Disposable Income	3.7	1.2	0.5	3.8	4.4
Corporate Profits	49.8	4.7	-13.9*	NA	40.5 est.

***Q3 profits were depressed by the effects of Hurricanes Andrew and Iniki. Excluding these, profits rose at a 35.6 percent rate.**

EP 26-Feb-93

	Dec-91	Jan-92	Feb-92	Mar-92	Apr-92	May-92	Jun-92	Jul-92	Aug-92	Sep-92	Oct-92	Nov-92	Dec-92	Jan-93
BUSINESS SECTOR														
Nondefense Capital Goods Orders, Billion $	27.0	30.1	29.5	32.2	29.9	30.5	31.0	29.3	28.2	30.6	31.7	28.6	34.0	30.8
Percent	-18.4	11.6	-2.1	9.2	-7.0	1.9	1.6	-5.4	-3.9	8.6	3.6	-9.7	18.8	-9.3
Nonresidential Construction Put in Place, Billion $	123.3	123.0	125.0	128.5	127.2	124.1	127.6	124.7	117.8	122.5	123.5	123.4	120.0	NA
Inventory Change Book Value, Billion $, A.R.	9927.0	-37.2	5.5	19.1	29.1	-7.2	46.1	42.0	19.2	-18.2	16.0	16.5	36.5	NA
Inventory/Sales Ratio, Total Business	1.55	1.54	1.52	1.51	1.51	1.52	1.50	1.49	1.51	1.50	1.49	1.48	1.46	NA
INFLATION INDICATORS														
CPI, Percent	0.2	0.3	0.2	0.4	0.3	0.1	0.2	0.3	0.2	0.1	0.4	0.2	0.1	0.5
CPI Less Food and Energy, Percent	0.2	0.4	0.3	0.3	0.3	0.3	0.1	0.3	0.2	0.1	0.5	0.3	0.2	0.5
PPI Finished Goods, Percent	-0.2	0.0	0.2	0.2	0.2	0.3	0.2	0.0	0.1	0.2	-0.1	-0.1	0.1	0.2
PPI Less Food and Energy, Percent	0.2	0.5	0.1	0.3	0.3	0.4	-0.2	0.1	0.0	0.1	-0.1	0.1	0.2	0.4
Gold, $ per ounce	360.4	354.4	353.8	343.8	338.2	337.3	341.3	353.2	344.6	345.3	344.0	334.4	334.0	329.4
W. Texas Spot Oil Price, $/bbl	19.5	18.8	19.0	18.9	20.2	20.9	22.4	21.8	21.4	21.9	21.7	20.3	19.4	19.1
MERCHANDISE TRADE														
Exports, Billion $, A.R.	432.6	425.6	451.9	445.0	436.9	428.6	458.0	453.7	429.6	454.6	468.9	458.2	476.7	NA
Imports, Billion $, A.R.	500.1	497.0	492.9	513.7	521.9	514.8	539.5	542.0	539.7	558.6	555.9	546.4	560.2	NA
Deficit, Billion $, A.R.	-67.5	-71.3	-41.1	-68.7	-85.1	-86.2	-81.5	-88.4	-110.1	-104.0	-87.0	-88.2	-83.4	NA
U.S. EXCHANGE RATE														
Multilateral	85.7	86.1	88.0	90.4	89.8	88.3	85.9	82.6	81.0	82.0	85.0	90.0	90.5	92.4
Percent	-2.6	0.5	2.3	2.7	-0.7	-1.7	-2.7	-3.9	-1.9	1.2	3.7	5.9	0.5	2.1
Yen/$	128.0	125.5	127.7	132.9	133.5	130.8	126.8	125.9	126.2	122.6	121.2	123.9	124.0	125.0
DM/$	1.56	1.58	1.62	1.66	1.65	1.62	1.57	1.49	1.45	1.45	1.49	1.59	1.58	1.61
$/Pound	1.83	1.81	1.78	1.72	1.76	1.81	1.86	1.92	1.94	1.85	1.65	1.53	1.55	1.53
MONEY AND CREDIT														
M2, Billion $	3445.8	3451.0	3467.7	3469.5	3468.3	3470.9	3465.4	3467.0	3475.8	3483.6	3496.9	3505.6	3504.0	3492.3
Percent	3.5	1.8	6.0	0.6	-0.4	0.9	-1.9	0.6	3.1	2.7	4.7	3.0	-0.5	-3.9
M3, Billion $	4168.1	4172.2	4189.0	4186.6	4181.4	4183.1	4173.4	4172.3	4182.1	4186.2	4186.2	4188.4	4176.4	4149.3
Percent	1.5	1.2	4.9	-0.7	-1.5	0.5	-2.7	-0.3	2.9	1.2	0.0	0.6	-3.4	-7.5
C&I Loans & Commercial Paper, Billion $, N.S.A.	993.8	988.4	994.9	1000.0	996.8	1000.0	996.8	991.5	986.8	982.1	988.2	991.6	996.9	NA
Percent, A.R.	-7.1	-6.3	8.2	6.3	-3.8	3.9	-3.8	-6.2	-5.6	-5.5	7.7	4.2	6.6	NA
C&I Loans, Billion $	457.0	455.2	455.5	454.3	452.3	454.3	452.3	448.0	443.6	440.1	440.3	439.9	441.0	NA
Commercial Paper, Billion $	536.8	533.2	539.4	545.7	544.5	545.7	544.5	543.5	543.2	542.0	547.9	551.7	555.9	NA
INTEREST RATES														
Federal Funds Rate	4.4	4.0	4.1	4.0	3.7	3.8	3.8	3.3	3.3	3.2	3.1	3.1	2.9	3.0
T-Bill, 3 Month	4.1	3.8	3.8	4.0	3.8	3.6	3.7	3.2	3.1	2.9	2.9	3.1	3.2	3.0
T-Bond, 30 Year	7.7	7.6	7.9	8.0	8.0	7.9	7.8	7.6	7.4	7.3	7.5	7.6	7.4	7.3
Corporate AAA Bonds	8.3	8.2	8.3	8.4	8.3	8.3	8.2	8.1	8.0	7.9	8.0	8.1	8.0	7.9
Mortgage Commitment Rate	8.9	8.7	8.5	8.4	8.8	8.9	8.9	8.7	8.5	8.1	8.0	7.9	8.1	NA
STOCK MARKET														
Dow Jones 30 Industrials	2958.6	3227.1	3257.3	3247.4	3294.1	3376.8	3337.8	3329.4	3307.5	3293.9	3198.7	3238.5	3303.2	3277.7
Standard & Poor's 500	388.5	416.1	412.6	407.4	407.4	414.8	408.3	415.1	417.9	418.5	412.5	422.8	435.6	435.2

RECENT ECONOMIC INDICATORS AS OF FEBRUARY 26, 1993
(S.A. OR AS INDICATED)

	Dec-91	Jan-92	Feb-92	Mar-92	Apr-92	May-92	Jun-92	Jul-92	Aug-92	Sep-92	Oct-92	Nov-92	Dec-92	Jan-93
GDP (Quarterly Series, % A.R.)														
Nominal GDP	2.8			6.2			4.3			5.3			7.1	
Real GDP	0.6			2.9			1.5			3.4			4.8	
Implicit Price Deflator	2.4			3.1			2.7			2.0			2.0	
Fixed-Weight Price Index	2.4			3.7			3.0			2.0			3.0	
CYCLICAL INDICATORS														
Leading Index, Percent	-0.1	1.1	0.7	0.4	0.3	0.6	-0.3	0.1	-0.3	-0.1	0.5	0.7	1.9	NA
Coincident Index, Percent	-0.3	-0.4	0.5	0.0	0.0	0.0	-0.1	0.4	-0.5	-0.1	0.6	0.0	0.6	NA
Purchasing Managers' Diffusion Index	47.3	48.8	53.4	54.8	52.2	55.7	52.3	53.0	52.2	48.7	50.7	54.7	55.4	58.0
Percent	-5.4	3.2	9.4	2.6	-4.7	6.7	-6.1	1.3	-1.5	-6.7	4.1	7.9	1.3	4.7
Industrial Production	107.4	106.6	107.2	107.6	108.1	108.9	108.5	109.4	109.1	108.9	109.7	110.3	110.5	111.0
Percent	-0.65	-0.74	0.56	0.37	0.46	0.74	-0.37	0.83	-0.27	-0.18	0.73	0.55	0.18	0.45
Capacity Utilization, Manufacturing	77.7	77.0	77.4	77.5	77.7	78.2	77.8	78.1	77.9	77.5	77.9	78.2	78.4	78.7
EMPLOYMENT INDICATORS														
Civilian Employment, Million	116.8	117.0	117.0	117.3	117.5	117.6	117.5	117.7	117.8	117.7	117.7	118.1	118.3	118.1
Nonfarm Payroll Employment, Million	108.2	108.1	108.1	108.2	108.4	108.5	108.4	108.6	108.5	108.5	108.6	108.6	108.7	108.8
Civilian Unemployment Rate, Percent	7.1	7.1	7.3	7.3	7.3	7.4	7.7	7.6	7.6	7.5	7.4	7.3	7.3	7.1
Employment/Population Ratio	61.3	61.4	61.3	61.4	61.5	61.5	61.4	61.4	61.4	61.3	61.3	61.4	61.5	61.3
Average Weekly Hours, Manufacturing	41.0	40.9	41.1	41.1	41.1	41.3	41.0	41.0	41.0	40.9	41.1	41.2	41.2	41.4
CONSUMER SECTOR														
Retail Sales, Billion $	154.6	157.1	159.8	157.9	158.4	159.1	159.0	160.8	161.0	162.2	165.6	165.4	166.8	167.4
Percent	0.2	1.6	1.7	-1.2	0.3	0.5	-0.1	1.1	0.1	0.7	2.1	-0.1	0.8	0.3
Total Auto Sales, Milion Units, A.R.	8.1	8.1	8.5	8.3	8.2	8.4	8.9	8.3	7.9	8.3	8.3	8.2	8.7	8.6
Domestic Auto Sales, Million Units, A.R.	6.0	6.0	6.2	6.0	6.0	6.3	6.7	6.4	6.0	6.3	6.3	6.2	6.7	6.6
Personal Income, Billion $, A.R.	4944.9	4943.2	4988.7	5009.6	5015.4	5032.7	5038.5	5048.7	5056.4	5080.9	5141.8	5137.5	5187.7	NA
Percent	1.2	-0.0	0.9	0.4	0.1	0.3	0.1	0.2	0.2	0.5	1.2	-0.1	1.0	NA
Disposable Personal Income, Billion $, A.R.	4320.9	4321.4	4360.8	4400.6	4400.7	4415.1	4419.5	4424.6	4426.3	4448.7	4503.7	4495	4538.8	NA
Savings Rate, Percent	4.8	4.9	4.9	5.3	5.5	5.3	5	4.8	4.6	4.6	4.4	4.5	NA	NA
Real Personal Income, Billion 87$, A.R.	4066.5	4058.5	4079.1	4076.2	4070.9	4078.4	4076.5	4078.1	4094.3	4090.9	4123.3	4113.3	4150.2	NA
Percent	1.0	-0.2	0.5	-0.1	-0.1	0.2	-0.0	0.0	0.4	-0.1	0.8	-0.2	0.9	NA
Real Disposable Personal Income, Billion 87$, A.R.	3552.5	3549.3	3565.9	3581.9	3573.3	3578.6	3576.1	3574.4	3585.5	3581.7	3612.4	3599.1	3631.4	NA
Percent	1.1	-0.1	0.5	0.4	-0.2	0.1	-0.1	-0.0	0.3	-0.1	0.9	-0.4	0.9	NA
Consumer Sentiment Index, U of Michigan	68.2	67.5	68.8	76.0	77.2	79.2	80.4	76.6	76.1	75.6	73.3	85.3	91.0	89.3
Percent	-1.3	-1.0	1.9	10.5	1.6	2.6	1.5	-4.7	-0.7	-0.7	-3.0	16.4	6.7	-1.9
HOUSING SECTOR														
Housing Starts, Thousand Units, A.R.	1094	1164	1285	1318	1095	1197	1141	1106	1229	1218	1226	1226	1285	1192
Single-Family Starts	955	976	1137	1050	939	1019	994	961	1038	1045	1079	1089	1133	1070

THE WHITE HOUSE

WASHINGTON

February 27, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN PODESTA JDP

SUBJECT: Vessel War Risk Insurance

In December, former President Bush authorized the Department of Transportation to provide war risk insurance for the privately owned ships participating in Operation Restore Hope in Somalia. This resulted in substantial savings, as the Government would otherwise be liable for the war zone premium charged by commercial insurers.

The authorization was limited to 60 days, which ended on February 17. The attached memo from Secretary Aspin recommends granting open-ended authorization to continue to provide this insurance. The Department of Defense will formally terminate the authority when it is no longer necessary. The NSC concurs with this recommendation, especially in light of the low risk to commercial shipping off the coast of Somalia.

We recommend that you sign the attached memo approving the provision of war risk insurance for as long as necessary.

004690

THE SECRETARY OF DEFENSE

WASHINGTON, THE DISTRICT OF COLUMBIA

93 FEB 24 PM: 37

23 FEB 1993

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Vessel War Risk Insurance

Title XII of the Merchant Marine Act, 1936, as amended, 46 App. U.S.C. section 1281 et seq. authorizes the Secretary of Transportation, with the approval of the President, to provide war risk and marine risk and liability insurance. Section 1205 of the Merchant Marine Act, 1936, as amended, 46 App. U.S.C. section 1285, authorizes any department or agency of the United States, with the approval of the President, to procure such insurance from the Secretary of Transportation. Said section 1205 also authorizes the Secretary of Transportation, with the approval of the President, to provide such insurance without premium to the Department of Defense and such other agencies as the President may prescribe, in consideration of the Secretary of Defense or such agency indemnification of the Secretary of Transportation against all losses covered by such insurance, and authorizes the Secretary of Defense and such other agencies to make such indemnity agreements. These insurance programs are administered by the Maritime Administration, Department of Transportation.

This non-premium war risk insurance was recently used by the Department of Defense in connection with privately owned ships under contract or charter to the Department of the Navy in support of military operations in the Middle East war. Without Government provided insurance, the Government is liable for any increases in commercial insurance premia that result from ordering the ships into areas of the world which are designated "war zones" by commercial insurers.

In connection with operations in Somalia, it is anticipated that privately owned ships under charter or contract to the Navy, and ships operated for the Navy by contractors, will be ordered into areas classified as "war zones" for purposes of commercial war risk coverage. The use of Government provided war risk insurance in the Middle East resulted in direct savings to the Government of over $100 million. Presidential approval for Government war risk insurance for Operation Restore Hope was obtained by the Secretary of Defense on December 19, 1992, and was limited by the President to a 60-day effective period, which ended on 17 February 1993. Since operations in Somalia are continuing, additional insurance approval is requested.

The authority of the Secretary of Defense to act under section 1205 of the Merchant Marine Act, 1936, as amended, 46 App. U.S.C. section 1285, has been delegated to the Secretary of the Navy.

Enclosed herewith is a copy of an "Agreement of Indemnity Between the Secretary of Defense and the Secretary of Transportation," providing for the Secretary of the Navy's indemnification of the Secretary of Transportation and the Secretary of Transportation's agreement to provide insurance. In light of the foregoing, request that the subject Government provided vessel war risk insurance be approved for so long as the Secretary of Defense determines such insurance to be necessary.

Also enclosed for your signature is a memorandum for the Secretary of Defense and the Secretary of Transportation evidencing your approval of this request.

Very respectfully,

Enclosures

THE WHITE HOUSE

WASHINGTON

February 27, 1993

MR. PRESIDENT:

Howard Paster suggested you write a hand written response to the enclosed letter from Senator John Danforth.

John Podesta

UNITED STATES SENATE
WASHINGTON, D. C.

JOHN C. DANFORTH
MISSOURI

February 26

Dear Mr President –

I want you to know how much I appreciate your very thoughtful note about my announced retirement from the Senate. Politics has been a good life for me, but I have always felt that its claim should be limited. I am enjoying the present and looking forward to the future.

Please know that there are Republicans in the Senate who believe that matters you have identified: the

deficit and health care reform, are of National urgency, and that they will only be responsibly addressed on a bi-partisan basis. It is possible to make important progress in both areas and in others as well, but progress will not be popular and there will be all sorts of opportunities for political games by both parties.

I told the people of Missouri that I want my last two years in public life to be my best. We will disagree on some significant questions, but if I can help move us forward, I would like to help.

Sincerely,

Jack Danforth

THE WHITE HOUSE

WASHINGTON

93 FEB 27 P4:22

February 27, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Susan Brophy SB

SUBJECT: Weekly Congressional Report (March 1 - 5)

I. SUMMARY

Congress went into session on Tuesday with a lighter than usual schedule to accommodate the House and Senate Republicans who met in their respective caucuses beginning on Thursday.

II. DISCUSSION

Senate - The Senate voted 94 to 2 to approve its committee operating budgets for 1993 and 1994. The amount approved was an overall reduction of 7.6% from last year.

Various Administration witnesses testified before the Senate Budget, Commerce, Banking and Finance Committees on the economic package. Secretarys Riley and Reich testified before the Senate Labor and Human Resources Committee on structural reform of the education system and the Administration's "Goals 2000".

The Senate Committee on Government Affairs voted out S.349, the Lobbying Disclosure Act of 1993. Next week the committee is scheduled to take up the Hatch Act.

The Senate will go back into session on March 2, Unemployment Compensation and the Motor Voter bill are expected on the floor.

The Senate Committee on Rules and Administration will hold a hearing on campaign finance reform proposals.

Senator Sasser is expected to meet with the Democrats on the Budget Committee to attempt to resolve remaining problems. In addition, Sasser has recommended private meetings between you and undecided Budget Committee members which we are having scheduled for next week. Senate Budget Committee mark-up is tentatively scheduled for March 9 or 10.

You are meeting separately with the Republican Senate Caucus and Democratic leadership on Tuesday.

House - On Wednesday, February 24, the House passed HR 920, to extend the emergency unemployment compensation program, on a vote of 254 to 161. The vote distribution was of particular interest--twenty Democrats voted against the bill and twenty-seven Republicans supported the legislation.

Hatch Act Reform was not approved on a suspension vote on Wednesday (suspension votes require a 2/3 majority). The legislation is scheduled to come back before the House next week as a free-standing bill, modified to more closely reflect the Senate version and to allay some issue-specific concerns of House members. This version is expected to pass with ease.

In addition to Hatch Act Reform, the full House will consider five bills on suspension and the conference report on Unemployment Compensation.

The House Budget Committee will hold hearings every day on the Administration's budget proposals. In addition, the Committee Democrats are caucusing daily at 5pm to discuss the economic package. The Budget Committee mark-up is tentatively scheduled for March 9 and 10.

On Tuesday you are meeting with a select group of Republican House members and are scheduled to meet with the Democratic leadership. Director Panetta is speaking to the House Democratic Caucus on Wednesday.

004694

February 27, 1993

MEMORANDUM FOR JOHN PODESTA

FROM: Howard Paster

SUBJECT: Photograph

I would like to request that the President sign the attached photographs of him with the following Members of Congress:

1.) Chairman Rostenkowski

2.) Senator Ernest "Fritz" Hollings

3.) Representative Joe Kennedy

4.) Representative Marjorie Margolies-Mezvinsky

5.) Representative Larry LaRocco

6.) Reprsentative Stephen Neal

7.) Representative Marty Meehan

8.) Representative Jim Traficant

Please return the photographs to my office. If you have any questions, please call Unice Lieberman at x2230. Thank you.

004692

THE WHITE HOUSE
WASHINGTON

February 27, 1993

MR. PRESIDENT:

Enclosed is a decision memo from Bo Cutter regarding the establishment of a Presidential Review and Decision Series for the National Economic Council. It is purely a housekeeping matter.

Next week, you will receive a second memorandum on the establishment of the NEC structure and committee system for your consideration.

John Podesta

THE WHITE HOUSE

WASHINGTON

February 26, 1993

93 FEB 26 P7:11

MEMORANDUM FOR THE PRESIDENT

FROM: W. BOWMAN CUTTER Bo

SUBJECT: Presidential Review and Decision Series

BACKGROUND INFORMATION: The enclosed memorandum establishes the review and decision documents to be utilized by the National Economic Council. A second memorandum will be sent to you next week establishing the NEC system. The process and language is taken directly from the analogous NSC series.

DECISION: When you sign the enclosed memorandum, I will circulate it to the members of the NEC.

THE WHITE HOUSE

WASHINGTON

February 15, 1993

PRESIDENTIAL DECISION DIRECTIVE/NEC-1

TO: THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY OF TRANSPORTATION
THE SECRETARY OF ENERGY
THE ADMINISTRATOR OF THE ENVIRONMENTAL PROTECTION AGENCY
THE CHAIR OF THE COUNCIL OF ECONOMIC ADVISORS
THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET
THE UNITED STATES TRADE REPRESENTATIVE
THE ASSISTANT TO THE PRESIDENT FOR ECONOMIC POLICY
THE ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY
THE NATIONAL SECURITY ADVISOR
THE ASSISTANT TO THE PRESIDENT FOR SCIENCE AND TECHNOLOGY POLICY

SUBJECT: Establishment of Presidential Review and Decision Series/NEC

The following instrumentalities are hereby established to direct the work of the National Economic Council and participating agencies and to inform the departments and agencies of Presidential directives:

-- Presidential Review Directive (PRD)/NEC

This series will be used to direct that reviews and analyses be undertaken by the departments and agencies.

-- Presidential Decision Directive (PDD)/NEC

This series will be used to promulgate Presidential decisions on national and economic matters.

THE WHITE HOUSE

WASHINGTON

February 27, 1993

MR. PRESIDENT:

Enclosed is the Gift Unit Report from Marsha Scott for the week of February 26, 1993.

John Podesta

THE WHITE HOUSE

WASHINGTON

February 26, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: TIMOTHY FLYNN TF
DIRECTOR, GIFT UNIT

THROUGH: MARSHA SCOTT MS
DEPUTY ASSISTANT TO THE PRESIDENT FOR
PRESIDENTIAL CORRESPONDENCE

SUBJECT: Gift Unit Report for the Week of February 26, 1993

A. Gifts Delivered This Week 774

B. Interesting Gifts Received During the period of February 22 - 26, 1993.

1. **Joseph Fabry.** "The Pursuit of Meaning,: by Joseph B. Fabry. The book jacket indicates that the book focuses on logotherapy, Dr. Viktor Frakl's prescription for mental health.

Disposition: _____ Keep for Personal Use and send to:
_____ Residence
_____ Camp David
_____ Designate for Archives

2. **The Members of Chillicothe-ross Chamber of Commerce.** Framed painting titled "Winter Round," by Robert Alan Gough. Painting is a landscape in blue, yellow, and shades of brown. The appraised value is $1,225.

Disposition: _____ Keep for Personal Use and send to:
_____ Residence
_____ Camp David
_____ Designate for Archives

THE WHITE HOUSE

WASHINGTON

February 26, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN PODESTA
TODD STERN

SUBJECT: Executive Order on Davis-Bacon

Attached is a memo from Leon Panetta recommending that you sign an Executive proclamation lifting the suspension of the Davis-Bacon Act ordered by President Bush last October for areas affected by Hurricanes Andrew and Iniki.

Davis-Bacon requires contractors on federal construction projects to pay prevailing wage rates.

This executive action was initially proposed by Bob Reich, has been reviewed by affected agencies, such as DOD and FEMA, in the OMB staffing process, and has been approved by White House Counsel and the Justice Department. It has also been signed off by George, Joan Baggett and the NEC.

We recommend that you sign the proclamation.

cc: McLarty
Lindsey

004675

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 23, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Leon E. Panetta
Director

SUBJECT: Proposed Executive Proclamation Entitled "To Revoke Proclamation No. 6491 of October 14, 1992"

SUMMARY: This memorandum forwards for your consideration a proposed Executive proclamation that was submitted by the Secretary of Labor. The proposed proclamation would lift the suspension of the Davis-Bacon Act, ordered by President Bush on October 14, 1992, for areas affected by Hurricanes Andrew and Iniki.

BACKGROUND: The Davis-Bacon Act requires contractors working on Federal construction projects to pay prevailing local wages to their workers. The Act protects local laborers and mechanics from unfair competition and the public from shoddy workmanship.

The Bush Administration suspended the Act on October 14, 1992, for the geographic areas affected by Hurricanes Andrew and Iniki. The Secretary of Labor believes that workers involved in the rebuilding efforts in these devastated areas are entitled to the same protections as their fellow citizens in other areas of the country. The Secretary therefore requests that you issue the proposed proclamation which would lift the suspension.

The suspension would be lifted 15 days from the date of the proclamation in order to give Federal agencies an opportunity to open bids and finish negotiations on pending contracts.

None of the affected agencies objects to the proposed proclamation.

RECOMMENDATION: I join Secretary Reich in recommending that you sign the proposed proclamation.

Attachment

U.S. Department of Justice

Office of Legal Counsel

Office of the
Assistant Attorney General

Washington, D.C. 20530

February 23, 1993

MEMORANDUM

Re: Proposed Presidential Proclamation Entitled "To Revoke Proclamation No. 6491 of October 14, 1992"

The attached proposed Presidential Proclamation was prepared by the Department of Labor. The Office of Management and Budget, with the approval of the Director, forwarded it to this Department for review with respect to form and legality.

The proposed Proclamation will revoke Proclamation No. 6491 of October 14, 1992, which suspended the requirements under the Davis-Bacon Act for federal construction contracts in certain areas damaged by Hurricanes Andrew and Iniki.

The proposed Proclamation is approved with respect to form and legality.

Daniel L. Koffsky
Acting Assistant Attorney General
Office of Legal Counsel

U.S. Department of Justice
Office of Legal Counsel

Office of the
Deputy Assistant Attorney General

Washington, D.C. 20530

February 23, 1993

The President,

The White House.

My dear Mr. President:

I am herewith transmitting a proposed Presidential Proclamation entitled "To Revoke Proclamation No. 6491 of October 14, 1992." This proposed Proclamation was prepared by the Department of Labor. The Office of Management and Budget, with the approval of the Director, forwarded it to this Department for review with respect to form and legality.

The proposed Proclamation is approved with respect to form and legality.

Respectfully,

Daniel L. Koffsky
Acting Assistant Attorney General
Office of Legal Counsel

TO REVOKE PROCLAMATION NO. 6491 OF OCTOBER 14, 1992

- - - - - - -

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS, the provisions of the Davis-Bacon Act of March 3, 1931 (46 Stat. 1494, as amended), and the provisions of all other acts, Executive orders, proclamations, rules, regulations, or other directives providing for the payment of locally prevailing wages, which provisions are dependent upon determinations by the Secretary of Labor under the Davis-Bacon Act, were suspended by Proclamation No. 6491 of October 14, 1992, within specified geographic areas affected by Hurricanes Andrew and Iniki until otherwise provided;

NOW, THEREFORE, I, WILLIAM J. CLINTON, President of the United States of America, acting under the authority vested in me by the Constitution and the laws of the United States of America, do by this Proclamation revoke Proclamation No. 6491 of October 14, 1992, as to all construction contracts for which bids are opened or negotiations concluded on or after fifteen (15) days after the date of this Proclamation, whether direct Federal construction or federally assisted construction subject to Proclamation No. 6491.

IN WITNESS WHEREOF, I have hereunto set my hand this

day of , in the year of our Lord nineteen hundred and ninety-three, and of the Independence of the United States of America the two hundred and seventeenth.

CHRON

THE WHITE HOUSE

WASHINGTON

February 27, 1993

Ms. Betty Heinig
Vice President
The Morris Museum Foundation
Morristown, New Jersey

Dear Betty:

I am pleased to enclose a letter from President Clinton for your event. The President appreciates your extending him this opportunity.

Please be aware, however, that the White House has long-standing guidelines governing the use of Presidential messages. This message may be used only at the time for which it was requested and for the specific purpose for which it was requested. Under no circumstances is the message to be altered, used for recruiting, reproduced for fund-raising solicitations or Annual Reports, represented as an endorsement, used for advertising, or for any other purpose without the written consent of the White House.

I appreciate your cooperation and thank you for including the President in your event.

Sincerely,

Marsha Scott

Marsha Scott
Deputy Assistant to the President
and Director of Presidential
Correspondence

THE WHITE HOUSE

WASHINGTON

February 27, 1993

Hillary and I offer a warm welcome to The Most Reverend Monsignor Renato Martino, The Marquis and Marquise don Giulio Sacchetti, and all the guests gathered at The Morris Museum this evening to celebrate the opening of the International Etruscan Exhibit. Special congratulations on the 80th anniversary of the museum.

We commend all those associated with The Morris Museum on its selection as one of the four museums in the United States to host "The Etruscans: Legacy of a Lost Civilization." Yours is truly a community effort that has drawn on the skills of over 600 volunteers from throughout the state to help present the exhibit to the public.

Finally, we extend our gratitude to the officials of the Vatican Museums for sharing the artifacts with us. May it strengthen our perspective of the ancient bonds of all people in today's world.

Bill Clinton

RIKER, DANZIG, SCHERER, HYLAND & PERRETTI
One Speedwell Avenue
P.O. Box 1981
Morristown, NJ 07962-1981
(201) 538-0800
FAX(201) 538-1984

FAX COVER SHEET

Date:	February 26, 1993
Send To:	Ms. Nancy Hernreich/Debra Coylecc:
Firm:	The White House
Fax #:	202-456-~~2397~~
Alternate Fax #:	1121
Must be Sent by:	asap RUSH/URGENT
From:	Douglas S. Eakeley
Client/Matter:	9999/50
Attorney #:	25
Re:	
	Pages sent (including cover): 3

Message:

JP -
This is a good friend of the President, if possible -- we should do this!
JP should see: what is appropriate, to anything
Kelly

NH says

CONFIDENTIALITY NOTE:

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VITO A. GAGLIARDI, JR.
MARK W. MUSSER
KATHRYN STOPPELLO
WILLIAM C. CAREY
DONALD F. MACMASTER

IRVING RIKER (1921-1988)
CHARLES DANZIG (1934-1992)

EVERETT M. SCHERER
NICHOLAS deB. KATZENBACH
SIDNEY H. SCHREIBER
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JEFFREY M. SIMINOFF
CHARLES A. WEISS

February 26, 1993

BY FACSIMILE (FAX)

Ms. Nancy Hernreich
Appointments Secretary to the President
Office of the President
The White House
Washington, D.C. 20500-2000

The Morris Museum

Dear Nancy:

I'm afraid I just received the following request to reach out for the White House on behalf of a worthy cause. The Morris Museum (a charitable, community-based organization here in Morris County) has been selected as one of four museums in the country to host an exhibit on the Etruscans that is on loan from the Vatican Museums. A white tie "inaugural ceremony" is being held tomorrow evening (Saturday, February 27th), to celebrate the Museum's eightieth anniversary and to raise money for educational and cultural programs.

The ceremony will be attended by (among others) the Permanent Observer of the Holy See to the United Nations (the Most Rev. Msgr. Renato Martino), the Special Delegate of the Pontifical Commission (Marquis don Giulio Sacchetti), the Consigliere for Cultural Affairs of the Italian Embassy (Roberto Spinelli), the Italian Vice Consul in New Jersey (Claudia Caggiula), the Archbishop of Boston (Bernard Cardinal Law), the Archbishop of

Mike Ortega
- letter on its way
- auto per
- Note: fundraiser -
still ok?

Newark (the Most Rev. Theodore E. McCarrick), the Bishop of Paterson (the Most Rev. Frank J. Rodimer), the Consul General of Egypt (Sameh Derar), and about 600 hundred New Jersey dignitaries and patrons of the arts.

President Clinton was to have been invited to the ceremony, but the invitation apparently got lost in the mail. Would it be possible to send a brief fax from him, to be read at the ceremony? If so, I would suggest the following text:

> Mrs. Clinton joins me in welcoming The Most Rev. Msgr. Renato Martino, The Marquis and the Marquise don Guilio Sacchetti, and all the guests gathered at The Morris Museum this evening for the inaugural celebration of the opening of the international Etruscan Exhibit in Morristown, New Jersey.
>
> We congratulate The Morris Museum on its selection as one of the four museums in the United States to host "The Etruscans: Legacy of a Lost Civilization." This is truly a community effort in the best sense of the word. It is impressive to learn that more than 600 people from throughout the state have volunteered to help present the exhibit to the public.
>
> We extend our gratitude to the Vatican Museums for sharing the artifacts with us. May it strengthen our perspective of the ancient bonds of all people in today's world.

Nancy, thanks yet again for your patience and consideration. I would not presume to impose like this, were it not for the fact that the Museum and program participants are most deserving. Moreover, I think it would be a wonderful gesture for the President to acknowledge the event as suggested.

If he and you are in agreement, please direct the fax to Ms. Betty Heinig, Vice President, The Morris Museum Foundation, at (201) 538-0154. Please do not hesitate to call me (here at the office or at home at (201) 467 - 2688) if you have any questions.

Yours truly,

Doug Eakeley

Douglas S. Eakeley

DEPARTMENT OF THE TREASURY
Washington

~~622~~
~~0027~~ * ~~Howard Paster~~

Doug Eakley

202-467-2688

Brad / Terry
TALK TO
me

John

~~ED KNIGHT~~

Gordon

543-2647

8545

CLINTON LIBRARY PHOTOCOPY

CHRON

THE PRESIDENT HAS SEEN

ROUTING SLIP

93 FEB 26 P4:46

FROM: Mack McLarty
Chief of Staff

DATE: 2/26

TO:

Rahm Emanuel		John Podesta	✓ *
Marcia Hale		Carol Rasco	
Alexis Herman		Bob Rubin	
Nancy Hernreich		Eli Segal	
Anthony Lake		George Stephanopoulos	
Bruce Lindsey		Christine Varney	
Regina Montoya		David Watkins	
Bernie Nussbaum		Maggie Williams	
Howard Paster		OTHER	

FOR YOUR:

Action		Information	—
See me			

* for the President

[redacted]

THE PRESIDENT HAS SEEN

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
2 25 93

DATE: 2/25/93

TO: MACK McLARTY
MARK GEARAN
HOWARD PASTER
GEORGE STEPHANOPOULOS

we probably should discuss

we must still discuss

B.

FROM: **JOHN D. PODESTA**
Assistant to the President and Staff Secretary

[redacted]

I would like to forward this to the President early today. Before doing so would like recommendations on the attached document by **12:00 NOON TODAY.**

Mr. President

Feb. 26/93

I agree per our discussion last night.

Thank you.

Mack

[redacted]

THE WHITE HOUSE THE PRESIDENT HAS SEEN

WASHINGTON

February 24, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN

SUBJECT: **Effective Dates for Personal and Corporate Tax Increases**

Issues

The personal and corporate tax increases in the economic plan currently have an effective date of 1/1/93, but are not payable until 4/15/94. The effect of these two proposals is to increase taxpayer liability by about $23 billion in calendar year 1993. Individual and corporate taxpayers, however, will only pay about $2 billion in fiscal year 1993. (Because of behavioral responses, moving the effective date to 1/1/94 would result in a revenue loss of a negligible amount in fiscal year 1993, about $23 billion in fiscal year 1994, and about $27 billion over the period 1993-1997.)

The problem could take one of two forms (or most likely a blend of the two), depending on whether the April 1994 tax payments affect spending in 1993 or 1994.

(1) If the economic impact is in 1993, the taxes could be viewed as offsetting the stimulus, thus eliminating the anticipated job creation; and

(2) If the economic impact is in 1994, the fiscal deficit reduction in 1994 may have too large an impact on the GDP (i.e., the phasing of deficit reduction may have been too heavily weighted to 1994, which has a substantially larger change in the deficit as a percentage of GDP than any other year in our program).

An answer to our first problem is the drop in long-term interest rates since the election, which should provide more than enough stimulus to offset the tax increase, thereby leaving our stimulus program as a net impact for job generation. (A substantial decline in long-term interest rates generates business investment, increased housing starts, exports through a lower dollar, consumption via lower consumer credit costs and mortgage refinancing, and perhaps a greater sense of general confidence.

Macroeconomic monitoring organizations like DRI and Lawrence Meyers will give us limited credit for the interest rate decline, and thus will be reporting that our program is deflationary for 1993. (Personally, I think we are right in claiming credit for the full interest rate drop, and thus for a more than offsetting impact on interest rates.)

Some members of our own economic team, including CEA, feel that there is an internal inconsistency in asking simultaneously for stimulus and a tax increase in the same year. That would mean that the fiscal impact on GDP -- the only part of the impact on GDP that we can control directly -- would be canceled out, or, even worse, contractionary.

If you take that as the starting point, it would follow that your claim of a stimulus and job creation were not valid. (On the other hand, if you take into account the full interest rate drop, the total stimulative impact includes the stimulus plus some extra effect from the net of the interest rate reduction and the tax increase.)

Some press seems willing to give us credit for the full interest rate decline, but economists seem to argue that we should get credit for only part of it.

As to the second problem, the aggregate GDP impact of lower interest rates over the 1993 and 1994 period needs to be measured against the negative impact of the deficit reduction program during that period.

I have discussed this at some length with the CEA, and I think a fair summary would be that the unexpectedly large move in long-term rates should largely offset the heavy deficit reduction in 1994, although there might be slightly lower growth than they had projected (but most likely still higher than the CBO projection). Here, there is no issue of whether or not we should get credit for the lower rates. It is simply a matter of projecting effects on GDP.

Decision

The choice now is whether to stay with our 1/1/93 date or move toward some later date, e.g., the date of signing, or 1/1/94. After lengthy conference calls over the weekend, we all agreed that a later starting date would have been better on purely economic grounds. However, given where we are, we all agreed to have a public posture that the effective date would have to be worked out with Congress, and not to fuel expectations one way or the other, thus preserving our options.

There are three possible choices at this point: retain the present date; change the dates now; or take the position that we will work with Congress and then postpone the decision until some later time, depending on what's happening in the economy. Some of the economic and political pros and cons for changing the date are laid out above. Others are as follows:

Con - Could make us look soft in the face of Congressional and other pressures on taxes, and so hurt us in the bond market by raising questions about the strength of our commitment to the deficit reduction program (if we make the change, it must be with the strongest reaffirmation on our 1997 commitment, although with recognition that our four-year reduction will be less).

Con - Could look as if we had miscalculated initially.

Con - Would there be any Fed reaction to the change?

Pro - Elimination of the argument that our stimulus is vitiated by tax increases.

Pro - Reduces possible unduly heavy deficit reduction in 1994.

Pro - Improves spending cut/tax increase ratio.

Until a decision is made, we are sticking to the position we all agreed upon and Secretary Bentsen used on the Brinkley show, to wit, the effective date will have to be worked out with Congress, but we are totally committed to our 1997 deficit reduction objectives.

Recommendation

There are very different views within your economic team. Secretary Bentsen and I both would wait and see what happens. We would not change unless led to because of economic or political developments. Secretary Bentsen has spoken with both Senator Moynihan and Congressman Rostenkowski, who will work with us if a change in the date begins to seem desirable.

The CEA and Gene Sperling believe that our claim of a stimulus is hollow because of the tax offset, and so would change to a later date as quickly as possible, in cooperation with Congress.

The reasons for my view are:

(A) I believe that we may have enough positive GDP impact to serve our purposes in 1993 and 1994, and that our argument as to the validity of your claims concerning stimulus is strong even if not recognized by the macroeconomic services (since they won't give us credit for much of the interest rate decline). Also, I am concerned about the possible impact of change on the bond market (not because of the numbers because there I think we have a strong argument, but we are still totally committed to our 1997 plan), but rather because of the concern that it will indicate weakness and a willingness to change in the face of pressure.

(B) I am concerned about the possible impact of change on the bond market, if interpreted as indicating weakness and a willingness to change in the face of pressure.

CHRON

THE PRESIDENT HAS SEEN

Good morning. Before I talk with you this morning about our economic program, I want to say a word to the good people of New York City and to all Americans who have been deeply affected by the tragedy that struck Manhattan yesterday.

A number of innocent people lost their lives; hundreds were injured, and thousands were struck with fear in their hearts when an explosion rocked the basement of the World Trade Center yesterday. To their families, you are in the thoughts and prayers of my family -- and in synagogues and churches, last night, today and tomorrow, you will be remembered and thought of, again and again.

My thoughts are also with the police, firefighters, emergency response teams and citizens ~~Even more bloodshed was averted by acts of courage and bravery by the police, fire fighters, emergency response teams and citizens~~. Their reaction and their valor reminds us of how often Americans are at their best when we face the worst. I thank all the people who reached out to the injured and the frightened amid the tumult that shook lower Manhattan.

Following the explosion, I spoke with New York's Governor Mario Cuomo and New York City Mayor David Dinkins to assure them that the full measure of federal law enforcement resources will be brought to bear on this investigation. Just this morning, I spoke with FBI Director Sessions; he assured me that the FBI and the Treasury Department are working closely with the New York Police and Fire Departments. ~~to investigate who was involved and why this happened~~.

Working together, we will find out who was involved and why this happened. Americans should know that we will do everything in our power to keep them safe in their streets, and their offices and their homes.

Feeling safe is one essential part of being secure -- and that's why it's important to all of us. But I also want to take this opportunity this morning to talk about another crucial aspect of security for us all -- economic security.

THE PRESIDENT HAS SEEN

[redacted]

~~Good morning.~~ Ten days ago, I asked for your help to bring bold changes to America's economy. I said it would be a challenge, and that our plan would require every one of us to contribute -- because the price of doing nothing is far higher than the price of change. Most of all, our work together will bring us important returns: more growth, more jobs, better incomes, and a better future for our children.

Your response to our plan has been overwhelming to me. Business and labor leaders have made a rare alliance on behalf of a program that offers lower interest rates and investment incentives for private enterprise, and modern skills and opportunities for working people.

Citizens from cities across our country have looked at our plan and concluded that the changes we ask are right for the long-term health of our economy.

You know that we can no longer deny that our huge debt drains our economic health, and that our investment deficit will smother our hopes for economic growth.

There is an alternative, our plan for new directions. It provides retraining to Americans for better jobs, incentives for small businesses to invest, and a Head Start, better nutrition and superior schools for our children.

Our plan will cut the deficit -- as a percentage of GDP -- in half between now and 1997, so we can put our resources to work for all of us.

What is happening in our nation is historic: After so many years of drift and division, the American people are uniting behind this call for a new direction.

In recent days, the White House has been flooded with letters.

You've sent along moving stories about how you've been affected by hard economic times and we have received several contributions to reduce the debt. Many of you who have written are single parents, worried about paying your bills today but also worried about the lives your children will lead tomorrow. Your support is a symbol of the selflessness, foresight and determination now catching fire across this nation.

I received one letter from Rachel Nunamaker of San Jose, California. She's 83 years old. And she wrote: "Stick to your guns, you're on the right track."

Well, I think Mrs. Nunamaker is right: We <u>are</u> on the right track. Already, mortgage rates have fallen to their lowest levels in twenty years -- twenty years! With falling interest rates, more people can afford loans to build their businesses, buy new cars, or purchase houses.

This is good news for everyone, but especially for the young adults and middle-income families who thought they'd never be able to afford their own homes. It's an essential part of the American Dream we are working so hard to restore. And it <u>can</u> be restored.

Our plan will work. It cuts waste and cuts government spending, and it increases public and private investments to create more jobs and rising incomes.

It spreads the burden as fairly as possible, and the opportunity it promises will pay us back many times over.

So long as we get America moving again, I don't care who gets the credit; ultimately, the credit must go to you, the American people. As a patriot once said to the citizens of our democracy, "you are the beginning and the end."

This is an exciting time to be an American, and we must not let this historic moment pass. We are rebuilding the American community and the American economy together.

On March 1, we will mark an anniversary that is especially significant to my generation. Thirty-two years ago, President Kennedy inspired Americans to serve in the Peace Corps. On Monday, I will discuss my proposal for a new form of voluntary national service.

It's a plan to invest in our country's future, a call to action and responsibility that will involve one of our most precious national resources -- America's youth.

With national service, hundreds of thousands of students will have a chance to pursue higher education, everyone with the desire to serve will have the opportunity, and we will meet social needs that for too long have gone unaddressed. National service will be a great gift for the next generation of Americans.

In closing today, let me share with you another letter I received that arrived with an extraordinary gift. They come from George L. Baker of Sherwood, Arkansas, a retired Air Force Major. After serving his country under extreme danger, Major Baker was awarded the Distinguished Flying Cross for heroism.

It is a recognition that George Baker should have kept for the rest of his life.

But Major Baker sent his medal to me, as a sign of support for our economic program, to encourage me "in this quest for sanity in our national direction." And he closed his letter: "Godspeed, Mr. President."

From the bottom of my heart, Major Baker, thank you for this most inspirational gift. With your help, we will restore the vitality of the American economy and enjoy a nation united by the dreams we share. Thanks for listening.

CHRON

THE PRESIDENT HAS SEEN

GOP Proposal Would Accept New Taxes

By DAVID ROGERS
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – Conservative Republicans proposed to restructure President Clinton's five-year budget in a way that would severely restrain domestic spending but would still need more than $55 billion in new taxes to meet the same deficit targets.

The plan, outlined by Texas Sen. Phil Gramm, takes aim at the large spending increases built into Mr. Clinton's plan but also demonstrates the GOP's difficulty in avoiding taxes as a means of addressing the deficit.

The proposed $226 billion in reductions would wipe out almost all of the new domestic spending initiatives proposed by the president and would demand an additional $48 billion in still unspecified cuts from future appropriations bills. The added savings would be used to eliminate the high-profile income and energy tax proposals in the Clinton plan, but would stop short of canceling all new revenues from higher corporate taxes and cuts in deductions.

The plan takes the form of a proposed amendment to the budget resolution due before Congress next month. Though it

Please Turn to Page A16, Column 4

Continued From Page A3

may well fail, it could force the Democrats to move toward the right to hold onto their Southern conservatives. Mr. Gramm, who has the backing of leading conservatives in the House and Senate, insisted that he isn't implicitly endorsing new taxes, but his proposal establishes a framework in which the debate is expected to turn on just such trade-offs between new taxes and spending cuts.

Beginning with a proposed economic stimulus bill pending now in the House, the administration's long-range budget projects an estimated $161 billion in new spending initiatives to expand nutrition and education programs for poor children, for example, and accelerate federally funded research. Another $16.1 billion is expected to be distributed to poor, working-class families under an expanded earned-income tax credit proposed by the president. Together, these expenditures total $178 billiion through fiscal 1998.

Canceling all of these increases, which would benefit such popular programs as veterans' medical care, the Head Start program for pre-school children and the National Science Foundation, is sure to be difficult, even for moderate Republicans. Mr. Gramm said he was "confident" he would have the support of Minority Leader Robert Dole of Kansas, but speaking of the same $178 billion in programs yesterday, Mr. Dole spoke only of cutting $100 billion as a "start" toward trimming the tax increases in Mr. Clinton's plan.

The more conservative approach relies as well on finding an additional $48 billion in savings from future appropriations bills by forcing the administration to come back closer to the spending guidelines set in the 1990 budget agreement.

The $178 billion in initiatives and tax benefits proposed by Mr. Clinton comes on top of a set of spending assumptions that already exceeded the caps agreed to in 1990 by Congress and the Bush administration. Conservatives are furious that this bargain will now be lost, but closing the gap would require a freeze on total appropriations for the next two years, according to an analysis by the Congressional Budget Office.

Just to give domestic and international aid programs enough money to keep pace with inflation could mean cutting the military budget even deeper than Mr. Clinton has proposed. "They want to deny everything to get the economy going," House Majority Leader Richard Gephardt said of the conservative position. "And they want to protect the wealthiest."

By jumping ahead as he did yesterday, Mr. Gramm is sure to have angered more-senior Republicans, but the fast pace of the budget debate this year also has hurt the administration with moderates it may hope to win over. Although the annual budget resolution represents only a general blueprint that depends on later action to implement actual spending and tax provisions, there was a rising chorus of complaints from Republicans yesterday that they may be asked to vote next month before the final details of the president's plan are sent to Congress.

"We think, in fairness, we have a right to see that," said Mr. Dole, who is a master of partisan maneuvering but chastised the White House for being too political itself. "They ought to calm down, go off for the weekend, have a Diet Coke," he said in response to criticisms from the president's communications advisers. "The campaign is over. This isn't Super Tuesday, we're dealing with deficit reduction."

The president's wife, Hillary, is to meet with Senate Republicans today at a retreat in Maryland to discuss health-care legislation, and Mr. Clinton himself is slated to come to the Capitol next week to see the Senate GOP caucus.

The White House's best hope of GOP support remains the party's more-moderate, Northern wing.

Republicans are at a disadvantage, too, because they are still groping to understand the underlying assumptions in Mr. Clinton's plan. As a result, Mr. Gramm was unable to provide annual budget totals for what spending would be permitted under his amendment, and figures provided by the White House Office of Management and Budget last night indicate the Texan may have tripped up by overstating the discrepancy between the spending assumptions used by the president and the caps set in the 1990 law. As a result, his $48 billion in unspecified savings would be that much harder to achieve and could require more taxes or cut far below the spending levels assumed in the 1990 budget agreement.

Prior to (same analysis O'Neill Kasten

KC sent to BRubin 1/

THE WALL STREET JOURNAL.
2/26/93

44

CHRON

THE WHITE HOUSE
WASHINGTON

DATE: 2/27

NOTE FOR: Bruce Lindsey, Bob Rubin
Christine Varney

The President has reviewed the attached, and it is forwarded to you for your:

Information ☑

Action ☐

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

THE WHITE HOUSE

WASHINGTON

February 27, 1993

MEMORANDUM TO SECRETARY BENTSEN

FROM: JOHN PODESTA

Attached is a copy of your decision memorandum concerning the CEO of the Resolution Trust Corporation.

The President has approved your recommendation that you be authorized to accept Mr. Casey's resignation on his behalf. He asks that you consult with him before appointing an interim CEO of the RTC.

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

February 26, 1993

Bruce,

This is a memo from Lloyd Bentsen to the President saying that Al Casey is ready to resign from the RTC and urging that such resignation be accepted. If you don't have any problem with this, it can go in to the President.

Todd

I have no problem accepting Casey's resignation & do not think we should authorize Secretary Bentsen alone to appoint an interim CEO.

Bruce

AW Marsh

THE SECRETARY OF THE TREASURY
WASHINGTON

THE PRESIDENT HAS SEEN

February 25, 1993

93 FEB 26 P2:1

MEMORANDUM FOR THE PRESIDENT

FROM: Lloyd Bentsen

SUBJECT: CEO of the Resolution Trust Corporation (RTC)

I. ACTION FORCING EVENT:

Al Casey, CEO of the RTC, has privately and publicly indicated that he is prepared to resign from the RTC. I believe that his resignation should be accepted.

II. BACKGROUND:

A. The RTC has many difficult problems to deal with, and needs strong leadership. I have seen a number of difficult issues already, in my role as Chairman of the "Oversight Board." I have written to Mr. Casey expressing my concerns and the need for prompt management actions. Congressman Gonzales also held hearings last week regarding some of the control and audit problems at the RTC. Although the RTC, by law, must wind down and pass over its functions to the FDIC no later than the end of 1996, it currently faces large and complicated management challenges regarding the efficient disposition of more than $100 billion of problem assets from failed thrifts, and the proper control of more than 95,000 vendor contracts. Roger Altman and Frank Newman are actively searching for highly capable candidates who would be willing to take on the job at this time.

B. The RTC has not received any funding from Congress during the past year, making it impossible to fully resolve failed thrifts currently in conservatorship. This situation creates needless costs and loss in value, and must be addressed soon. Treasury is preparing to request funding from Congress next month, recognizing that RTC funding--like increasing the debt limit (also needed by the end of March)--is a very difficult vote to obtain. An action plan on the management of the RTC will help both substantively and in presentation to Congress. (I will be providing you with memorandums on both the debt limit and the RTC funding within the next week.)

C. The current uncertainty at the RTC is hurting morale and interfering with its activities. It is important that the Administration promptly and publicly state its intention to provide new leadership.

D. I believe we should not delay acceptance of Mr. Casey's resignation. However, it will clearly take some time to have a new RTC CEO checked out, nominated, and confirmed. Therefore, we will likely need to appoint an interim CEO (another person already confirmed by the Senate in some other capacity) to act temporarily.

III. RECOMMENDATIONS:

A. That you authorize me to promptly accept Mr. Casey's resignation, on your behalf.

B. That you authorize me to appoint an interim CEO of the RTC, on your behalf, pending nomination and confirmation of a permanent CEO.

IV. DECISIONS:

Recommendation A:_____Approve:_____Discuss:_____

Recommendation B:_____Approve:_____Discuss:_____

I'd like to discuss this with you before you do it

CHRON

THE WHITE HOUSE
WASHINGTON

DATE: 2/27/93

NOTE FOR: Eli Segal

The President has reviewed the attached, and it is forwarded to you for your:

Information XX

Action ☐

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

93 FEB 26 P3:25

February 26, 1996

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ELI J. SEGAL

SUBJECT: Attached New York Times Article

I thought you would find this New York Times article dated March 2, 1961 of interest. I have sent a copy to the Vice President.

I am stunned how the standards of journalism have changed. This kind of "puff piece" -- especially by someone like David Halberstam -- will be difficult to replicate in today's more cynical environment.

We are trying to build in the human dimension for our Monday speech. On hand (and referenced in the text) will be young "service heroes." Sargent Shriver has been invited to personify the historical context of your initiative.

Also, we have contacted David Halberstam and Rafer Johnson, who are very supportive of your national service agenda and will be built into our campaign as we go forward.

EJS:ke

THE WHITE HOUSE

WASHINGTON

NYT, 3/2/61

Rafer Johnson Asks to Serve—Work by Staff Is Heavy

By DAVID HALBERSTAM

Special to The New York Times.

WASHINGTON, March 1 — Rafer Johnson, the Olympic decathlon champion, has volunteered to join the Peace Corps announced today by President Kennedy.

Forrest Evashevski, former football coach at the University of Iowa and once a noted blocking back at the University of Michigan, will soon take a job at the headquarters of the corps in Washington.

Sally Bowles, daughter of Under Secretary of State Chester Bowles, and Nancy Gore, daughter of Senator Albert Gore of Tennessee, are already at work at corps headquarters.

Today, within an hour or two after President Kennedy had announced the establishment of the Peace Corps on a pilot basis, the switchboard at headquarters could not handle the calls from volunteers and inquirers.

The response to the idea of a voluntary organization in which American men and women could help the developing countries of the world has exceeded all expectations.

President Kennedy is reported to have received more letters about the peace corps than about any other issue — some 6,000 letters of suggestion, inquiry and open application. None mentions salary.

Ed Bayley, who is serving temporarily as public relations director for the corps, said that "not only do we get letters from young people who want to

Continued on Page 13, Column 1

RECRUITS FLOCK TO PEACE CORPS

Continued From Page 1, Col. 5

serve," but "I am amazed at the requests we have from older people who want to work on the Washington staff — lawyers, newspaper men, business men.

"And for the young people—why this is a chance to participate directly in a Government which always seems so far away and distant."

Some of the headquarters staff members, such as Miss Gore, are not sure yet what they are being paid—and if they are being paid.

Miss Gore, 23 years old, said she chose the peace corps because:

"It's the first new idea of the New Frontier. It's one of the few original things that's happened in a long time, and it's one that I can participate in, something that I can contribute to."

Miss Bowles, 22, said joining the staff of the Peace Corps "is exactly what I wanted to do—I feel very strongly about this and have ever since I was in India." She was there when her father was Ambassador to India. There, she said, she saw the potential for a group of dedicated young people.

Another young staff member, Miss Mitzi Mallina, 22, of Hastings-on-Hudson, N. Y., said the idea of the Peace Corps had deeply touched today's college seniors.

"I know a lot of boys at Harvard and M. I. T. who have been waiting to hear the news about it—who have been hoping it would open up soon enough so that they could join when they got out of college," she said.

The letters are indicative too:

From Hartsville Ohio: "I could couple my knowledge of agriculture with a speaking knowledge of Spanish and work in Latin America."

From New York City: "I am willing to spend the rest of my life in work like this because it can mean so much to our country."

From Cleveland: "Have you a place for me in your fight for peace?"

Mr. Johnson, who has volunteered for the corps, is serving as assistant track coach at the University of California at Los Angeles. The 25-year-old athlete was a track star at the university in 1956-58.

Mr. Evashevski, who is in his forties, is athletic director at the University of Iowa.

The Place to Apply

WASHINGTON, March 1 (AP) —Where should those interested in joining President Kennedy's Peace Corps apply

Administration officials said today inquiries should be addressed to:

The Peace Corps, International Cooperation Administration Headquarters, Washington D. C.

(2

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	[Personally Identifiable Information] [partial] (2 pages)	02/26/1993	b(6)

COLLECTION:
Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 359

FOLDER TITLE:
February 1993 [15]

2018-0662-S
rs3036

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

CHRON

THE PRESIDENT HAS SEEN

FEBRUARY 26, 1993

93 FEB 26 P3:19

MEMORANDUM FOR JOHN PODESTA

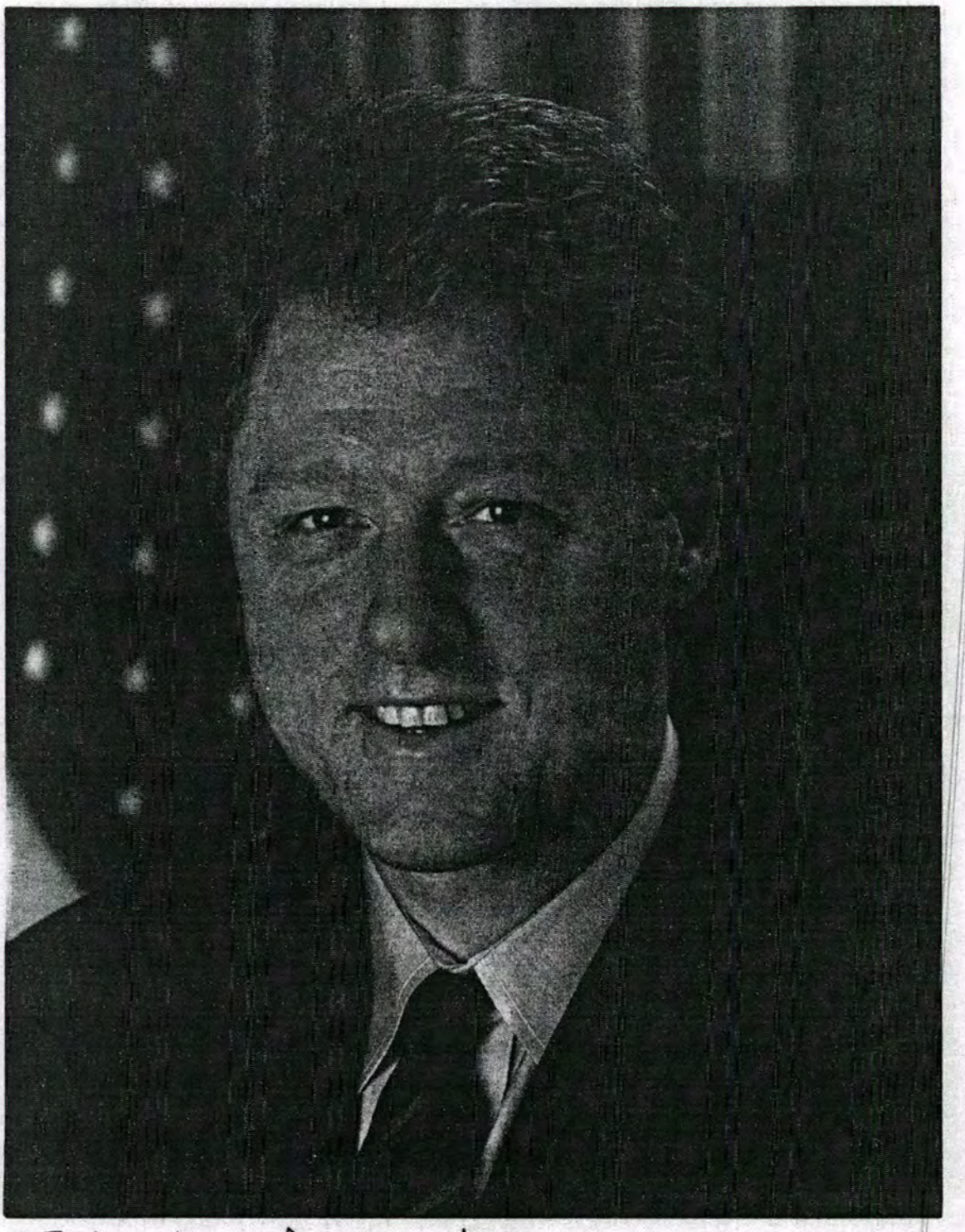
FROM: Howard Paster HP

SUBJECT: Photograph

I would appreciate it if the President could sign the attached photograph for LeeAnn Inadomi who will celebrate her 30th birthday (b)(6)

LeeAnn was a surrogate scheduler during the fall campaign, a member of the confirmation team, and is currently the director of congressional correspondence. She is a diligent and dedicated member of the staff and I feel it is very important that we reward such good work.

Thank you for your assistance in this matter.



To LeeAnn Madonna
Happy Birthday! Bill Clinton

(b)(6) 93

CHRON

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

February 26, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN PODESTA

SUBJECT: Letter from Oliver North

Oliver North has written you a letter on gays in the military, with petitions enclosed. Attached is our standard reply, which you have previously approved.

I assume he would attack you for failing to respond, so it is probably better to give him a reply than not to reply at all. And since he will use any reply you give against you publicly, I recommend not varying from our standard letter.

cc: George

THE WHITE HOUSE

WASHINGTON

February 25, 1993

LtCol Oliver L. North, USMC, Ret.
Post Office Box 96700
Washington, D.C. 20090

Dear Colonel North:

Thank you for sharing your views with me regarding the ban on homosexuals in our nation's military.

I believe that people should be judged by their conduct, not by their status. I favor stricter rules of conduct on sexual behavior for all military personnel, along with lifting the ban. Everyone concedes there are and have been homosexuals in the military. Everyone agrees they should be separated from the service for inappropriate conduct. The only question is whether a person can acknowledge being homosexual and stay in the service if he or she has a good record and commits no improper act.

My belief is that we don't have a person to waste. I respect the wisdom and experience of military leaders, and I am working with the Joint Chiefs of Staff and the military services, the Congress, and others concerned to design a policy which will ensure equality and fairness, while preserving the unity and preparedness of our military.

Though we may differ on this issue, I hope that our common concerns for the future of America will unite us. I appreciate your sincerity and candor.

Sincerely,

Bill Clinton

CHRON

THE WHITE HOUSE

WASHINGTON

February 25, 1993

Her Royal Highness Marie-Christine
of Belgium
Post Office Box 6652
Incline Village, Nevada 89450

Dear Princess Marie-Christine:

Thank you for taking the time to share your thoughts with me concerning Leonard Peltier. His case is now being considered by the Eighth Circuit Court of Appeals, and it would be inappropriate for me to intervene in the ongoing workings of our judicial system.

I do share your views that we must heal the wounds of the Native American community. We must come together as a people if we are to move this country forward.

I am grateful for your words of encouragement.

Sincerely,

Bill Clinton

CHRON

THE WHITE HOUSE
WASHINGTON

DATE: 2/27/93

NOTE FOR: BoB Rubin

The President has reviewed the attached, and it is forwarded to you for your:

Information ☒X

Action ☐

Thank you.

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
(x2702)

cc:

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

February 16, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN PODESTA JOP

Attached is a decision memorandum from Secretary Bentsen concerning actions to alleviate the credit crunch.

I have been told by Bob Rubin that it is **urgent**, and as you will see from his note, his impression is that it is balanced and would have a favorable impact on credit extension. Therefore, I am forwarding it to you without input from the Vice President or other senior staff.

I have forwarded copies to the Vice President, Mack, Mark, George and Laura Tyson. I will forward comments/concerns if any, from those individuals to you as I receive them.

Following the two page decision memo is one page list of actions proposed by Secretary Bentsen. If you decide to approve the basic approach, please **strike** any actions which you think are inappropriate or for which you would like more information.

Back to Bob R.

THE WHITE HOUSE

WASHINGTON

February 15, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN

SUBJECT: **Decision Memorandum on Short-Term Regulatory Actions to Alleviate the "Credit Crunch"**

Attached is a decision memorandum from Secretary Bentsen recommending short-term regulatory actions to alleviate the "credit crunch". In addition to the decision memorandum, I have attached the two previous memos from Secretary Bentsen on the "credit crunch".

If you approve the regulatory actions recommended in the decision memorandum prior to Wednesday, and if you want this in your speech, we will work with Treasury and the speechwriters to develop the appropriate language for that purpose.

Although I am no expert on banking, I do have some knowledge of the field. My impression is that this set of recommendations is balanced and would have a favorable impact on credit extension.

Attachments

THE SECRETARY OF THE TREASURY
WASHINGTON

February 15, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Secretary Bentsen

SUBJECT: Actions to Alleviate the "Credit Crunch"

I. ACTION-FORCING EVENT: Banks have operated under burdensome regulations that have limited their lending, especially to small and medium-sized businesses that are key to job growth.

II. BACKGROUND:

1. Initial focus of proposals:

A. Alleviate the "credit crunch."
B. Maintain and improve safety and soundness.
C. Assure equal opportunity lending and expand bank involvement in needy communities.

2. "Credit Crunch" Alleviation:

A. Treasury (including the Office of the Comptroller of the Currency and the Office of Thrift Supervision), in conjunction with the Federal Reserve Board and the FDIC, has developed a set of 11 specific regulatory actions that can be implemented over the next few months to remove needless impediments to lending (list attached).

B. The regulatory actions primarily address:

-- Examination processes;
-- Loans to small and medium-sized businesses;
-- Real estate, which is often used as collateral for small and medium-sized business loans.

C. These steps, which have the support of all four regulatory agencies, should immediately and significantly improve both the procedures and the climate for lending to creditworthy borrowers.

D. Balanced and constructive cooperation by the SEC will be important for certain of these actions. No discussions have yet been held with the SEC on this topic.

E. It is likely that additional similar regulatory steps will be developed over the next few months.

F. Some additional potential actions may require legislation, but since significant improvements can be made purely through these regulatory programs, they have been given initial emphasis. Initial discussions with Congressional staff indicate that it would be advisable to postpone any public discussion of legislative initiatives until the Administration has formulated a comprehensive approach to banking issues.

3. Steps to Improve Safety and Soundness: Regulatory attention will be shifted from unproductive procedures to focus on key risks in today's banking environment, better utilizing regulatory resources to improve safety and soundness (see attached).

4. Equal Credit Opportunity and Community Support: Efforts to address both issues are beginning and programs will be developed in the next few months.

III. RECOMMENDATION:

Treasury has discussed these specific proposals with both the Federal Reserve and the FDIC at the board level. Chairman Greenspan has personally expressed his support and both organizations are eager to cooperate. Treasury has also advised Congressional staff of the general outlines of the plan and received positive reactions. These proposals should be well received by the banking and business communities.

I advise you to approve these regulatory actions.

IV. DECISION:

____Approve ____Approve as amended ____Reject

____No action

Attachment

DRAFT: FEBRUARY 15, 1993

"CREDIT CRUNCH" ALLEVIATION PROGRAM

A. Regulatory actions (by OCC & OTS, in coordination with Fed and FDIC)

1. Establish workable appeals process for financial institutions to review significant differences in judgment directly with appropriate regulatory officials.

2. Increase coordination of examinations by regulatory agencies and reduce duplication in examinations to minimize uncertainty and disruption to bank and thrift operations, whenever backup or duplicate examinations are required by law.

3. Reduce uncertainty by getting required and backlogged regulations out soon.

4. Minimize documentation requirements for small and medium-sized business loans at well-capitalized, well-rated institutions.

5. Establish examination and rating procedures that more accurately separate "other mentioned" loans from higher-risk classifications. (This is especially important for loans to small and medium-sized businesses, and directly addresses loans where character is used as one of the primary determinants.)

6. Revise guidelines for returning partially charged-off loans to performing status, for loans where timely principal and interest payments are being made.

7. Insure that examination procedures for loans secured by real estate focus on the borrower's ability to pay over time, rather than presuming immediate liquidation.

8. Revise appraisal regulations and implementation procedures, consistent with law, to limit requirements for appraisals to times when they genuinely assist in making informed credit decisions.

9. Revise treatment of loans used to finance the purchase of real estate from banks to ensure reasonable standards.

10. Change bank and thrift-related regulatory reporting guidelines to avoid unnecessarily classifying a loan as "in substance foreclosure," when the borrower is reasonably expected to pay the loan.

11. Establish procedures for more efficient, effective evaluation of real risk in multi-bank institutions.

B. At the same time, increased regulatory attention will be focused on the following:

1. Undercapitalized and poorly rated institutions that pose real risk to the insurance funds.

2. Equal opportunity lending and bank involvement in needy communities.

3. Swaps and other "derivative" financial instruments.

4. Interest-rate risk.

BR/BO/GS/SM

THE SECRETARY OF THE TREASURY
WASHINGTON

February 10, 1993

MEMORANDUM FOR: Robert E. Rubin

FROM: Lloyd Bentsen LB/RA

RE: Credit Crunch

Treasury is working on proposals to alleviate the credit crunch and this is an update on where we stand. We believe that there are some immediate steps that the Administration can take that deserve inclusion in the President's February 17th speech.

We have operated using a couple of goals.

First, we need a coordinated response from all bank regulators. The Office of the Comptroller and the Office of Thrift Supervision are on board and the Fed and the FDIC have agreed in principle with our proposals. It is also important that the SEC agree on some of the measures.

Second, we can take immediate administrative action -- legislation will have to come later. There are a number of regulatory actions described below that can be implemented as soon as regulations are drafted.

Third, we need to send the right signals. We need to let Congress and other concerned parties know that we will not do anything that jeopardizes safety and soundness. At the same time, we need to send a strong message to bankers that we hear their concerns and are acting to alleviate them.

With these goals in mind, we are prepared to take approximately nine regulatory actions that we could take in conjunction with the Fed and FDIC. Most of these are highly technical, but should bring an immediate and positive response from the banking community. They include:

1. Changing loan review procedures to address the "character loan" problem.

2. Establishing examination procedures for loans secured by real estate that will focus on the borrower's ability to pay over time.

3. Establishing appropriate guidelines for returning partially charged-off loans to performing status.

4. Increasing coordination by regulatory agencies to minimize uncertainty and disruption.

5. Establishing workable appeals processes that would allow expedient resolution and direct input from Washington.

There will be two primary effects of these changes. They will make it administratively easier for lenders to lend. And, the psychological impact on lenders of such a regulatory shift will be considerable. We will develop estimates for the credit availability impact of these proposals.

We also plan to include some safety and soundness regulatory changes such as increasing attention on "derivative" financial instruments and interest-rate risks.

Treasury will also review possible legislative actions which could provide relief including bankruptcy reform and reduced reporting requirements. We will report to the White House within 90 days of the possibility of legislative initiatives. The President can make a statement to that effect in his speech.

We would, of course, like to review any specific language in this area which might be used in the President's materials.

5/11

THE SECRETARY OF THE TREASURY
WASHINGTON

February 11, 1993

12:05

Memorandum for: BOB RUBIN

From: Lloyd Bentsen

Re: Credit Crunch

Enclosed you will find information that has been prepared by Frank Newman and Gene Ludwig concerning proposed administrative actions on addressing the credit crunch. Roger Altman has worked with them in compiling this and I think it is an excellent start down the road to alleviating the problem.

Attachment

cc: Roger Altman
Frank Newman
Gene Ludwig

CREDIT CRUNCH ALLEVIATION PROGRAM

A. **Regulatory actions** (by OCC & OTS, in coordination with Fed and FDIC)

1. Reduce uncertainty by getting required and backlogged regulations out soon.

2. Establish workable appeals process for financial institutions to review significant differences in judgement directly with appropriate regulatory officials.

3. Establish examination and rating procedures that separate "other mentioned" loans from higher-risk classifications. (This is esp. important for loans to small and medium-sized businesses, and directly addresses "character loans.")

4. Establish appropriate guidelines for returning partially charged-off loans to performing status, for loans that have reached fully collectible status.

5. Establish examination procedures for loans secured by real estate, that focus on the borrower's ability to pay over time, rather than presuming immediate liquidation.

6. Increase coordination of examinations by regulatory agencies to minimize uncertainty and disruption to bank of thrift operations, whenever backup or duplicate examinations are required by law.

7. Change bank and thrift regulatory reporting guidelines to avoid unnecessarily classifying a loan as "in substance foreclosure," when the borrowers is reasonably expected to pay the loan.

8. Revise treatment of loans used to finance the purchase of real estate from banks to ensure reasonable standards.

9. Revise appraisal procedures to limit requirements for appraisals to times when they genuinely assist in making informed credit decisions.

B. At the same time, increased regulatory attention will be focused on the following areas:

1. Swaps and other "derivative" financial instruments.

2. Interest-rate risk.

C. Changes requiring legislation will be developed for proposal to Congress, dealing initially with:

1. Bankruptcy reform

2. Paperwork burden.

February 10, 1993

FEB. 17 SPEECH

Credit Crunch Issues

I. **Outline of Credit Crunch Issues**

* Credit critical to economic growth and development has not been readily available, particularly to small and medium sized businesses.

* This "credit crunch" has been caused in part by an excessive regulatory burden imposed on banks and thrifts by their regulators.

* Through sensible regulation that focuses on real risk as opposed to excessive burdens we can both ensure the safety and soundness of our financial services sector and put an end to this credit crunch.

* Over the last several weeks the Treasury Department and the Office of the Comptroller of the Currency have examined this issue closely and have come up with a program that is a significant first step in achieving this balance.

* This program includes primarily administrative and regulatory changes that will be implemented within the next several weeks by both the Office of the Comptroller of the Currency and the Office of Thrift Supervision. This program includes changes in the area of in substance foreclosure, treatment of OAEM loans, examination procedures for loans secured by real estate, limitations on required appraisals, and an appeals process for banks which believe they have been unfairly treated in the examination process.

* We have consulted with the Federal Reserve Board and the FDIC and have reason to believe that they will adopt a similar program.

II. Text Related to Credit Crunch Issues

The availability of credit in our country is critical to our economic growth and development. In recent years credit has not been sufficiently available, particularly to small and medium sized companies, due in part to an overreaction to difficulties experienced by some banks with some borrowers.

This Administration does not intend to let the credit crunch continue. I believe that we can make credit available again to

creditworthy borrowers, without going back to a period of lax standards that characterized the 1980s. Moreover, I believe that through a more realistic analysis of lender risk and the application of this analysis to examination standards, we cannot only put an end to the credit crunch, but we can at the same time actually increase the safety and soundness of our financial services system. And, I believe that these goals can and must be accomplished in a manner that enhances our commitment to equal credit opportunity and community reinvestment.

To this end, we have developed a new program that is designed to do four things: (1) make credit available again to creditworthy borrowers; (2) maintain sound underwriting standards for loans and improve the safety and soundness of banks and thrifts through realistic risk analysis; (3) reduce unnecessary regulatory burdens that cost taxpayers money and weaken financial services institutions; and (4) advance our commitment to equal credit opportunity and community reinvestment.

Specifics of this program, much of which can be accomplished within the next few months administratively, will be developed in coordination with the Federal Reserve and the FDIC, who have already been consulted regarding the principles of the program. The program as it has been developed thus far includes changes in the area of "in substance foreclosure", treatment of OAEM loans, examination procedures for loans secured by real estate, limitations on required appraisals and an appeals process for banks which believe they have been unfairly treated in the examination process.

Small-Business Tax Break Plan Sows Discontent

Capital-Gains Cut to Help Investors Includes Limit Backers Didn't Expect

By RICK WARTZMAN
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – The Clinton administration's proposal to give investors in small businesses a capital-gains tax break is far more limited than supporters of the idea thought it would be.

Details of the provision were included in a 71-page booklet that the Treasury released yesterday spelling out various aspects of the administration's tax package.

Weighing the Energy Tax

Uncertain signals from the administration about who would pay the proposed energy tax on natural gas are causing some jostling among various sectors of the industry. Article on page A16.

Under the capital-gains proposal, investors could exclude 50% of any profit realized from the sale of original-issue, small-business stock held for at least five years. But the gain eligible for that tax break would be limited to the greater of 10 times the original price of the stock or $1 million.

Legislation introduced earlier by Sen. Dale Bumpers (D., Ark.), which the president himself had said he'd use as the basis of the administration's proposal, contains no such cap.

Similarly, the Clinton plan would apply only to businesses that have raised less than $25 million from debt and equity markets, rather than the $100 million under the Bumpers bill. The Clinton plan also departs from the Bumpers bill by excluding subchapter S corporations. Many small businesses have subchapter S status, which allows them to be taxed like partnerships.

Lobbyist Disappointed

"We're certainly disappointed," said Ed Hatcher, a lobbyist for the American Electronics Association, which had been one of the main backers of the Bumpers bill. "Everybody's having to make a sacrifice, but for the dollars that the president is saving here, it could cost him a lot of strong support from different groups."

The administration proposal carries a price tag of $714 million over six years. The Bumpers plan would have cost about $1 billion over the same span.

The administration's move away from the Bumpers plan caught many people by surprise – including the congressional aides who worked on the bill. "We were flat-out astonished," said one small-business expert on Capitol Hill.

A spokeswoman for Sen. Bumpers said he was "pleased that Clinton's plan does include features from his bill." But she said the lawmaker would support changes to make it closer to the original legislation.

Concern About Revenue Loss

A Treasury spokesman said the restrictions included in the administration's proposal were designed, in part, "to limit the long-term revenue loss." Another Treasury official said department economists found that there aren't a lot of companies that fall between the $25 million and $100 million capitalization levels. And adding S corporations to the proposal, he contended, would likely spawn an industry of unintended tax shelters.

But Allen Neece, who represents the National Venture Capital Association, said the $25 million threshold wouldn't cover investments in the next generation of "Genentechs or Apple Computers or Microsofts."

D.J. Gribbin, tax lobbyist for the National Federation of Independent Business, which includes thousands of mom-and-pop companies, questioned how many start-up companies would be generated and jobs created under the Clinton plan. "It's kind of funny that this is the small-business capital-gains break, and yet the primary small business form – the S corporation – isn't included," Mr. Gribbin said.

Like the Bumpers bill, the Clinton proposal would exclude a number of activities from qualifying for the capital-gains break. Among them are banking, leasing, real estate, farming, mineral extraction, personal services and hospitality businesses. Officials said the exclusions were intended to prevent abuse.

Besides expounding on the capital-gains provision, the Treasury booklet includes additional information on a range of other tax provisions. Specifically:

– The 7% investment-tax credit for large companies would apply to property placed in service between Dec. 4, 1992, and Dec. 31, 1994. Taxpayers would be able to claim the credit for investments over a base. To calculate the base, taxpayers first would figure their average annual investment in new and used property from 1989 through 1991 or from 1987 through 1991. That amount would be indexed for growth in the gross domestic product, and multiplied by 70% to determine the base through Dec. 31, 1993. To determine the base for 1994, the historic investment figure would be multiplied by 80%.

Taxpayers would not be permitted to claim the credit on more than 50% of qualified investment in a taxable year. For instance, a company with a fixed base of $1 million and qualifying investment of $6 million would only be permitted to claim the credit with respect to $3 million of investment. In addition, so-called recapture rules would be provided to discourage the bunching of investments in 1993 and 1994. These rules, which are to apply through 1997, would require repayment of all or a portion of the credits if the taxpayer's investment drops below the base.

– The initiative to improve tax compliance among service corporations would require that annual payments of $600 or more to all such companies be reported to the Internal Revenue Service. Under current law, payments to corporations providing services generally don't need to be reported. Some business groups are worried that this provision will lead to a mountain of new paperwork.

– The rise in individual income-tax rates to 36% would apply to taxable income in excess of the following levels: married individuals filing joint returns, $140,000; heads of households, $127,500; unmarried individuals, $115,000; married individuals

Please Turn to Page A16, Column 4

Tax-Break Plan to Aid Small-Firm Investors Disappoints Backers

Continued From Page A3

filing separate returns, $70,000; and estates and trusts, $5,500.

For estates and trusts, the 15% rate would apply to income of as much as $1,500, the 28% rate would apply to income between $1,501 and $3,500, and the 31% rate would apply to income between $3,501 and $5,500. The 10% surtax, which applies to individuals with taxable income in excess of $250,000, would hit estates and trusts with taxable income in excess of $7,500.

– The proposal to deny deductions for executive pay over $1 million wouldn't include compensation payments linked to productivity. However, the Treasury said it's still reviewing "appropriate standards" regarding this exception. Certain other payments also would be excluded from the deduction limit, such as those made to a tax-qualified retirement plan and certain other fringe benefits.

BOOR
I trust the Treasury Department will consider the cost of compliance
B

THE WALL STREET JOURNAL.
2/26/93

Natural Gas Industry Nervously Awaits Decision on How Energy Tax Is Collected

By TIMOTHY NOAH
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – Uncertain signals from the Clinton administration about who would pay the proposed energy tax on natural gas are causing some jostling between various sectors of the industry.

For most energy industries, the "collection point" for the tax, which is loosely based on heat content as measured by British thermal units, would be clear. In the oil industry, refiners would pay at the refinery; in the coal industry, coal producers would pay at the mine mouth, and in the nuclear power industry, utilities would pay at the power plant.

But representatives of the natural gas industry and their supporters in Congress are unsure about how the energy tax would be levied on natural gas. A document released yesterday by the Treasury Department says the 26-cent-per-million-BTU tax would be levied at the pipeline. But at a White House meeting last week, an Energy Department representative said the tax would be levied at the wellhead. Meanwhile, an administration official said that both ideas may in the end be scuttled in favor of levying the tax on end users such as factories and utility companies.

"We're debating these right now," said Treasury Secretary Lloyd Bentsen this week at a congressional hearing, adding that the department hadn't "made a final determination" on where the natural-gas tax would be levied.

The uncertainty has caused considerable turmoil within the various segments of the natural gas industry, whose interests are somewhat divergent. Some utility companies are saying the tax should be paid "upstream," so that their customers won't see it on their bill. But gas producers prefer that the tax be paid "downstream" by gas consumers, eliminating the risk that producers would absorb the cost. In between stand the pipeline companies, which in the wake of a Federal Energy Regulatory Commission order will no longer be permitted to own the gas they convey – and thus might end up paying a tax for the transport rather than the production of gas.

"If we don't own the gas," said Jerry Halvorsen, president of the Interstate Natural Gas Association, which represents pipeline companies, "how can we collect the tax on it?"

Despite the diverging interests of gas producers, transporters and utilities, there's still a chance the industry will put up a common front. Denise Bode, president of the Independent Petroleum Association of America, which represents independent natural gas and oil producers, says the natural gas industry is "pretty much coming together" to agree that the tax should be levied "either at or close to the burner tip," that is, on the end user.

But Mike Baly, president of the American Gas Association, which represents local utilities and pipelines, sees no unanimous position: "We just sent out something this week and we're still getting calls back."

THE WALL STREET JOURNAL.
2/26/93

Clinton Program Pits Builders vs. Economists

THE HOME builders' trade group endorsed President Clinton's economic program in Las Vegas. At the same convention, the group's designated panel of economists lambasted the plan.

Builders like the plan, assuming the spending cuts materialize, because they say it would reduce unemployment, help keep interest rates low and generally fuel housing demand. Yet the consensus of a panel of four economists addressing the convention was that the plan is flawed and could push up interest rates and hurt consumer confidence.

Three of the four economists assailed the increased taxation. "It hits the consumer right between the eyes just when he is getting off the mat," Stephen S. Roach, co-chief economist for Morgan Stanley & Co., told reporters before the talk to builders. Norman Robertson, consulting economist and former chief economist at Mellon Bank, told the builders, "Long-term rates could go right back up again, and that would be very damaging for your industry."

The other hard-liner was James F. Smith, a University of North Carolina professor of finance and economist, who said of the Clinton program: "If enacted as is, we will probably reduce economic growth 1% this year, 2% next year, and have a recession by 1995." The fourth panel member, David Seiders, the trade group's chief economist, said he supported the plan but had reservations about the tax increases.

Because the panelists were scheduled six months in advance, officials of the home builders' group say they had no way of knowing what would happen. Kent W. Colton, chief executive of the trade group, says he wouldn't have wanted the panel censored anyway. "We like people to say what's on their minds," Mr. Colton says. "In the end, you don't know what an economist is going to say."

Chron

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

February 25, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER HP

SUBJECT: Letters to Members of Congress

Attached are letters for your signature for Senators Dole (R-KS) and Domenici (R-NM) which respond to their letter concerning the budget process.

JIM SASSER, TENNESSEE, CHAIRMAN

ERNEST F. HOLLINGS, SOUTH CAROLINA
J. BENNETT JOHNSTON, LOUISIANA
DONALD W. RIEGLE, JR., MICHIGAN
J. JAMES EXON, NEBRASKA
FRANK R. LAUTENBERG, NEW JERSEY
PAUL SIMON, ILLINOIS
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TIMOTHY E. WIRTH, COLORADO
WYCHE FOWLER, JR., GEORGIA
KENT CONRAD, NORTH DAKOTA
CHRISTOPHER J. DODD, CONNECTICUT

PETE V. DOMENICI, NEW MEXICO
STEVE SYMMS, IDAHO
CHARLES E. GRASSLEY, IOWA
ROBERT W. KASTEN, JR., WISCONSIN
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PHIL GRAMM, TEXAS
CHRISTOPHER S. BOND, MISSOURI
TRENT LOTT, MISSISSIPPI
HANK BROWN, COLORADO

LARRY STEIN, STAFF DIRECTOR
G. WILLIAM HOAGLAND, MINORITY STAFF DIRECTOR

THE PRESIDENT HAS SEEN

United States Senate

COMMITTEE ON THE BUDGET
WASHINGTON, DC 20510-6100

February 25, 1993

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

Republicans in the Senate want to fully cooperate with you and the Democratic Congressional Leadership in setting the legislative time schedule for the 103rd Congress. We fully appreciate the majority's rights to set a time schedule to consider your legislative proposals.

We Republicans also want to provide your economic and budget plan a fair hearing in the upcoming schedule. While we may disagree with the emphasis on tax increases over spending cuts in the outline presented to the joint session of Congress on February 17, as you know, the full budget proposal has yet to be submitted to Congress.

Within the last week, representatives from your Administration have testified before Senate Committees stating that many of your plan's details have yet to be developed. It is our understanding, however, that Congressional Democratic Leadership, acting at your request, has decided to proceed with the adoption of a Fiscal Year 1994 concurrent budget resolution prior to the transmittal of your budget. Reports indicate that the 1994 budget will not be sent to the Congress until early April.

With a full understanding of the tremendous burden you face in leading this country, we respectfully request that you and the Democratic Leadership reconsider the decision to proceed with this schedule. We believe it is critical to the budget and appropriation process that your account level detail be available to the Congress before it begins deliberating on a concurrent budget resolution.

Sincerely,

Pete V. Domenici
Ranking Republican Member
Senate Committee on the Budget

Bob Dole
Republican Leader
United States Senate

Copies: Majority Leader George Mitchell
Speaker Tom Foley

THE WHITE HOUSE

WASHINGTON

February 26, 1993

Dear Mr. Leader:

Thank you very much for your letter concerning the budget process.

I appreciate knowing your views, but I see no reason not to proceed on the current schedule of enacting a concurrent budget resolution. Last week we submitted to the Congress a document entitled, "A Vision of Change for America," which includes more information than is needed -- or typically included -- in a budget resolution. Therefore, I believe we should proceed with the budget process. Deficit reduction is too important a task to delay even for a few weeks.

I look forward to working with you on these and other issues in the future, and to seeing you at lunch on Tuesday.

With best wishes,

Sincerely,

The Honorable Bob Dole
Minority Leader
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

February 26, 1993

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With best wishes,

Sincerely,

Bill Clinton

The Honorable Bob Dole
Minority Leader
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 2/26

TO: JACK QUINN

FROM: JOHN D. PODESTA
Assistant to the President and
Staff Secretary

As you can see from my note -- I knew you were involved; it was everyone else I was worried about.

John

[redacted]

THE WHITE HOUSE

WASHINGTON

93 FEB 25 A11:55

February 24, 1993

TO JOHN PODESTA
TODD STERN

WOULD YOU PLEASE PUT ME & KATIE MUBINGER ON YOUR CIRCULATION LIST ON THIS ISSUE? IT'S BEEN ZEALOUSLY REQUESTED FROM NOW ON.

THANKS
MACK QUINN

93 FEB 24 P3:32

MEMORANDUM FOR MACK McLCARTY
MARK GEARAN
TONY LAKE
BERNIE NUSSBAUM
HOWARD PASTER
CAROL RASCO
BOB RUBIN
GEORGE STEPHANOPOULOS

FROM: JOHN PODESTA
TODD STERN

SUBJECT: Proposed EPA Legislation

Proposed legislation that would give a new Secretary of the Environment broad new powers is in the process of being reviewed by the Office of Environmental Policy, OMB and relevant agencies. Because a number of you have expressed interest in this matter, especially in light of the article in today's Wall Street Journal, we are attaching a copy of the proposed legislation together with comments from a number of agencies, including the Departments of Energy, Interior, Commerce, Transportation and State, among others.

cc: Steve Ornstein

THE WHITE HOUSE

WASHINGTON

February 24, 1993

MEMORANDUM FOR MACK McLARTY
MARK GEARAN
TONY LAKE
BERNIE NUSSBAUM
HOWARD PASTER
CAROL RASCO
BOB RUBIN
GEORGE STEPHANOPOULOS

FROM: JOHN PODESTA
TODD STERN

SUBJECT: Proposed EPA Legislation -- Supplement

The attached memo from Laura Tyson to Alice Rivlin -- relating to the EPA package we just circulated -- just came to our attention. We forward it for your information.

93 FEB 24 P4:43