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S.

THE WHITE HOUSE
WASHINGTON

DATE: 03/25/93

TO: JANET BLANCHARD

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

FYI

MAR 12 1993

93 MAR 25 P6:54

The President
The White House
Washington, D.C.

Dear Mr. President:

Since 1991, I have had the pleasure of serving as U.S. Commissioner to the International Whaling Commission (IWC). During my tenure, the United States has had to face some difficult and contentious issues on the whaling front and I am proud to have contributed to maintaining a balanced scientific perspective as we worked to resolve these issues.

The IWC will continue to address matters that are highly complex and controversial. In order to ensure that this new Administration has at its helm a captain of its own choosing, I am submitting my resignation as U.S. IWC Commissioner. I have enjoyed my work in this area and I wish you and your new team well.

Sincerely,

John A. Knauss

John A. Knauss

NACUBO
National Association of College and University Business Officers

93 MAR 25 P6:54

February 24, 1993

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

I am respectfully submitting my resignation as a member of the President's Commission on Historically Black Colleges and Universities (HBCU).

It has been an honor during the past several years to have been allowed to participate in such an endeavor, and I hope that my contributions have been of assistance to these worthy institutions of higher education.

Sincerely,

Caspa L. Harris, Jr.

Caspa L. Harris, Jr.
President

cc: Honorable Richard W. Riley

HD:HBCU/Clinton

One Dupont Circle, Suite 500

Washington, DC 20036-1178

202/861-2500 FAX 861-2583

MEMORANDUM

To: John Podesta
Office of the Staff Secretary
From: Antonella Pianalto
Office of Presidential Personnel
Subject: Nomination
Date: March 25, 1993

OK
JDP 3-25-93

The following individual has been approved by the President, cleared by White House Counsel and is ready to be nominated.

John M. Deutch
Massachusetts
Under Secretary for Acquisition, Department of Defense
Vice: Donald J. Wockey

Please submit this nomination to the Senate for confirmation.

cc: Bruce Lindsey

THE WHITE HOUSE
WASHINGTON

DATE: 03/25/93

NOTE FOR: MACK MCLARTY

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

Information ☐

Action XX

Thank you.

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

cc:

THE PRESIDENT HAS SEEN

Mar 24 '93

[illegible]
Never MORE

CHIEF OF STAFF TO THE PRESIDENT

Mr. President:

FYI – Your message has been received – albeit later than either of us would have preferred.

Mack

P.S. You recall Exon's comment about Espy's visit to Neb. in our recent meeting.

THE WHITE HOUSE

WASHINGTON

March 23, 1993

Honorable J. James Exon
United States Senate
Washington, D.C.
20510-2702

Dear Senator Exon:

Mack McLarty advised me of your concern regarding the number of individuals from the Heartland who have been appointed to subcabinet posts in the Department of Agriculture. Thus far, the nine announced subcabinet posts at USDA include:

> Eugene Branstool, Ohio
> Assistant Secretary for Marketing and Inspection
>
> Bob Nash, Arkansas
> Under Secretary for Small Community and Rural Development

Secretary Espy is in the process of developing his recommendations for additional subcabinet positions, and your concerns are being taken into account.

Please let me know if we can be of any further assistance.

Very truly yours,

John B. Emerson
Deputy Assistant to the President
Deputy Director of Presidential Personnel

JBE:jcm

cc: Mack McLarty

John — Excellent + [illegible]

THE WHITE HOUSE
WASHINGTON

DATE: 3/25

NOTE FOR: LAURA TYSON

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

Information ☐

Action ☑

see the President's comments/questions.

Thank you.

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

cc:

THE PRESIDENT HAS SEEN 3/24

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

THE CHAIRMAN

March 22, 1993

93 MAR 23 A 7:57

MEMORANDUM FOR THE PRESIDENT

FROM: LAURA D'ANDREA TYSON LDT

RE: Blue Chip Forecasts

1. Revisions to 1993 and 1994 Blue Chip Forecasts

- o The Blue Chip consensus forecast (March survey) for real growth was revised up 0.1 percentage point for 1993 but down 0.2 percentage point for 1994 relative to last month's estimates.

  - The publication states "Many of the panel members who revised their 1994 forecast lower cited the potentially negative effects on the pace of economic growth stemming from the Clinton Administration's plan to raise taxes and cut government spending next year."

- o The forecasts for the unemployment rate were unchanged at 7.0 percent for 1993 and 6.5 percent for 1994.

2. A Comparison of Blue Chip and CBO Forecasts

The Blue Chip growth forecasts for 1993 and 1994 are still above the CBO baseline growth rates used in preparing the revenue and deficit estimates contained in our plan and the Vision of Change document. Blue Chip growth rates are higher than CBO baseline rates by 0.4 percentage points in 1993 and 0.1 percentage points in 1994. Also, unemployment rates are 0.1 percentage point lower in the Blue Chip forecasts for 1993 and 1994 than in the CBO baseline forecast. (Similar differences exist between the "Administration policy" forecast--which is similar to the Blue Chip forecast--and the CBO forecast).

- Blue Chip does not present forecasts for the level of employment. The 0.1 percentage point difference in the unemployment rate forecasts between Blue Chip and the CBO baseline translates into higher levels of employment of approximately 129,000 in 1993 and 131,000 in 1994. (Because of rounding, the ranges could be anywhere from about 64,000 to 193,000 in 1993 and from about 65,000 to 196,000 in 1994).

3. <u>Blue Chip Panel's Interpretation of Effects of Administration Plan</u>

The most recent Blue Chip publication included the following evaluation of our plan by the Blue Chip panel.

- Will the Clinton Administration's economic plan result in significant economic stimulus for the economy during the current year?

  Yes: 20% No: 68% Too close to call: 12%

- Over the next four years, do you think the Clinton Administration's plan will result in a significant reduction in Federal budget deficits?

  Yes: 45% No: 45% Too close to call: 10%

- Over the next four years, do you think the Clinton Administration's plan will result in a significant reduction in long-term interest rates?

  Yes: 33% No: 49% Too close to call: 18%

Amazing

— how are we to do more

— what is the basis of these judgments, esp. those on the deficits.

THE WALL STREET JOURNAL THURSDAY, MARCH 11, 1993

THE PRESIDENT HAS SEEN
3/12

Forecasters Revise Upward Their Outlook on Economy

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON – Forecasters are growing more optimistic about the prospects for the economy this year, the latest monthly survey by the Blue Chip Economic Indicators newsletter found.

The average of the 51 forecasts predicts the economy will grow 3.2% this year, 0.1 percentage point higher than the previous month's forecast. It's the third month in a row the Blue Chip forecasters have revised their 1993 outlook upward.

The major reasons cited for the rosier prediction are the stronger-than-anticipated growth in the fourth quarter and the steadily growing length of the average workweek, which the newsletter terms "one of the most reliable indicators of future job growth."

The Blue Chip forecasters expect the economy to grow about 2.9% in the current quarter, substantially slower than the 4.8% growth in the fourth quarter. They expect consumer prices to rise 3.1% this year, about the same as last year.

For 1994, the average forecast is for 3.1% growth, down from the 3.3% prediction made a month earlier. Economists who lowered their forecasts cited the likely negative impact of President Clinton's deficit-reduction plan on the economy.

Laura
What does this
mean for employment, claims,
unemployment claims,
new entrants?
BC

Lower in [illegible]

THE PRESIDENT HAS SEEN 3/24

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

THE CHAIRMAN

93 MAR 17 A 9:34

March 16, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: LAURA TYSON LDT
ALAN BLINDER AB
JOE STIGLITZ JS

SUBJECT: Marginal Tax Rates

We are already encountering criticism on several grounds pertaining to (a) high marginal tax rates and (b) differential tax rates that may spawn tax shelters. Hopefully, we can discuss these problems with you soon. In the meantime, here is a partial listing of criticisms and some suggested replies.

1. Upper-income tax rates: Martin Feldstein (in The Wall Street Journal) has suggested that our upper-bracket rate increases--which lead to marginal rates as high as 43.8% in some instances, and 40.8% in many--create significant work disincentives. His claim is that even a relatively small behavioral response (less earned income) will lead to much less revenue than the Treasury estimates.

   Answer: His claim has validity, but it is exaggerated.

   (a) Few people think the behavioral response is as great as Feldstein claims.

   (b) Even if he is right, he exaggerates the revenue loss because any decline in real GDP brought on by work disincentives would raise the price level; and higher prices lead to more tax revenue.

2. Taxing Social Security benefits: Robert Eisner (in the Chicago Tribune) has criticized our Social Security proposal for placing extraordinarily high marginal rates on Social Security recipients subject to the tax. Here's how it works. Under current law, when income rises by $1, an additional 50 cents of Social Security benefits becomes taxable. So taxable income rises by $1.50. If the person is in the "15% bracket," this makes the effective tax rate 22.5% instead of 15%. In the 28% bracket, the effective income tax rate is 42%. Under our proposal, taxable income would rise by $1.85 (instead of $1.50) for each additional $1 of earnings,

raising the effective personal income tax rates for affected individuals to 27.8% and 51.8%. Adding in payroll taxes, the marginal rates on earned income would go as high as 66%.

NOTE: A similar problem (omitting the payroll tax) applies to income from saving. Eisner did not raise this issue.

Answer: Relatively few people are subject to this work disincentive (you have to be both in the phase-out range and working). In addition, their behavioral responses are probably not very large.

3. Capital gains preference: For 4 years, George Bush pushed unsuccessfully for a 13-point gap between ordinary income tax rates and capital gains rates (28% vs. 15%). Democrats opposed this idea. Raising upper bracket tax rates on ordinary income to 41% while keeping the rate on capital gains at 28%, creates precisely this 13-point gap. More important, the tax-rate differential is big enough to get tax shelters started again. And it is greatly exacerbated by even our scaled-down version of the Bumpers bill. (See next paragraph.)

   Answer: Raising the tax rate on capital gains above 28% would discourage certain types of investments that the Clinton Administration wants to encourage.

4. The "Bumpers" bill: Our version of the Bumpers bill taxes some capital gains at rates of either 14% (for non-AMT payers) or 21% (for AMT payers), thereby creating tax preferences for capital gain income of 20-27 percentage points. Such huge gaps will surely reinvigorate the tax shelter industry.

   Answer: The Clinton Administration wants to encourage start-ups, which are the source of so many new jobs.

5. The Earned Income Tax Credit: The EITC, though a wonderful program, imposes extremely high implicit marginal tax rates on people in the phase-out range. For families with two or more children, current law imposes an additional 17.9% tax on earnings in the phase-out range (roughly $12,500 to $24,000), as these people "give back" part of the maximum credit they earned on their first $8000 of earnings. Since such people generally pay payroll tax plus 15% income tax, the combined marginal rate is 47%. (And this ignores the internal tax rates of any means-tested benefits programs these people may participate in.) The Treasury's February 17th proposal would have chopped a few points off that rate,

which was a step in the right direction. Unfortunately, though for understandable reasons, the new proposal adds a few points instead.

Answer: This criticism ignores the strong positive incentive to join the productive labor force, an incentive we make stronger. In addition, low-wage recipients do not respond much to changes in marginal tax rates.

6. Marriage taxes: There are several places where our changes in the tax code impose substantial tax penalties on people who marry. Probably the most worrisome comes at the lower end of the income distribution. Consider two single parents, each with one kid, earning $11,000 each. Under our proposal, each would receive $2062 in EITC payments--for a total of $4124. If they married, family income would be $22,000, so the new family's EITC payment would be just $1190, a loss of $2934--or 13.3% of family income.

Answer: This problem with the EITC predates the Clinton proposal. We did not fix it, but we also did not create it. (However, we did create a sizable marriage tax at the upper end by making the same $250,000 cutoff for the 10% surtax apply to both joint and single returns.)

Should not have
(Q this =

I don't get this at all
just don't understand.

THE WHITE HOUSE

WASHINGTON

March 24, 1993

93 MAR 24 P5:39

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

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

RE: Payroll

CC: John Podesta
Doug Fehrer

To clarify personnel's records, the following persons should be reflected on our payroll:

- Kimberly Cain, as case worker in agency liaison, at $25,000, starting 3/15/93.
- Carmen Fowler, as Director of Presidential Messages, at $35,000, beginning 3/15/93.
- Claude Taylor, as Director of Volunteers, at $35,000, beginning 3/24/93

THE WHITE HOUSE

WASHINGTON

March 23, 1993

Dear Mr. Chairman:

I am writing to emphasize my firm, continuing commitment to the economic stimulus package presented in A Vision of Change for America and passed by the House of Representatives last week. I also appreciate your willingness to schedule a committee mark-up on the measure so soon after House action on H.R. 1335.

I strongly believe we cannot allow this economic recovery to weaken or collapse. We still have fewer jobs in the economy than we had in 1990, major corporate downsizings are continuing, and the economic growth numbers over the last two quarters are only about half the pace of the typical recovery. This stimulus package is an essential bridge from today's weak recovery to the development of a stronger base for long-term growth. It is an integral part of our economic plan of short-term stimulus, long-term investment and deficit reduction.

Therefore, I respectfully request that the stimulus bill be approved with the same spending levels as proposed on February 17. Let me also make clear that any delays in spending will undercut the purpose of the stimulus bill - to spur economic activity on an expedited basis during the coming months. I would oppose "fencing" the availability of funding for portions of the stimulus package which could unduly delay or even jeopardize the funding for those programs. Finally, I would strongly oppose any attempt to provide offsets for any portion of the stimulus package. To do so would cancel the intended benefits of the measure and threaten the education, infrastructure, health and other investment initiatives proposed in my five-year economic plan.

Support of the stimulus bill by the Senate Appropriations Committee and by the full Senate is critical to the success of our economic program. As always, your leadership is greatly appreciated.

Sincerely,

Bill Clinton

The Honorable Robert C. Byrd
Chairman
Committee on Appropriations
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

March 23, 1993

Dear Mr. Chairman:

Thank you for your kind note of March 16, in which you provided me your views on several foreign policy issues.

I am grateful for your support of my actions on Haiti. My decision to maintain the practice of direct return was based on my desire to prevent a humanitarian tragedy that would have resulted from a mass boat exodus from Haiti. But as you correctly observed in your letter, the permanent cure to the problem of boat departures from Haiti lies in a return to democracy and the reestablishment of conditions that will permit economic growth and development. This is precisely why I have attempted to push the political negotiation process forward so vigorously. As you may know, Larry Pezzullo, our special envoy to Haiti, was in Port-au-Prince last week to convey U.S. support for the United Nations/Organization of American States negotiation effort. I hope and expect that we will soon see tangible progress toward a political settlement.

I also share your concerns about immigration and, in particular, the importance of preventing illegal entry into the United States. The issue of immigration enforcement is currently being reviewed by several federal agencies, and will be an important priority for the new Attorney General.

In addition to illegal entry, you raised the issue of legal immigration in your letter. As you know, ceilings for legal immigration were modified in major reform legislation enacted in

1990. While changes in those numbers are not likely in the coming session of Congress, this issue will be subject to continual review by my Administration.

Finally, I appreciated receiving your comments on U.S. policy toward Israel. I agree that it is in Israel's long-term interest to develop its market economy. Through our Joint Economic Development Group, we will be working to encourage Israel to utilize U.S. loan guarantees to ensure that this objective is achieved over time. However, at a time when Prime Minister Rabin is preparing to take significant risks to achieve a breakthrough to peace in the face of difficult political circumstances, I believe it is essential that we maintain our current levels of support.

Although our resources are not unlimited, I strongly believe we can provide these levels of support to Israel while maintaining crucial commitments to both Russia and other former Soviet states.

Thank you again for your thoughtful letter.

Sincerely,

Bill

The Honorable Robert C. Byrd
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 3/25

NOTE FOR: Bo Cutter

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

Information ☐

Action ☑

FOR DISTRIBUTION
+ FOLLOW UP ON DOD

[redacted]

Thank you.

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

[redacted]

cc:

originals w/ Clerk

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

March 23, 1993

MR. PRESIDENT:

Attached is a decision memo establishing the organizational structure of the NEC. It is modeled on the NSC committee structure. It established a committee of Principals, of Deputies, and an ad hoc system of Interagency Working Groups.

This PDD follows the structure of Executive Order 12835. Last week you approved a decision memo adding the Secretary of Defense to the NEC. A PDD executing that decision is being drafted and will be forwarded later this week.

[redacted]

John

John Podesta

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

93 MAR 22 P6:19

March 22, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BOWMAN CUTTER

SUBJECT: ENCLOSED PRESIDENTIAL DECISION DIRECTION ESTABLISHING NATIONAL ECONOMIC COUNCIL SYSTEM

I. BACKGROUND INFORMATION: The enclosed Presidential Decision Directive/NEC-2 formally defines the organization and method of operation of the National Economic Council system. The language is, drawn directly from the Executive Order you signed establishing the NEC and parallels the analogous NSC Directive.

II. RECOMMENDATION: The recommendation is that you sign this Presidential Decision Directive.

III. DECISION:

✓ Approve ____ Approve as amended ____ Reject ____ No action

THE WHITE HOUSE

WASHINGTON

March 24, 1993

PRESIDENTIAL DECISION DIRECTIVE/NEC-2

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 ADVISER
THE ASSISTANT TO THE PRESIDENT FOR SCIENCE AND TECHNOLOGY POLICY

SUBJECT: Organization of the National Economic Council

To assist me in carrying out my responsibilities in the area of the national economy, I hereby direct that the National Economic Council system be organized as follows.

A. The National Economic Council (NEC)

The National Economic Council will be the principal forum for consideration of economic policy issues requiring Presidential determination. The responsibility, functions, and membership of the NEC shall be as set forth in Executive Order 12835 and this Presidential Decision Directive. The NEC shall (1) advise and assist me in integrating all aspects of national economic policy -- macro-economics, micro-economics, domestic, international and sectoral (in conjunction with the National Security Council); (2) develop and manage the economic policy-making processes with respect to domestic and international economic issues; (3) coordinate economic policy advice to the

President; (4) ensure that economic policy decisions and programs are consistent with the President's stated goals, and ensure that those goals are being effectively pursued; and (5) monitor implementation of the President's economic policy agenda. The Assistant to the President for Economic Policy may take such actions as may be necessary or appropriate to implement these responsibilities. As provided in Executive Order 12835, (1) the Council may function through established or ad hoc committees, task forces or interagency groups. (2) The Council shall have a staff to be headed by the Assistant to the President for Economic Policy. The Council shall have such a staff and other assistance as may be necessary to carry out the provisions of this order. (3) All executive departments and agencies shall cooperate with the Council and provide such assistance, information, and advice to the Council as the Council may request, to the extent permitted by law. Along with its subordinate committees, the NEC shall be my principal means for coordinating Executive departments and agencies in the development and implementation of national security policy.

The NEC shall have as its members the President, 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 State Trade Representative, the Assistant to the President for Economic Policy, the Assistant to the President for Domestic Policy, the National Security Adviser, and the Assistant to the President for Science and Technology Policy. The heads of other Executive departments and agencies and other senior officials shall be invited to attend meetings of the NEC where appropriate.

The NEC shall meet as required. The Assistant to the President for Economic Policy, at my direction and, when appropriate, in consultation with the Secretary of the Treasury, the Director of OMB, and the Assistant to the President for National Security Affairs, shall be responsible for determining the agenda and ensuring that the necessary papers are prepared. Other members of the NEC may propose items for inclusion on the agenda. The Assistant to the President shall be assisted by a National Economic Council staff.

B. <u>The NEC Principals Committee (ECON1)</u>

An NEC Principals Committee is established as the senior interagency forum for the consideration and integration of policy issues importantly effecting the national economy. The NEC Principals Committee shall review, coordinate, and monitor the development and implementation of national economic policy. The NEC/PC should be a flexible instrument -- a forum available for Cabinet-level officials to meet to discuss and resolve issues not requiring the President's participation. The Assistant to the President for Economic Policy will serve as chair of the NEC Principals Committee. The Assistant to the President for National Security Affairs shall be informed of meetings and invited to attend all those with international economic and international security implications and considerations.

The NEC Principals Committee shall have as its members the Secretary of the Treasury; the Director of the Office of Management and Budget; the Chairman of the Council of Economic Advisers; the Secretary of Commerce; and the Secretary of Labor; and the Assistant to the President for National Security Affairs as appropriate. Other heads of departments or agencies shall be invited as needed.

The Assistant to the President for National Economic Policy shall be responsible -- in consultation with the Secretary of Treasury and Director of OMB, and, when appropriate, the Assistant to the President for National Security Affairs -- for calling meetings of the NEC/PC, for determining the agenda, and for ensuring that the necessary papers are prepared.

C. The NEC Deputies Committee (ECON2)

An NEC Deputies Committee shall serve as the senior sub-Cabinet interagency forum for consideration of policy issues affecting the national economy. The NEC Deputies Committee shall review and monitor the work of the NEC interagency process (Including Interagency Working Groups established pursuant to Section D below). The Deputies Committee also shall focus significant attention on policy implementation. Periodic reviews of the Administration's major economic initiatives shall be scheduled to ensure that they are being implemented in a timely and effective manner. Also, these reviews should periodically consider whether existing policy directives should be revamped or rescinded.

The NEC Deputies Committee shall have as its members the Deputy Assistant to the President for Economic Policy (who will serve as the chairman) and the appropriate senior officials of Deputy Secretary or Under Secretary rank chosen by the relevant heads of departments or agencies which compose the NEC in consultation with the Deputy Assistant to the President for Economic Policy. The Deputy Assistant to the President for National Security Affairs shall be a member of the NEC Deputies Committee and attend meetings as needed. The Deputy Assistant to the President for Economic Policy may invite representatives of other Executive departments and agencies, and other senior officials, to attend meetings of the NEC Deputies Committee where appropriate in light of the issues to be discussed.

The Deputy Assistant to the President for Economic Policy shall be responsible for calling meetings of the NEC Deputies Committee, for determining the agenda, and for ensuring that the necessary papers are prepared. The NEC Deputies Committee shall ensure that all papers to be discussed by the NEC or the NEC Principals Committee fully analyze the issues, fairly and adequately set out the facts, consider full range of views and options, and satisfactorily assess the prospects, risks, and implications of each. The NEC Deputies Committee may task the interagency groups established pursuant to Section D of this Presidential Decision Directive.

D. Interagency Working Groups (ECON3)

A system of Interagency Working Groups -- some permanent, others -- ad hoc -- is hereby authorized., The NEC Interagency Working Groups shall be established at the direction of the Deputies Committee, which shall also determine the chair of the NEC Interagency Working Groups -- either departmental or NSC, NEC, or DPC. The Interagency Working Groups shall convene on a regular basis -- to be determined by the Deputies Committee -- to review and coordinate the implementation of Presidential decisions in their policy areas. Strict guidelines shall be established governing the operation of the Interagency Working Groups, including participants, decision-making path and time frame. The number of these working groups shall be kept to the minimum needed to promote an effective NEC system.

William J Clinton

Birnbaum
Cleary
What's the deal on this

THE WALL STREET JOURNAL WEDNESDAY, MARCH 24, 1993

THE PRESIDENT HAS SEEN 3/24

U.S. Won't Fight Ruling That Scraps Toxics Standards

By KEVIN G. SALWEN
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – The Justice Department decided not to fight an appeals court ruling that scrapped certain standards on workplace safety, a move that allows companies to roll back protections on 376 toxic substances.

The decision was made over the objections of the Labor Department, which wanted the Supreme Court to hear the case. The move creates new momentum for legislation pending in both houses of Congress that would set the higher toxics standards into law.

In July, the U.S. Court of Appeals in Atlanta ruled that a package of standards created in 1989 by the Labor Department's Occupational Safety and Health Administration was illegal. The agency said it issued the standards as a package because it was time-consuming to adopt each rule separately.

While the appellate court didn't object to the so-called bundling, it said the agency hadn't provided enough evidence to support each rule. And the administration was given until Monday to appeal the case.

Yesterday's decision by the Justice Department means the standards revert to those in effect before 1989. The earlier standards, which were drafted in 1968 and adopted in 1971 by OSHA when the agency was established, don't include standards for many substances such as carbon monoxide.

OSHA said yesterday it would continue to enforce the standards set in 1971 for 212 toxic substances. But standards for an additional 164 substances first regulated in 1989 are no longer subject to OSHA enforcement.

Agency officials were optimistic that few employers would roll back improved employee protections. But they added that the agency hadn't determined whether to start drafting new rules for the toxins.

Lawyers are divided over how companies might react to the earlier standards. George Salem, who was the Labor Department's solicitor during the Reagan administration when the new standards were issued, contends that most companies already have accepted the stricter standards. "Once a company has undertaken the controls to comply, it's ridiculous to go back," he said. "I don't foresee any significant regression."

But Margaret Seminario, a safety specialist with the AFL-CIO, disagreed. She said many companies haven't yet complied with the 1989 rules because there was a five-year phase-in period. "OSHA has obviously under its current law and practice a very tough time regulating toxic exposures in the workplace except on a case-by-case basis," she said. "The situation we're in makes it very clear we need to change the law."

Scott Railton, a management attorney in Washington, said he would urge clients to stress worker safety despite the decision. "I would recommend a course not for OSHA compliance but for the health and safety of employees," he said. He added that OSHA could use a "general duty clause" to penalize companies who aren't providing adequate worker safety.

Legislation already pending in Congress would put in place all the standards voided by the appeals court ruling. In addition, the legislation would require OSHA to update its regulations on toxic substances every three years. Hearings on the bills have been set for late-April.

Indeed, congressional leaders were quick to urge passage of the bill. ". . . We desperately need the minimal protections provided by the air-contaminants standard," asserted Sen. Howard Metzenbaum (D., Ohio), chairman of the labor subcommittee. "But it could take decades for OSHA to meet the standards." Instead, he said, Congress must push forward with a legislative solution.

Reno Favors Federal Law On Abortion Clinic Protests

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON – Attorney General Janet Reno said she favors federal legislation to protect women from anti-abortion protesters who attempt to deny entry to abortion clinics.

"I think a woman's right to choose should be protected," she said during her first formal news conference since taking office.

Current federal law, she said, doesn't adequately cover the actions of those who physically attempt to stop women from getting abortions. A federal law is needed, she said, because much of the activity involves the crossing of state lines.

In January, the Supreme Court ruled that a federal civil rights law couldn't be used to stop people who attempt to prevent abortions. Bills making it a federal offense to blockade abortion clinics have been introduced in both houses of Congress.

Ms. Reno also said she has made no decision on whether Federal Bureau of Investigation Director William Sessions should be fired. William Barr, the previous attorney general, accused Mr. Sessions of ethical violations. "I have not concluded he should be removed," she said. "I have not concluded he should stay, because I have not concluded my review of the matter."

On another issue, Ms. Reno said she has requested the resignations of all U.S. attorneys, a common practice when the White House changes parties.

THE WHITE HOUSE
WASHINGTON

DATE: 3/24/93

TO: HOWARD PASTER

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

MEMORANDUM

93 MAR 23 P7:32

TO: Bruce Lindsey
Rahm Emanuel
John Podesta
Mark Gearan

FROM: Sylvia de Leon SdL

DATE: March 23, 1993

RE: The President's Meeting With Puerto Rican Governor Pedro Rossello/Puerto Rican Democratic Party Concerns

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As we discussed, Democratic friends in Puerto Rico have called to express great concern over the political implications of the President's meeting tomorrow with Governor Pedro Rossello. The Governor, a strong Bush supporter, favors Statehood and certain amendments to Sec. 936 of the tax code which are inconsistent with Democratic policy in Puerto Rico. The Democrats, who favor Commonwealth status, are concerned that Governor Rossello will propose a modified version of the Administration's proposal limiting the Sec. 936 credit available to U. S. companies operating in Puerto Rico which would be consistent with a transition toward Statehood.

The Democratic party of Puerto Rico supports the overall Clinton tax package but would like to suggest adjustments to Sec. 936 in a manner which protects Commonwealth Status. Their ultimate concern with the meeting tomorrow is that it will implicitly signal support for Statehood.

The Puerto Rican Democrats were extremely helpful to the President during the campaign and are perplexed that the first meeting with Puerto Rico is with Governor Rossello who actively supported Bush.

RECOMMENDATION:

The White House should immediately announce the President's intention to meet with the Puerto Rican Democrats. Since both the current Governor and the Resident Commissioner in the Congress are Republicans, the appropriate Democrats to meet with are the Democratic State Chair, Don Miguel Hernandez Agosto; the Democratic Mayor of San Juan, Hector Louis Acevedo; and the President of the Popular Democratic Party (PDP) Victoria Munoz, who lost her bid for governor against Rossello.

The Puerto Ricans also have suggested that the White House reach out to Democratic Puerto Rican supporters in Congress, Nydia Velazquez (NY) and Luis Gutierrez (Ill.). Ideally, they would like to see those Members in the President's meeting with Governor Rossello.

THE PRESIDENT HAS SEEN 3/23

Stiffening Up on Trade by the Numbers

After U.S. Chip Firms Reach Specific Target, Japan Vows to Fight That Sales Approach

By Paul Blustein and Peter Behr
Washington Post Staff Writers

The success of the semiconductor trade agreement between the United States and Japan has been greeted by the sound of one hand clapping.

When the news came Friday that U.S. and other foreign manufacturers had claimed a record 20.2 percent of Japan's semiconductor market in the fourth quarter of 1992, U.S. computer chip makers blinked, then cheered.

Japanese officials have not joined in.

Achieving the sales goal of the semiconductor deal headed off a potentially serious dispute with the Clinton administration, but it also may stir similar attempts to "manage" trade between the two superpowers, officials in Tokyo fear.

"We have learned a lesson—that if we set numerical targets, the U.S. side will act as if the number is a commitment, or guarantee, and that all the blame for failure to achieve the number should fall on the Japanese side," said Tatsuya Terazawa, deputy director of the Americas Division at the Ministry of International Trade and Industry (MITI).

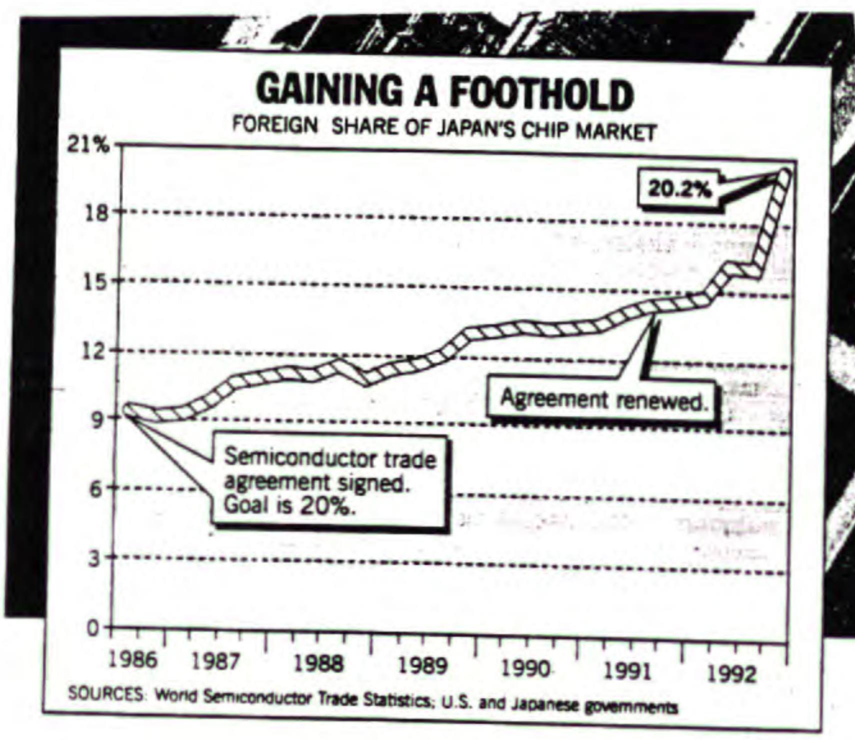
"So we will never repeat that approach, either in semiconductors or in other sectors. This is a widely shared feeling, in MITI and other ministries," Terazawa said.

"We will continue to encourage our industry to buy foreign-based semiconductors," Terazawa said. "But we are against extending numerical targets. We won't repeat that."

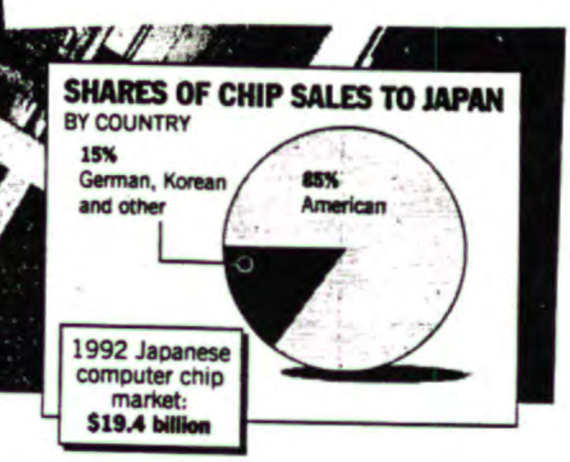
The consensus among U.S. semiconductor manufacturers is that the numerical target made all the difference in the world. Until about seven years ago selling chips to the Japanese often seemed like a fool's errand.

"We would visit customers, and they would basically stare at us with a big smile and say, 'Thank you very much for your information;

See CHIPS, D5, Col. 1



SOURCES: World Semiconductor Trade Statistics; U.S. and Japanese governments



BY TOBEY—THE WASH

Bob Rubin
Interesting
BC

Japan, U.S. Reactions Differ on Meeting 'Goal'

2/2

CHIPS, From D1

we will take that with a positive, forward-looking attitude,'" said William O. Howe, president of Intel Japan K.K.

"They had absolutely zero intention of ever buying a foreign semiconductor. 'All foreign semiconductors have bad quality . . . .' That was the paradigm that existed in Japan at that time."

Since the signing of the semiconductor agreement in 1986, setting the 20 percent goal for foreign share of Japan's market, the government in Tokyo has cajoled, prodded and pressured industry into giving foreign chips a better chance.

"In Japan, it takes a long time to be recognized as a company," said Keiske Yawata, president of LSI Logic K.K., the Japanese unit of one of Silicon Valley's premier customized-chip makers.

"We started here in 1985, and large companies did not even pay attention," said Yawata.

"Although they recognized our technology, they didn't recognize the company, simply because we had not proven by performance that we are here and committed to the Japanese market. It probably takes 10 years. But with the help of the U.S.-Japan semiconductor agreement, we probably shortened it to three years"—an enormously important break in the fast-moving chip business.

Without a numerical target, Yawata and others said, their companies' products never would have gotten a fair shake in a reasonable amount of time.

According to Intel's Howe, "the great thing is, after Japanese companies have been working with you for a while, they say, 'Hey! This is pretty good stuff!'"

Hitting the 20 percent target just once will not satisfy the Clinton administration.

U.S. Trade Representative Mickey Kantor said he expected Japan to average that amount for the balance of this year, no easy task if its recession eases as many economists predict, and chip sales pick up, expanding the size of the pie.

The market share number should increase in a "steady, gradual" way, Kantor said. Since U.S. chip manufacturers have more than one-third of the global market for their products, 20 percent should be regarded as a floor, not a ceiling, he said.

The administration is actively considering adopting the same approach toward other industries, where foreign competitors can't seem to make a dent.

But the administration's policy toward Japan still appears far from set and there are a number of unanswered questions about a broader use of numerical guidelines.

There isn't a long list of industries whose justification for such help appears as strong as the semiconductor sector's, some economists say.

Japanese officials are adamant about not increasing the semiconductor goal or extending the concept to other industries.

The semiconductor goal, they say, was intended as a loose guideline, never a firm guarantee by the Japanese government, because to make an outright promise would constitute a gross violation of free-market principles.

While Japan has agreed to voluntary limits on exports of steel and autos to the United States, nothing on the scale on the semiconductor agreement has been tried as a way to boost U.S. exports to Japan.

The U.S. side often has acted as if failure to come close to 20 percent were grounds for imposing sanctions against Tokyo, Japanese officials complain.

Japanese officials acknowledge that business practices such as the long-term, often cozy relationships between manufacturers and customers can make life tough for any corporate newcomer, foreign or domestic.

But plenty of success stories such as Coca Cola Co., Du Pont Co. and Weyerhaeuser Co. show that patient, determined foreigners can crack the market, they say.

And under foreign pressure the market is becoming less impenetrable all the time.

The American Chamber of Commerce in Japan says it does not favor other efforts to set market share targets.

"That's anti-competitive," said ACCJ President Richard Johannessen Jr.

Moreover, Japan's ability to "manage" its own trade is less impressive than some Americans assume, officials say.

Even if MITI were willing to help U.S. companies in a variety of sectors attain specific market shares in Japan, the agency doesn't have the power to guarantee results, officials insist.

"MITI is not almighty," Terazawa said. "Tokyo in 1993 is not Moscow in the '60s or '70s."

Companies such as Intel owe the bulk of their success in the Japanese market to their own ingenuity at designing world-class chips, he said.

Blustein reported from Tokyo.

The Army Owes Some Answers

THERE IS plenty of evidence on the record that in the 1960s and 1970s, the Federal Bureau of Investigation and local police agencies tailed, bugged and kept a meticulous collection of secret gossip on the personal and political behavior of the Rev. Martin Luther King Jr. and other prominent black leaders. Those accounts, it turns out, may have revealed only small glimpses into the government's intrusive behavior during that era. According to Sunday's edition of The Commercial Appeal in Memphis, government spying on blacks started more than 75 years ago and continued for years—at the hands of the United States Army. That piece of ugly history, if true, can't be allowed to remain in the shadows.

The reasons for the military's alleged domestic sleuthing were as flimsy at the turn of the century as they were when J. Edgar Hoover's FBI was running amok. As preposterous as it seems, the Army attributed justifiable anger among blacks at their mistreatment in the early 1900s to possible influence by foreign-backed subversives from, of all places, Germany. That kind of paranoia and prejudice reportedly governed the Army's behavior through World War I, the civil rights movement and anti-Vietnam protests, when it mounted intelligence operations. They reportedly even deployed the Green Berets at one point. It is a sickening story about government spying that shadowed southern churches and ministers, monitored three generations of the Martin Luther King Jr. family and recruited black Americans to inform on each other. The story that unfolded in the Commercial Appeal describes an Army that feared black Americans were or could become a national security threat. The real threat to the country's interest, however, were those in the Army who masterminded the plot.

Yesterday, an Army spokesman said the Army was researching records to "determine the facts surrounding the allegations." The Army says it expects to complete the research soon, but until then, it has "no verifiable information for release." The spying may have stopped, but the need for full public disclosure of all the facts is strong.

Tony L / Blumbaum — what's the deal on this
B

Artists on the Hill

THE NATION'S artists and arts organizations rarely speak in anything that could be called unison, but 450 of them converged on Washington and Congress last week for their annual "arts advocacy day" bearing a surprisingly unified—and mild—message. Perhaps even more surprising, the average reception they report getting from lobbied lawmakers this time was not the suspicion and fear of the last few years—what one arts association president paraphrases as "Get off our backs, your crazy stuff will get us in trouble"—but a non-panicked willingness to listen. The lobbied representatives and senators, about 340 of them by the arts groups' count, mostly heard pitches on the federal role in the arts and education, and their questions, when they asked any, had to do with how the arts groups' specific concerns—which this year include education, tax and insurance matters—fit in with the bigger legislative landscape.

If such a return to business after the recent cultural wars should materialize, it will be all to the good. The annual advocacy day, the 15th annual such event, focused on matters in which the interests of arts groups overlap with those of other nonprofits (for instance, the Clinton budget's projected cuts in nonprofit direct-mail subsidies, or the difficulty in securing adequate health insurance for artists) and those in which they merge with the continuing work on education reform.

Education Secretary Richard Riley gave them a boost on this front in a Wednesday speech, announcing that the arts now comprise one of the six "primary subjects" enumerated as national education goals. Barbara Jordan delivered a lecture in the Kennedy Center that declared the arts' ability to "reattach *pluribus* to *unum*" and to dissolve endless ethnic separatism, adding, "The arts have no pigmentation, thank God." Lobbyists sought to persuade representatives that community arts programs, funded either by the NEA or by local money it draws, constitute not only uplift but also programs for the disabled, the elderly, children—all those good things that draw funds rather than controversies. If this kind of pitch has an old, familiar feel, common to every interest group seeking a few extra strips of pork in tough times, it is nonetheless infinitely preferable to the last few rounds of debate on this topic.

Unfair to Federal Retirees

The Post's March 15 editorial "The Republicans Find a Budget" found merit in the proposal to reduce the cost-of-living adjustments given to federal and military retirees. But the proposed change would unfairly target retirees and could have serious policy implications not considered in the editorial.

Under the president's proposed budget, federal employees may suffer more than 10 times the cost of deficit reduction compared with private-sector employees at equivalent wages. It should also be noted that more than half of those who would be affected by a reduction of COLAs for retirees under the age of 62 are retired military personnel.

To further cut COLAs to retirees would permanently diminish the base of retiree benefits. It is unfair to single out federal retirees by imposing such a limit on COLAs, which, like Social Security COLAs, are vital to preserving the income levels of many senior citizens. In addition, the call for reducing retirees' COLAs comes at a time when the president and Congress are trying to reduce the size of the federal work force and may undermine the effort to achieve reductions through attrition by reducing the incentive for early retirement. The result is likely to be more reductions-in-force, which are costly and have an adverse impact on low-grade workers, especially women and minorities.

FRANK McCLOSKEY
U.S. Representative (D-Ind.)
Chairman
Committee on Post Office and Civil Service
Washington

THE PRESIDENT HAS SEEN 3/23

Clinton Looks to Stake Out Claim for Support Of Young, Nonideological High-Tech Officials

By GERALD F. SEIB
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — President Clinton is out to claim the techies as his own.

Inspired by support they got in last fall's campaign, Mr. Clinton and his Democratic Party are trying to carve out and secure a distinct new business constituency: young, nonideological executives and entrepreneurs from high-tech companies. Clinton tax policy, investment plans, cultural appeals — even the language used by the president — are designed to pull these new-wave business leaders into the Clinton fold.

"Now that he's the president and more people out here are getting to know him, they're extremely impressed at his ability to know things at their level," says Dave Barram, a vice president of Apple Computer Inc. who has been instrumental in organizing support for Mr. Clinton in California's big high-tech community. "The phrase I use is that he really gets the essence of the key issues we care about."

Above all, Mr. Clinton is making inroads among high-tech leaders who have concluded that the 1990s will require more cooperation between business and government to keep the U.S. competitive. But the president also is discovering that it won't be easy to keep such converts under his wing.

That can be seen in a talk with David Collison, a computer software developer who personifies the kind of techno-businessman the Democrats have grabbed and hope to keep. Mr. Collison is vice president of Creative Software Services Inc., a small new firm in Cedar Rapids, Iowa. A self-proclaimed "Clinton Republican," he had voted for both Ronald Reagan and George Bush before turning to Mr. Clinton last fall. He abandoned the Republicans because of a conviction they had "trashed the economy" by letting deficits run wild. And he was drawn to Mr. Clinton and Vice President Al Gore out of a sense that, as fortysomething leaders, "they understand the possibilities" in U.S. technology in a way older politicians didn't.

Yet the 28-year-old Mr. Collison already is a little restive with the president. He has just posted an open letter to Mr. Clinton on a computer bulletin board service "to express concerns that I, my partners and many of my friends have." He implored the president to "CUT DEEPER" into the federal government, proclaiming: "It is time that the U.S. government learned what downsizing means."

The White House also has been dismayed to find that high-tech industries and venture capitalists are disappointed at the limited size and scope of Mr. Clinton's proposed capital-gains tax break. That tax break is designed to help precisely the

High-Tech Dollars
Top contributors from the high-tech community of soft, or unregulated, money to the Democratic Party in the 1991-1992 election cycle:

Peter and Eileen Norton Software developer	$210,000
John Moores Founder, BMC Software Inc.	200,000
Thomas J. Watson Jr. Chairman emeritus, IBM Corp.	150,000
Lawrence J. Ellison Chairman, Oracle Systems	75,000

Source: Common Cause

kinds of entrepeneurs that breed in California's Silicon Valley.

Moreover, it's far from clear that support for Mr. Clinton will translate into support for the Democratic Party more broadly. By nature, many in the high-tech world are independent-minded and suspicious of big power centers, including the federal government. For now such business people want to work with Mr. Clinton — and get help from him — but they remain suspicious of Democrats' tendency to expand government and build trade barriers.

"I don't have any sense that these guys are moving toward being Democrats," acknowledges Apple's Mr. Barram. If high-tech executives sense over time that Mr. Clinton is moving the Democratic Party toward the political center, he says, "then I think some of them might even become Democrats. I don't think that's a high likelihood for a while."

In fact, though they may back Mr. Clinton for now, the independent-minded techies also are drawn toward Ross Perot and might fall toward such a maverick figure if they sour on Mr. Clinton. At a meeting of top executives in the personal computer industry last fall, for instance, 46% of those surveyed said they favored Mr. Clinton for president. But 29% favored Mr. Perot, compared with just 25% for Mr. Bush.

Still, Mr. Clinton's advisers say their aim is to carve out a permanent niche for Democrats, not only among high-tech industries but also in other more traditional businesses now longing for a more activist government. "I don't think it's temporary," says Stanley Greenberg, Mr. Clinton's pollster and a top political adviser. "I think there are sectors that believe a changing world economy requires a new relationship between business and government."

Indeed, Clinton advisers say that Hillary Rodham Clinton was making both a political and a policy statement when she sought out Apple Computer Chairman John Sculley to sit beside her at her husband's nationally televised address unveiling his economic program. That program is studded with proposals designed to boost the high-tech sectors of the economy.

For starters, Mr. Clinton has proposed spending $17 billion over four years on technology programs, including money for a closely watched project to develop a national computer network and funds for a series of projects to develop technologies useful for business. The administration also has proposed extending the research and development tax credit, as well as the capital gains tax break for small businesses.

Whatever their technical merits, such proposals also could have the convenient effect of buying the loyalty of high-tech companies and entrepeneurs. Indeed, just four days after unveiling his economic program, Mr. Clinton made a beeline for Silicon Valley to meet with executives and high-tech workers there and unveil a policy aimed at "creating a partnership with the private sector to generate more of these kinds of companies."

At a question-and-answer session at a Silicon Valley factory, Mr. Clinton and Mr. Gore illustrated their ability to connect with high-tech culture in a way Presidents Bush and Reagan never did. They talked casually of software packages, high-performance computing and the application of scientific visualization to applied academics.

If the president can manage to cement for the Democrats a constituency within the traditionally Republican business com-

nonpartisan public interest group, indicates that seven individuals gave more than $200,000 in "soft," or unrestricted, money to the Democratic Party in the most recent election cycle. Two of the seven are from the computer software business: Peter Norton, famous for his ubiquitous "Norton Utilities" program for personal computers, and John Moores, founder and former chairman of BMC Software Inc.

I went to this month's Eco Expo in Los Angeles to see the environmental faithful melt over those wacky ice-cream entrepreneurs Ben & Jerry, who were speaking. But it also was an opportunity to take stock of the green industry by scanning the trade show for keepers amid the kitsch. And it was an appropriate time to ask whether this field demands an altered state of cost consciousness.

Green is pricey. To some extent, the recent recession imposed a value test, and

I still think we may have missed the boat on this — we shouldn't wind up with no constituency

RRubin

R.

chron

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 3/23

NOTE FOR: THE VICE PRESIDENT
MACK McLARTY
BOB RUBIN

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

Information ☐

Action ☒X

[redacted]

I think this matter has been addressed.
Howard, is that correct?

Thank you.

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

[redacted]

cc:

THE PRESIDENT HAS SEEN 3/22

John,

I have a serious problem with this memorandum.

Last week I met with Senator Heflin at his request on this subject, and subsequently asked the President about his conversation with Senator Heflin on the subject. The President left me the clear impression he was sympathetic to the Senator.

Moreover, the Vice President and I had discussed at the time of the Shelby incident the need to do something specific for Heflin as an offset, and had identified this project.

Only yesterday I had sent a note to Leon Panetta and Bob Rubin urging that we use a portion of the investment package's environmental money to keep the facility going. I suggested the use of the term "fertilizer" be dropped from the facility's name and that a shift to environmental research be real.

This should not require extra spending, but rather assigning to TVA a modest amount of research money that would otherwise be spent on the environment at some other location.

Howard 3/16

Mack/Bob R.
– we prob. should
do as Howard
(tho' see memo suggests
otherwise)
– ask the VP – (I think
Magaziner w/ Howard

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 3/15/93

TO: HOWARD PASTER

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

I want to forward this to the President. Do you want to provide a cover memo expressing your views?

[redacted]

[redacted]

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

THE DIRECTOR

March 15, 1993

93 MAR 15 P1:24

MEMORANDUM FOR THE PRESIDENT

FROM: LEON PANETTA

SUBJECT: Your Request to Review TVA Savings Proposal Terminating Fertilizer Program

This responds to the President's request to review the Administration's budget recommendation to terminate appropriations for TVA's fertilizer program. This proposal would bring to an end both the fertilizer and economic development programs operated by TVA. It achieves \$57 million in BA and \$42 million in outlay savings, with 60 percent of the savings resulting from the cessation of the fertilizer program.

The letter from Senator Heflin to the President makes a case that the fertilizer research is actually environmental research that should be supported by the Administration.

OMB Staff Response:

1. Conversations OMB staff have held with selected environmental groups familiar with the TVA program reveal that they do not accept the view forwarded in Senator Heflin's letter. They argue that the program is in search of mission and that the strategy is to modify the "sales pitch" to increase appropriations by showing the focus on environmental concerns. Representatives from environmental organizations believe TVA has limited expertise in the environmental area. They do not accept the assertion that most of the fertilizer program funds have been, or will be, used for environmental rather than fertilizer research.

2. There appears to be inconsistency between this letter and other documents prepared by TVA. For example, in TVA's 1992 budget documents, TVA justified its appropriation in the following ways:

- Nutrient efficiency research--inhibiting nutrient loss through development of slow release fertilizer,

- Fertilizer, soil and crop research--developing and evaluating fertilizers, fertilizer additives and application techniques designed to ensure the most efficient, cost-effective and environmentally acceptable use of these materials,

- Economics and market research--cooperative research will be conducted to evaluate market potential for new TVA fertilizer products and processes,

- Experimental product testing/evaluation--TVA will work with manufacturers, distributors and dealers in major fertilizer areas nationwide to demonstrate the benefits of experimental products, and

- Fertilizer raw material research--developing low-cost, low-energy production methods for fertilizer intermediates such as urea and ammonia.

While the some of the work here is clearly fertilizer research with an environmental bent to it, the description is not consistent with the data in Senator Heflin's letter that 85 percent of the appropriations for this program in 1992 were for environmental purposes and only 15 percent were for fertilizer research.

3. Even accepting the statements that TVA is doing environmental research, there is considerable duplication with ongoing work of other Federal agencies, primarily the Department of Agriculture and the Environmental Protection Agency and, to the extent TVA is involved in waste management and environmental cleanup activities, the Department of Energy. For example, the spending by the Department of Agriculture on the impact of fertilizers' and pesticides' effects on the environment is $100 million in FY 1993.

A second point that OMB has stressed to TVA over several years is that product testing and research work should be undertaken by the private fertilizer industry, an $8 to $10 billion per year industry composed of some of the largest chemical corporations in the world.

In sum, OMB staff continue to recommend this savings proposal.

HOWELL HEFLIN
ALABAMA

THE PRESIDENT HAS SEEN 3/10

United States Senate

WASHINGTON, DC 20510-0101

March 1, 1993

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

Dear Mr. President:

I think it would be a serious mistake to terminate TVA's National Fertilizer and Environmental Research Center (NFERC). Instead, in my judgement, this center should be greatly expanded in light of your goal to invest in the future of America, particularly in the environmental area.

In recent years, NFERC has practically stopped its emphasis on fertilizer research and its scientific, engineering, and technology transfer teams have focused their expertise and energies on creating technologies to help keep agriculture productive and environmentally sound. In addition, NFERC's staff is addressing most of the environmental issues that you and Vice President Gore have effectively brought to the attention of the nation: municipal, industrial, and agricultural wastes, remediation of contaminated sites, pollution prevention, constructed wetlands, and water quality.

The reason given for the proposed termination of NFERC is that "the fertilizer industry is fully capable of financially supporting fertilizer research without the need for taxpayer subsidized work in TVA." I wish to point out that this has already been accomplished for all practical purposes.

Out of NFERC's 1993 budget of $34.3 million, only $1.5 million is devoted to fertilizer R & D. Most of this has to do with developing fertilizer that is environmentally sound. The remaining $32.8 million is spent exclusively on environmental research.

The following figures show the phase-out of fertilizer research over the last few years:

NFERC APPROPRIATIONS FOR THE YEARS 1980 - 1993:
(in thousands of dollars)

YEAR	FERTILIZER	ENVIRONMENTAL	TOTAL
1980	47,284	0	47,284
1981	44,649	0	44,649
1982	41,510	2,911	44,421
1983	40,974	4,589	45,563
1984	44,039	5,681	49,720
1985	47,465	4,825	52,290
1986	39,042	3,787	42,829
1987	31,530	3,277	34,807
1988	30,377	3,246	33,623
1989	30,235	3,265	33,500
1990	5,709	27,322	33,031
1991	5,437	26,670	32,107
1992	5,112	29,188	34,300
1993	1,500	32,800	34,300

As the above chart illustrates, the emphasis of NFERC's work has shifted to R & D on the environment. I have enclosed a seven page summary of the Center's work in environmental technology for your review.

A review of the enclosed summary points out the long term importance of the research done in these vital areas. A visit to this research center would be most revealing. The Center has recently opened a constructed wetlands facility. This is the only constructed wetlands facility in the United States. The potential of this environmental technology research alone justifies the continuation of this center.

Your economic plan proposes in its long-term public investment program an $8 billion increase in environmental infrastructure, research, and technology which would accomplish much of what is already underway at NFERC.

Why kill an ongoing research center that is accomplishing many of your goals in order to create new programs with similar missions? It doesn't make sense. Instead of terminating this center, it ought to be enhanced.

NFERC is a national resource with a renowned staff of scientists, researchers, engineers, technicians, and analysts all working on solutions to environmental problems. The 448 member staff includes soil physicists, soil chemists, microbiologists, organic and inorganic chemists, agronomists, biologists, chemical engineers, environmental engineers, and experts on environmental compliance. The center has a 60 year working relationship with universities and other research organizations throughout the world.

In recognition of its outstanding reputation, the International Fertilizer Development Center (IFDC), which performs fertilizer research and development primarily for developing countries, chose to locate adjacent to NFERC in order to benefit from the expertise of the center.

Before any decision is made relative to the termination of NFERC, I hope that you will become thoroughly familiar with the environmental R & D already being conducted there. I urge you to have the environmental advisors on your staff visit the center and see firsthand the progress being made toward your goals of investing in the environmental well being of the nation, as well as your desire for the further investment in technology that will reap benefits for our nation in many ways, including spin-offs in related and unrelated fields. If they do so, I believe they will recommend to expand NFERC rather than terminating it.

With kindest regards, I am

Sincerely,

Howell Heflin

HH/jsn

Chron

entire
pkg
not
copied

BILL BRADLEY
NEW JERSEY

United States Senate

WASHINGTON, DC 20510-3001

March 19, 1993

The President
The White House
Washington, DC 20500

Dear ~~Mr. President~~: Mr President

I write to bring to your attention the attached letter from Mr. Alvin Cooperman, regarding his idea for an "America for Children Crusade."

I have known Alvin Cooperman for over 25 years. He has excellent experience in urban development and education and much to contribute to policy in this area.

I hope you will take the time to review Alvin's letter.

Respectfully,

Bill Bradley

Bill Bradley

BB/lh

Lee Ann

John P/ Howard
The President has
not seen
NY

Chron

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 3/23

NOTE FOR: Bob Rubin

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

Information ☑

Action ☐

[redacted]

Thank you.

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

[redacted]

cc: Paster

[redacted]

[redacted]

Rollout

Why don't we do it?

[redacted]

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman:

Thank you for your letter concerning legislative proposals for tax credits to promote employment and investment targeted to Indian reservations.

I share your concerns about unemployment on reservations and the lack of development. We recognize the need for recovery programs to encourage investment in areas that have been neglected in the past.

Since your letter, my Administration has released its comprehensive economic plan which includes proposals to establish enterprise zones. Indian reservations would be eligible to apply for zone benefits. We are currently working on a detailed enterprise zone proposal to include in the Administration's budget. I will also continue to review the specific proposal you advocate, which was included in H.R. 11 last year.

I appreciate hearing your views and look forward to working with you as we seek to restore economic growth in America.

Sincerely,

The Honorable Daniel K. Inouye
Chairman
Select Committee on Indian Affairs
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

Dear Senator McCain:

Thank you for your letter concerning legislative proposals for tax credits to promote employment and investment targeted to Indian reservations.

I share your concerns about unemployment on reservations and the lack of development. We recognize the need for recovery programs to encourage investment in areas that have been neglected in the past.

Since your letter, my Administration has released its comprehensive economic plan which includes proposals to establish enterprise zones. Indian reservations would be eligible to apply for zone benefits. We are currently working on a detailed enterprise zone proposal to include in the Administration's budget. I will also continue to review the specific proposal you advocate, which was included in H.R. 11 last year.

I appreciate hearing your views and look forward to working with you as we seek to restore economic growth in America.

Sincerely,

B Clinton

The Honorable John McCain
Vice Chairman
Select Committee on Indian Affairs
United States Senate
Washington, D.C. 20510

Chron

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 3/23

NOTE FOR: TONY LAKE; Howard Paster

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

Information ☐

Action ☑

The President signed, but indicated he wished to discuss the attached before sending. The original is with Tony.

[redacted]

Thank you.

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

[redacted]

cc:

THE PRESIDENT HAS SEEN 3/23

1095

THE WHITE HOUSE

WASHINGTON

March 18, 1993

DON'T SEND WANT TO DISCUSS

Nancy Hernreich note 3/23/93

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE
HOWARD PASTER

SUBJECT: Letter from Chairman Dellu
in Bosnia

Purpose

To respond to a February 11 letter from Chairman Dellums.

Background

Chairman Dellums has expressed concern that Congress be fully consulted on our use of U.S. forces in the former Yugoslavia. The attached letter responds to his concerns and assures him that you have every intent to continue discussions on this issue.

RECOMMENDATION

That you sign the letter to Chairman Dellums at Tab A.

Attachments
Tab A Letter to Chairman Dellums
Tab B Incoming correspondence

cc: Vice President
Chief of Staff

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman:

Thank you for your letter dated February 11 on the use of U.S. military forces. I appreciate your support on the current diplomatic initiatives with respect to the tragic and dangerous conflict in the former Yugoslavia and your views on the relationship between Congress and the Executive Branch on vital issues relating to the use of force.

There should be no doubt that an effective foreign policy requires close cooperation between the President and Congress. This imperative certainly applies to the sensitive questions surrounding the use of our nation's armed forces. I know this is an issue you have carefully considered and thoughtfully addressed for many years.

The current operation in Bosnia was preceded by consultations with Congress, and the advice and support we received helped ensure support for our humanitarian operations. Moreover, the airdrop of humanitarian supplies was consistent with the views expressed in Congressional resolutions (S.Res. 330 and H.Res. 554 passed August 11, 1992) urging decisive action to ensure provision of relief to the affected populations.

I recognize that there have been long-standing differences between Congress and the Executive Branch on the authority of each under the Constitution with respect to war powers. It is in the national interest that our relations on this vital matter minimize unnecessary tensions between our branches while maximizing those constructive discussions dictated by the Constitution and the public good. Clearly this is a subject that deserves further serious discussion in the days ahead.

I have asked Anthony Lake, my National Security Advisor, together with White House Counsel Bernard Nussbaum, to undertake a serious review of the War Powers Act and related issues in consultation with the relevant agencies of the Executive Branch and key members of Congress such as yourself.

The time has come for a fresh look at this critical issue and we look forward to your important contribution to that effort.

Sincerely,

Bill

The Honorable Ronald V. Dellums
Chairman
Committee on Armed Services
House of Representatives
Washington, D.C. 20515

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U.S. House of Representatives
COMMITTEE ON ARMED SERVICES
Washington, DC 20515

February 11, 1993

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

Dear Mr. President:

I write to you in the wake of Secretary Christopher's press conference regarding the situation in the former Yugoslavia. I applaud your resort to diplomacy and a search with the European Community, the United Nations and the Vance-Owen initiative to derive a negotiated resolution of the conflict there that is acceptable to all the parties. I believe that such an approach is sensible and, as the Secretary said, there is no reason to assume that it would fail.

Beyond that observation, I write because I believe that the discussion about a possible use of U.S. military forces requires congressional participation. I believe strongly that this is precisely the type of situation in which the Constitution delineates that the Congress of the United States render a determination as to the efficacy, advisability and consequences of the use of U.S. military forces. Whether it be to enforce a U.N. sanctioned "no fly" zone, to put troops on the ground to deliver humanitarian aid, or to place troops under the command of the United Nations to support or enforce a cease-fire effort, I believe that it is vital that you secure congressional sanction for those acts.

As you may recall, I led a number of my colleagues into U.S. District Court during the build-up to what became Operation Desert Storm. Without revisiting all of the issues raised in Dellums v. Bush, let me paraphrase the conclusion arrived at by Judge Harold Greene:

> Absent some exigent circumstance in which the President acts in defense of the nation, it is the Congress's responsibility and authority under the provisions of Article I of the Constitution to determine when and where U.S. military force will be used.

Article I clearly indicates that its reach includes not just declarations of war or significant military actions, but lesser military actions as well. Throughout the far greatest portion of the history of our nation, the Congress asserted this authority and presidents respected it. It was only during the Cold War when the United States was widely thought to be engaged in a constant struggle for national survival, that the presidents claimed unilateral war powers. With the end of the Cold War, there should no longer be any debate about whether we should follow the Constitution regarding the use of forces.

I share the Secretary's stated view that these are important issues and vital concerns, including developing steps to end and to prevent human rights violations that may constitute war crimes. Such efforts require a determined world response. I believe, though, that you would agree that there is no immediate or urgent military threat to vital U.S. interests in the various republics of the former Yugoslavia that would preclude you from coming to the Congress to secure its support for whatever action you would eventually seek to undertake. The Congress, as envisioned by the Framers, should hear the arguments for intervention and deployment and offer you its concurrence or its reservations.

Full congressional involvement in each use of force is required by the Constitution. It is also prudent. Congressional participation in decision making will produce a greater public understanding of the considerations for and against the use of force -- both in each case and in general. If the Executive Branch and the Congress deliberate openly together, there will be a deeper and more lasting political commitment to whatever policy results. While there may well be short-term political frustrations, following the Constitution will produce better decisions and it will reduce the political risk to the administration of mistakes abroad.

Mr. President, I urge you to consult with the Speaker and the Senate Majority Leader to establish a prompt and responsible schedule for review of this proposed action, including a vote on the question of the use of U.S. military forces. I believe that this is required by the Constitution and is an important act that will do much to enhance the confidence of our people that the branches of government are united in purpose, share a resolve for action as may be determined and respect the institutions of our republic, and thereby the franchise that each citizen has exercised. I respectfully urge those issues on you and thank you for your kind attention to this most significant matter.

With sincere best wishes and my pledged commitment to work for a prompt resolution of this issue, I remain,

Sincerely yours,

Ronald V. Dellums
Chairman

RVD:mebg

cc: Speaker Thomas S. Foley
Majority Leader George J. Mitchell
Secretary Les Aspin
Secretary Warren M. Christopher

THE PRESIDENT HAS SEEN 3/23/93

B Nussbaum
What's the deal?
B.

Some Toxic-Substance Rules Being Dropped

Administration Did Not Appeal Court Ruling

By Frank Swoboda
Washington Post Staff Writer

Regulations governing hundreds of toxic substances at workplaces from dry cleaners to large factories will be watered down or eliminated today as a result of a Clinton administration decision not to appeal a federal court ruling.

The administration decision leaves nearly 400 hazardous substances, ranging from carbon monoxide to wood dust, either unregulated or governed by weaker standards that were voluntarily set in 1968 by the industries being regulated.

It also puts a cloud over the Labor Department's ability to regulate health and safety hazards in the workplace, and may give new impetus to legislation now before Congress that would overhaul federal job safety laws.

ROBERT B. REICH
... reportedly favored appeal

The administration had until yesterday to appeal a July ruling by the U.S. Court of Appeals for the 11th Circuit, which struck down permissible-exposure limits set by the Labor Department's Occupational Safety and Health Administrationin the waning days of the Reagan administration. The appeals court said OSHA could not issue broad standards for hundreds of chemical substances, but had to justify scientifically each change in a standard.

OSHA has issued only 24 substance-specific health standards for the workplace since the agency was created in 1970.

The court stayed its ruling until yesterday to allow an appeal. According to the Labor Department, regulation of 212 chemicals will revert to the 1968 standards as a result of the ruling, 164 will be left unregulated and 52 will be unaffected.

An OSHA official said that under the old carbon monoxide standard, which will again govern the workplace, "you can die from carbon monoxide poisoning and still be within OSHA's limit."

The appeals court acknowledged the potential blow it was striking to OSHA'S regulatory efforts. If OSHA is forced to continue using the case-by-case approach to standards setting, the court said, "it would take decades to review currently used chemicals and OSHA would never be able to keep up with the many chemicals which will be newly introduced in the future."

But the court said that if OSHA wanted to change the way it set standards it had to go to Congress and get the law changed.

Labor Secretary Robert B. Reich issued a statement yesterday saying he understood that the Justice Department would not appeal the case to the Supreme Court. Labor Department sources said Reich was notified of this decision in a March 19 letter from Acting Solicitor General Law-

See OSHA, D3, Col. 4

Toxic-Substance Rules Being Eased, Eliminated

OSHA, From D1

rence Wallace. They said Reich had recommended the case be appealed.

A Labor Department source said few of the Clinton administration's top appointments at either the Labor or Justice departments were in place as the decision was being made.

"It may just have fallen between the cracks," he said.

Reich said he was "heartened by and supports the use of the innovative approaches such as those used by OSHA in developing the [tougher] standards."

The statement appears to give a boost to OSHA reform in Congress being pushed by organized labor. Under legislation introduced by Rep. William D. Ford (D-Mich.), chairman of the House Education and Labor Committee, OSHA would be able to use the broad standards-setting approach that the appeals court said it had no authority to use. The proposal would also require an automatic review of each standard every three years.

Organized labor has made changing OSHA one of its top legislative priorities in this Congress.

Peg Seminario, health and safety director of the AFL-CIO, said yesterday that labor did not push the Clinton administration to appeal the case because "we thought an appeal to the Supreme Court was unlikely to result in a different decision. We didn't want to have more bad law."

Barshefsky, Nominee for Trade Post, Has Clients in Mexico, Canada, Japan

By Bob Davis
Staff Reporter of The Wall Street Journal

WASHINGTON—Charlene Barshefsky, picked to become the No. 3 official at the U.S. Trade Representative's office, is registered as a foreign agent for firms in Mexico, Canada and Japan.

Ms. Barshefsky's roster of foreign clients, as a partner at Steptoe & Johnson, is sure to complicate her ability to win Senate confirmation as deputy trade representative. Several members of the Senate Finance Committee, which will review her nomination, are at odds with Ms. Barshefsky's clients.

In addition, the Commerce Department is having trouble filling its top trade slot—undersecretary for international trade. Goldman Sachs executive Robert Hormats turned down the job, and Massachusetts Institute of Technology economist Rudiger Dornbusch bowed out of consideration for family reasons.

Early in the process, a number of big-name trade consultants were interviewed — including former International Trade Commission Chairwoman Paula Stern — in hopes of elevating the stature of the Commerce Department, which oversees U.S. antidumping and unfair subsidy laws.

But critics warn that if the department tries to assert itself as a player on trade policy, it would inevitably clash with the trade representative's office.

With Ms. Barshefsky, 42 years old, the administration recruited an international trade lawyer with broad experience in interpreting trade accords and litigating trade cases. But her foreign clients will set off alarms in some circles. In a January 1992 filing with the Justice Deparment, she said she or her law firm represented Nippon Steel Corp. of Japan; COECE, a broad coalition of Mexican companies; and the Canadian embassy, the Canadian Wheat Board and the Canadian Forest Industries Council, among other foreign clients.

She represented the Canadian softwood lumber industry during highly contentious proceedings in which the Commerce Department levied 6.51% penalties on Canadian imports for unfair subsidies. That ruling is now being appealed to a Canadian-U.S. review panel.

And she also advised the Mexican trade group COECE on the North American Free Trade Agreement. A spokeswoman for the trade representative's office said that work involved analyzing sections in Nafta to see if they were legally consistent. In a 1991 Justice Department filing, however, Ms. Barshefsky said her role was to "provide advice to COECE regarding U.S.-Mexico FTA [Free Trade Agreement] negotiations."

U.S. trade officials said that Ms. Barshefsky had a number of prominent U.S.

Please Turn to Page A10, Column 6

THE WALL STREET JOURNAL TUESDAY, MARCH 23, 1993

THE PRESIDENT HAS SEEN
3/23/93

Mack
we need to discuss this
B

Trade Post Nominee Has Clients in Japan, Mexico and Canada

Continued From Page A2

clients as well, including Boeing Co. At the trade representative's office, they said, she would oversee trade relations with China, Japan and other Asia countries, and would recuse herself from any work on Nafta or the softwood lumber case.

"I believe it is a distinct advantage in having represented both domestic and foreign clients," said a spokeswoman for the trade representative's office. "That kind of well-rounded representation gives you insight and experience that representing just one side or the other would not."

The nature and extent of Ms. Barshefsky's work for Nippon Steel wasn't clear from her registration statement. Trade officials said that her law firm, Steptoe & Johnson, represented Nippon, but that Ms. Barshefsky didn't do any work for that client. Nippon has been slapped with stiff tariffs in a preliminary decision by the Commerce Department as part of a broad antidumping case.

Ms. Barshefsky hasn't any academic or business experience on Asia issues, which highlights an irony of the administration's trade team. Although Mr. Clinton has made trade with Japan a priority, he has selected few Japan experts so far. The Commerce Department is trying to recruit Glen Fukushima, a former trade official who now represents American Telephone & Telegraph Co., in Japan. But it's unclear whether he wants a Commerce Department job.

Separately, the Commerce Department plans to name Kent Hughes, president of the private-sector Council on Competitiveness as a senior aide to John Rollwagen, who is slated to become the No. 2 official at the department. And the Treasury Department expects to name Bradford DeLong, a Harvard University economist, as deputy assistant Treasury secretary for economic policy. Mr. DeLong is the co-author, along with Treasury Undersecretary-designate Lawrence Summers, of an influential paper that provides the intellectual foundation for President Clinton's proposal to reinstate the investment tax credit.

In addition, the Treasury said yesterday that President Clinton intends to nominate George J. Weise, 44, staff director of the House Ways and Means trade subcommittee, to be commissioner of the U.S. customs service.

—Gregory N. Racz contributed to this article.

62

CR - should we change now? - B.

THE PRESIDENT HAS SEEN
3/22/93

lion uninsured. Sin taxes alone, however, won't be enough. Last week Magaziner privately asked representatives of large and small businesses how best to cap costs in the short term while phasing in benefits more slowly. That idea concerns some in the White House, who insist, as one put it, "We have to create winners before we create losers."

In the past two weeks, the AMA, U.S. Chamber of Commerce and the Pharmaceutical Manufacturers Association have publicly jumped on the managed-competition bandwagon. Under fire from the White House for price gouging, the drugmakers last week asked the Justice Department to grant an exemption from antitrust prosecution so that they can negotiate voluntary price restraints. "The train is leaving the station," said a drug lobbyist. "We're just trying to slow the train down long enough ... to get on board."

Until now, Hillary has not submerged herself in the day-to-day work of the task force but has been briefed regularly by Magaziner. For the most part, she has played congressional lobbyist, paying calls on members and listening for ideas while a trio of aides take copious notes. Lawmakers report that the First Lady, for all her reputed aloofness, knows the right moves. When Illinois Democrat Dan Rostenkowski suggested to Hillary that her husband was sending her into a "huge hellfire" on health care, she adroitly replied, "You know, Mr. Chairman, Chicago looks a lot better as a result of that fire." Legislators always get a letter the next day—and sometimes a picture—thanking them for their thoughts on very specific subjects. "This is not a casual exercise," said a top White House aide. "She is making a set of judgments about where there are sensitivities and who will be natural allies."

She is also involved in legislative strategy. For the past few weeks, Democratic leaders in the Senate have been wrestling with ways to attach the health-care bill to the economic package in a giant superbill later this year. Senate rules made the gambit look unlikely from the start, but last week Hillary joined one final push on the issue before Senator Robert Byrd confirmed that it wouldn't be appropriate.

The general public has yet to see the Hillary who is everywhere at once, perfectly conversant on 100 different health-care topics. For now, her goal is to avoid becoming a distraction—or a target for opponents. At a health-care forum last Friday in Tampa, Florida, a visibly tired Hillary listened quietly while witnesses made their cases for various reforms. She usually made her comments, such as they were, in the form of a question, much as Justices do when they hear oral arguments at the Supreme Court. Meanwhile the other 11 Hillarys were probably working back in Washington. ■

The Political Interest/Michael Kramer

Life After High School

"IF I EVER WIN THIS DEAL," BILL CLINTON SAID 14 MONTHS AGO, "AND IF I'm remembered for only one thing, I hope it's national service. It's the best money we could ever spend, and I mean to spend it."

As good as his word, Clinton is pushing a four-year, $7.4 billion appropriation for national service, the plan that would permit students to finance their post-secondary education by working for up to two years in a variety of community jobs. Even with a price tag that steep, however, the program can fund at most 150,000 Americans a year by 1997, a fraction of the potential demand and a far cry from Clinton's campaign pledge that "every young American could borrow the money necessary to go to college" by "giving two years of his life to rebuild America."

A spirited debate has arisen as the plan's advocates maneuver to craft its details. The key question involves the program's target audience. The Administration is currently considering giving up to $10,000 a year to those who serve after graduating from college, twice the sum contemplated for those who complete their work stint after high school. Neither figure would come close to purchasing a private education, but the White House says four years at many state universities could be covered by $20,000. The three legislators most associated with national service over the years—Representative Dave McCurdy and Senators Sam Nunn and Barbara Mikulski—are dead set against favoring college grads. "Skew it to those who've completed college," says Nunn, "and you've wiped out a major rationale for the plan, which is to get kids of varied backgrounds to work together in a common civic experience. You also want to aid as many members of the college-age population as you can who want decent vocational training. Leave *them* behind and you pay later in welfare and other costs. And besides," Nunn notes, "most of the jobs that need filling, like helping the elderly in their homes—which could save billions in health-care costs—don't require a college degree." What's more, says American University president Joe Duffey, "at least a quarter of those who go to college aren't sure of what they want, so many drop out. A year or so of service can help them get their heads straight."


CYNTHIA JOHNSON FOR TIME

Touting the program in New Jersey

Clinton initially became enthusiastic about national service through his participation in the Democratic Leadership Council. Will Marshall of the D.L.C.'s think tank, the Progressive Policy Institute, offers several other reasons for concentrating on high school graduates. "First," says Marshall, "the opportunity costs to the economy are lower. If a college grad delays taking a regular private-sector job, society loses the tax receipts of his labor. Second, since most high school graduates would live at home and are unmarried, we'd be spared the ancillary housing and child-care costs the program aims to pay for. Third, job displacement is less likely. You don't want to put current wage earners on the street because national servants cost an employer less."

During a morning jog with McCurdy last Friday, Clinton confirmed what others have said, that his emphasis on aiding students *after* college derives in part from his desire to assuage middle-class voters upset with his breaking his promise to lower their taxes. Fair enough, but more middle-class families would receive help if their children joined the program after high school, as a confidential transition memorandum pointed out. The President ought to reread that memo and change course. ■

THE PRESIDENT HAS SEEN

3/22

Warren B. Rudman

■ *co-chairman, Concord Coalition*

While there are many positive aspects in President Clinton's program, the cuts, by and large, constitute tinkering at the margins. The plan does not make the fundamental structural changes in federal spending needed to keep the deficit on a long-term downward path.

By relying primarily on defense cuts and tax increases, the plan achieves some short-term deficit reduction. But, by the end of the century, the deficit, fueled by entitlement growth, will begin rising again.

Administration officials claim health care reform will solve this problem, but go on to admit that health care reform will likely cost, not save, money. We can do more. The president has said he's open to ideas. Here are a few specifics.

First, we can do more to "means test" Medicare for wealthy retirees. While we need to provide for those of limited incomes, why should we ask young people to subsidize those who can certainly afford to pay more?

Setting the maximum total "Part B" premium (for physicians' services) at 100 percent of costs for individuals with incomes exceeding $125,000 and for couples with incomes over $150,000 would save $17.5 billion over five years.

Tax a portion of the insurance value of Medicare benefits. All enrollees would be included, and the progressive income tax system would, in effect, "means test" this benefit. If this system were applied to both "Part A" (hospitalization) and "Part B" (physicians) Medicare programs, it would save approximately $30.6 billion over five years.

If more is needed, taxing employer-paid, tax-free health insurance in excess of $400 a month for family coverage and $165 a month for individual coverage as income (indexed) would result in a $113 billion five-year savings.

Such structural changes would go a long way toward real, permanent deficit reduction. But, if a quick fix is needed, here are a few more that would save money over the next 10 years: Terminate the space station ($19 billion); end new highway "demonstration projects," ($4.4 billion); kill mass transit operating subsidies for large cities ($14 billion); eliminate the Economic Development Administration ($2.3 billion); suspend special-purpose Housing and Urban Development grants ($1 billion).

Rep. Porter J. Goss (R-Fla.)

I have submitted for the public record a list of 50 ... suspect expenditures which I believe this nation ...hout. They total approximately $200 billi... They come from...

THE PRESIDENT HAS SEEN 3/22

Numbers Don't Favor Kasich Budget Battle

Republican Takes 'Put Up or Shut Up' Dare

By Kenneth J. Cooper
and Eric Pianin
Washington Post Staff Writers

As President Clinton monitors House debate on his budget proposals, which resumes today, he may notice Republican lawmakers lining up behind a floor leader who, like himself, is a baby boomer and athletic politician from a modest family background.

Rep. John R. Kasich (Ohio), the new top Republican on the House Budget Committee, grew up in Pennsylvania near Pittsburgh in a Croatian-American family of blue-collar Democrats. His relatives have classic Democratic stories—a grandfather who worked in the coal mines and suffered from black lung disease, an uncle who got laid off after years toiling in the steel mill.

Kasich ("rhymes with basic," he tells people) studied at Ohio State University, where his politics turned toward the Republicans who predominate in the Columbus area. His family, he said, helps him to understand those middle-class voters whose support the major parties go after on such issues as the economy, budget and taxes.

On those issues Kasich, who at 40 has boyish looks and a trim frame, finds himself counterposed to a Democrat of his generation.

It is not really a fair fight. House Democrats, after adding $62 billion in spending cuts to Clinton's original proposal, appear to have a partisan majority behind the modified version of the president's budget plan.

House Republicans have not officially endorsed Kasich's counterproposal, which is the closest GOP lawmakers have come to explaining how they would cut the federal budget deficit without raising taxes. Most House Republicans decided their party ought to criticize the Democratic plan without offering one of their own that Democrats could target. Kasich, however, argued that having a GOP plan helps the party engage Clinton. He has tried to do that with explicit backing from only other Republican members of the Budget Committee.

"To just sit back and criticize Clinton without a manageable, credible alternative is a dreadful mistake," Kasich said last week at the committee meeting where his plan was defeated on a near party-line vote. "We didn't come here to be potted plants."

Feigning shock at what he sees as the vagueness of the Democratic budget plan, Kasich faced the television cameras and addressed Clinton: "Mr. President, if you're watching, will you please provide us with specifics?"

Kasich was playing a game of turnabout. The day after Clinton announced his economic package, Office of Management and Budget Director Leon E. Panetta, a former House Budget Committee chairman, sought to stave off an aggressive Kasich by challenging him and other GOP critics to "put up or shut up."

By producing a detailed alternative, Kasich figured he had earned the right to criticize. His plan, which a small staff worked long hours to produce on March 10, would cut the deficit by $429 billion over five years—without any tax or spending increases and without touching Social Security—as compared with what the Republicans calculate as $362 billion in deficit cuts in Clinton's plan. Kasich's proposals to achieve savings include making the higher-income elderly pay more for Medicare, raising the minimum retirement age for federal workers from 55 to 62 and eliminating 162,000 federal jobs, 50,000 more than the Democrats say they would abolish.

"I'm a less-government Republican," Kasich said.

Many observers also consider him a rising star among House Republicans because of his aggressiveness, passion and demonstrated ability to work constructively with Democrats.

Kasich, elected in 1982 and a Budget Committee member since 1989, has found some unlikely allies in past budget battles. He joined Rep. Ronald V. Dellums (D-Calif.) in a fight against more funding for the B-2 "stealth" bomber, and he linked with Reps. Charles E. Schumer (D-N.Y.) and Barney Frank (D-Mass.) to cut agricultural subsidies.

"He's tenacious, a hard worker, well-prepared and he's a fighter. I could always count on him," said Dellums, who is now the Armed Services Committee chairman.

Criticism of Kasich focuses on a temper and brashness that can turn off potential allies. Some Republicans said, for instance, that [illegible] showed none of the patience need[illegible] to sell his budget to colleagues le[illegible] versed in fiscal matters.

The emotion that others fe[illegible] from Kasich is part of his basic p[illegible]litical approach, and a quality [illegible] rates as more important to impro[illegible]ing the political fortunes of Repu[illegible]licans than ideology or strategy.

"What I think is the most impo[illegible]tant thing for a politician is pa[illegible]sion," he said. "We have to becor[illegible] a party of passion."

Staff writer Charles R. Babcock contributed to this report.

PLAYERS

Rep. John R. Kasich (R-Ohio)
Ranking Republican
on House Budget Committee

Elected 1982
Education: B.A., Ohio State University, 1974

Here is a closer look at some of the Republican proposals put forth by Kasich:

1. Medicare and Medicaid: The proposal would save about $85 billion by raising the share of program costs paid by well-to-do patients, limiting payments to providers and making it easier for states to put Medicaid patients into managed-care programs where they no longer would be able to choose their own doctors. *(Clinton: $60 billion.*)*

2. Federal employees: The Republicans would save about $75 billion. Freezing cost-of-living adjustments (COLAs) and other pay for civilian workers would save $29 billion; reducing employment by 162,000 (50,000 more than Clinton), $19 billion; raising the civilian retirement age to 62, $14 billion; and deferring the COLA on military retirees until they reach age 62, $5.5 billion. *(Clinton: about $23 billion.)*

3. Defense: Republicans would trim about $60 billion directly, not counting employee cost cuts noted above. *(Clinton: $112 billion).*

4. Streamlining government: Republicans envision about $50 billion in savings. *(Clinton: $23 billion.)*

5. Nutrition: Republicans would trim about $8 billion, in part by making the popular Women, Infants and Children (WIC) feeding program the basis for a block grant, but not cutting people off the program. *(Clinton: increase WIC funding by about $3.6 billion.)*

6. Housing: Republicans would save $5 billion by eliminating special-purpose Housing and Urban Development grants created by Congress, eliminating subsidies for vacant public housing and using Internal Revenue Service data to verify eligibility for subsidized housing. *(Clinton: add about $9.5 billion in spending.)*

7. Student Aid: The GOP proposal would save $4.4 billion by reducing the interest paid banks on student loans by 1 percent and by changes in campus-based aid, with half the savings going to Pell grants for poor students. *(Clinton: increase student aid by $9 billion.)*

—*Charles R. Babcock*

*Comparisons are drawn from figures as outlined in President Clinton's Feb. 17, 1993, proposal "A Vision of Change for America."

SOURCE: "Cutting Spending First, An Economic Plan for Middle America," by Republican members of the House Budget Committee

THE WASHINGTON

3/17/93

THE WASHINGTON POST

29

TUESDAY, MARCH 9, 1993

My Deficit-Reduction Plan

A18

By Hank Brown

President Clinton challenged critics of his tax increases to come forward with their own specific proposals to reduce the deficit. Last week, I presented the president with a plan that would cut the deficit by $679 billion over the next five years. The plan proposes to do this by cutting spending and *not* raising taxes.

There are many in Congress who believe that improving the economy and American competitiveness in world markets will come from eliminating wasteful programs—not from increasing the tax burden on working Americans.

Ironically, none of the plan's $679 billion in cuts are draconian. While special interest groups will oppose them, the general public will wonder why Congress spent money on the programs to begin with.

The plan cuts $94 billion in defense spending and eliminates $338 billion in mandatory spending increases and $147 billion in discretionary spending during the next five years. Social Security would not be affected.

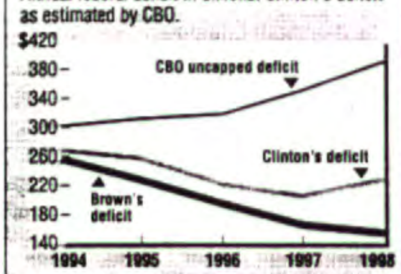
Potential Savings

Overall, the plan includes 117 specific spending reductions. Ask yourself if you would rather pay higher taxes or make the following cuts. (Savings reflect total savings over the five-year budget cycle, fiscal 1994-98.)

• *Cut the White House staff and, more important, congressional staffs by 25%.* (Mr. Clinton's much publicized cuts in the White House staff required carefully re-

Cutting the Most

Annual federal deficit in billions. Clinton's deficit as estimated by CBO.



Source: Senator Brown

defining it so that many executive-office slots remained untouched; funding dropped by only 5%.) Even a 25% cut would leave Congress with a staff six times bigger than the legislative staff of any other country in the world. (Saves $3.9 billion.)

• *Limit the increase in entitlement programs to increases in the cost of living plus the costs of adding new beneficiaries.* This could allow 4% to 7% increases next year in Medicare, for instance, but no more than that. (Saves $257 billion.)

• *Cut back on overhead.* The government currently spends nearly $180 billion a year on travel, supplies, printing and rent. If you simply freeze the cost of overhead in the government's budget for two years and then limit increases thereafter by the cost of living, you save $45.9 billion.

• *Cut back in defense.* With the end of the Cold War, we can make significant reductions in the military and still maintain our ability to meet current threats to our national security. If we adopt President Bush's proposals to reduce defense spending—proposals less drastic, although more prudent, than Mr. Clinton's—we would still save more than $74.8 billion.

• *Cancel the C-17 transport plane.* The C-17, like other wasteful defense programs outside the Bush cuts, has been plagued with major cost overruns; and it has failed to meet its targeted guidelines in both range and payload. In fact, the Air Force's C-5 is a much more reliable cargo plane and costs $102 million less per plane than the C-17. (Saves $8.6 billion.)

• *Trim back both civilian and military intelligence.* Intelligence functions are now overstaffed with duplicative agencies. By requiring a 25% reduction of both military and civilian intelligence personnel, we will save $8.5 billion.

> *There are many in Congress who believe that improving the economy will come from eliminating wasteful programs—not from increasing the tax burden on working Americans.*

• *Cancel out-of-date farm programs that make agriculture less efficient, including the tobacco loan program and subsidies to peanuts, cotton, rice and honey.* Mr. Clinton made much of cutting honey subsidies, but did not cut other outdated programs. (Saves $6.9 billion)

• *Eliminate other farm subsidies, and unemployment compensation to the wealthy (those with net taxable incomes over $120,000 a year, or corporations with net earnings over $5 million a year).* The subsidy program of the Commodity Credit Corporation, for example, was established in the midst of the Depression to provide protection for struggling farmers. Now it subsidizes the wealthy by paying them for producing dairy products, sugar, rice, feed grain and other commodities. (Saves $2.8 billion.)

• *Cut back on what the federal government pays to universities for research and development.* Amazingly, the overhead costs on university research grants can exceed 50% of the direct cost of doing the research. My plan suggests limiting overhead to 50%. The cap will not only save $1 billion but will also promote greater efficiency by providing incentives for universities to minimize their costs.

• *Eliminate cost-of-living raises for federal employees in fiscal 1994 and limit them to one percentage point below the consumer price index for fiscal 1995-97.* (Saves $11.3 billion.)

• *Limit cargo preference laws.* These require that 100% of military cargo, at least 75% of U.S. food-aid cargo, and at least 50% of other government cargo be shipped on U.S. flag ships. Since these ships have freight rates that are two to three times higher than those on the international market, the government subsidizes the higher transportation costs. As a result, the taxpayer paid more than $1 billion in 1991 cargo preference costs. My proposal will limit cargo preference to those U.S. shippers with competitive rates and save $3 billion over five years.

• *Repeal the Davis-Bacon Act, which requires that federal construction contractors pay a "prevailing wage" on projects over $2,000.* This super minimum wage, set by the Labor Department, unnecessarily inflates federal construction costs. (Saves $3.3 billion.)

• *Enact the "porkbusters bill."* This bill eliminates federal projects—like a recent $1 million grant to study the effects of stress on plants—that have been inserted into legislation covertly in conference committees but never properly and knowingly authorized by Congress. (Saves $2 billion.)

• *Eliminate community development block grants.* These are meant to give federal assistance to state and local governments to improve the safety and health of their communities in various ways. They are rife with fraud and mismanagement. In Delaware County, Pa., for example, community-grant dollars were used for lavish parties, Broadway tickets, model airplanes, and videos. (Saves $14.2 billion.)

• *Cut back the Amtrak subsidy.* Since 1970, Amtrak has received nearly $16 billion of taxpayers' money, yet it provides less than 1% of total U.S. travel. Even though Congress intended that Amtrak "be operated and managed as a for-profit corporation," the government subsidizes it to the tune of $30 per passenger. Our plan would require Amtrak to eliminate service on routes where revenues generated to do not cover at least 80% of costs. (Saves $1 billion.)

Artificial Price Levels

• *Cut back on U.S. participation in certain international organizations.* The U.S. now pays dues to numerous anticonsumer organizations, such as the jute, rubber and tropical timber organizations and the coffee cartel. By enacting export quotas and setting prices, these organizations create price levels that are higher than they would be in a free market. The federal government would save $17 million over five years by withdrawing from international organizations that act directly or indirectly against U.S. consumer interests. In addition, American consumers would save tens of billions of dollars each year on the products they purchase.

This is by no means an exhaustive list. It is a starting point. The hope is that every member of Congress will come up with his own ways of saving the taxpayers' money.

It is a fantasy to pretend America will be economically better off by increasing federal spending and overhead. A strong economy means greater efficiency—not more pork.

Sen. Brown (R., Colo.) is a member of the Senate Budget Committee.

THE PRESIDENT HAS SEEN 3/2 2

<u>B Rubin</u>

we need to decide
when <u>we</u> want to
find these extra
cuts to save investment
package — some OK
with him —

THE PRESIDENT HAS SEEN 3/22

Turbulent Times for a Transport

C-17 Project Facing Key Hill Hearings

By John Mintz
Washington Post Staff Writer

The lumbering U.S. Air Force cargo planes dropping relief supplies over Bosnia haven't encountered antiaircraft fire, but the Pentagon's planned $40 billion replacement plane, the C-17 now being assembled in California, is taking so much flak from Washington that its supporters fear it could crash.

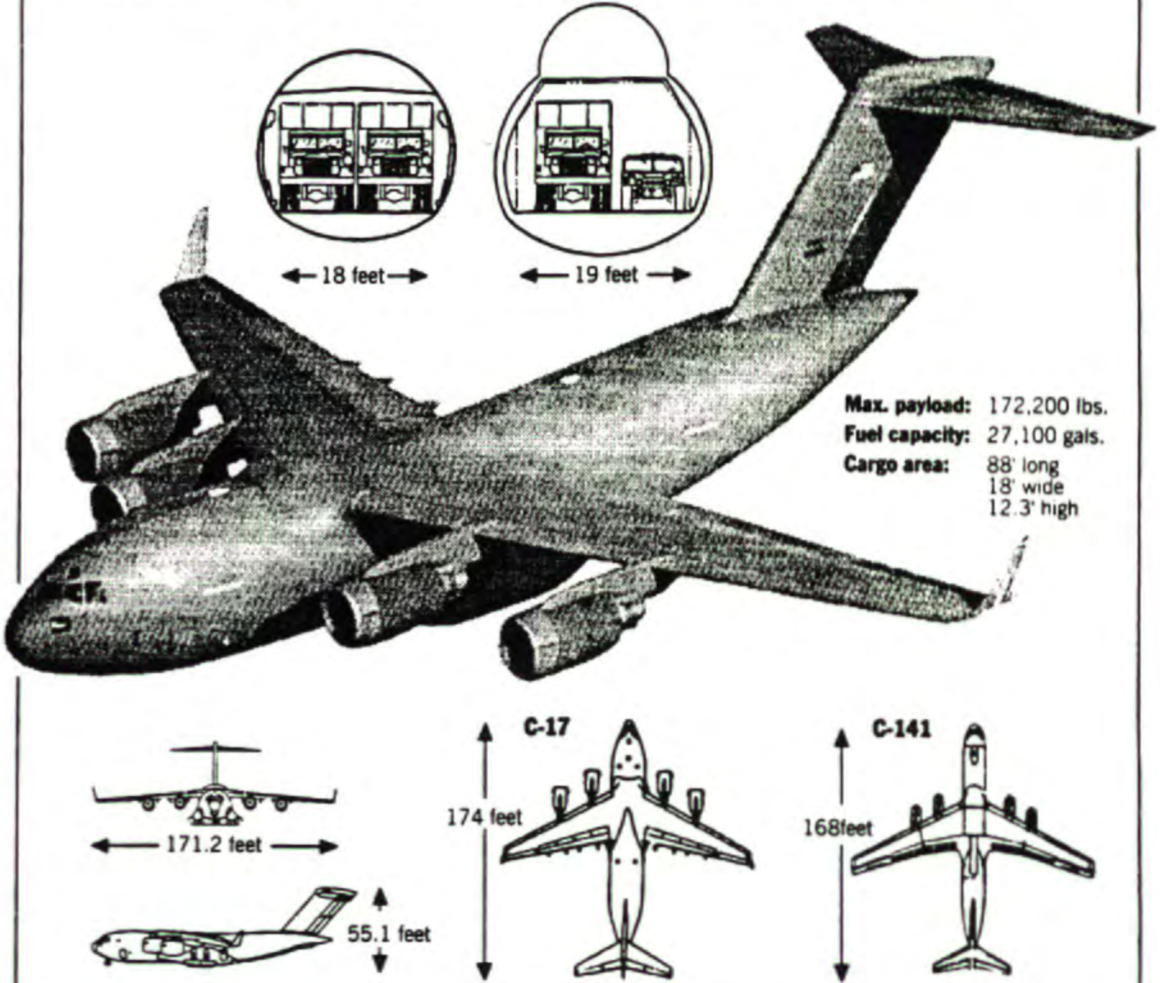
Critics of the C-17 airlifter point out it is $1 billion over budget, two years late and plagued by seemingly endless technical problems.

Supporters say the problems are as much a fault of the Pentagon's contracting system as of the contractor. The plane is needed, the Air Force says, to modernize the United States' aging cargo fleet, especially for missions such as sending food to Somalia or the former Yugoslavia, delivering supplies in the former Soviet Union and helping hurricane victims in Florida and Hawaii.

See C-17, D7, Col. 1

FIGHTING FOR THE C-17

The C-17 was developed to replace some of the country's aging military transport aircraft, such as the C-141 and C-5. While it has encountered problems during testing, contractor McDonnell Douglas argues the new plane has features that warrant its continued development, such as greater cargo capacity and the ability to land on short runways, which are common in the Third World. So far, the project is $1 billion over budget.



SOURCE: McDonnell Douglas

BY MICHAEL DREW—THE WASHINGTON POST

C-17, From D1

McDonnell Douglas Corp.—which is suffering financial woes across its product line, from commercial airliners to the space station—has a lot staked on the C-17's success. Cancellation of the C-17—coming on the heels of other setbacks in recent years—could be devastating to the company, according to industry analysts.

A critical period for the plane starts today with the first of a series of congressional hearings, this one in the House Armed Services Committee. Rep. Ronald V. Dellums (D-Calif.), the chairman, rescheduled his hearings to get in front of the rival House Government Operations Committee, chaired by Rep. John Conyers Jr. (D-Mich.), whose own hearings are set to begin March 17.

Dellums heads a committee that has been generally supportive of the C-17. Conyers has called for criminal investigations of Air Force payments to McDonnell Douglas and a suspension of the program.

Defense Secretary Les Aspin said at his confirmation hearing that he and President Clinton are "strong supporters" of the C-17, partly because the Persian Gulf War revealed inadequacies in the United States' airlift abilities. Administration officials from Clinton down have worried aloud about the aerospace industry in particular and the loss of high-tech jobs in general.

The Air Force likes the C-17 because it can do what other transports can't. The biggest transport currently in service, the Lockheed C-5, can carry heavy equipment such as the Army's colossal M-1 tank, but can't land on short, bumpy runways common in the Third World and near battle lines. The C-17 can do both.

The C-17 has a crew of three instead of the seven people needed on other huge military transports. The Air Force says the C-17 can be unloaded more quickly than planes now in service and had it been used in Somalia, it could have delivered 41 percent more equipment in the same amount of time.

The C-17's computers and radar scanners are "three generations" ahead of other airlifters, according to Air Force Gen. Ronald R. Fogelman, and would make it "the airlift of choice" in drops over Bosnia, he said. Fogelman, who heads the command that supervises delivery of troops and materiel, said "We're going to put ourselves in a very, very bad posture if we don't get this plane or something like it."

One subtle critic of the C-17 is Lockheed Corp., which built almost all U.S. the cargo planes in recent decades but lost the C-17 contract to McDonnell Douglas in 1981. Lockheed has made an unsolicited proposal to extend the life of its 1960s-era C-141 transports for $4.4 billion to fill in for the C-17 if it is delayed. Many C-141s are restricted in the altitude they fly or the weight they carry.

1/2

Turbulent Times for a Transport

C-17 Project Facing Key Hill Hearings

2/2

McDonnell has lost $1.1 billion to $1.8 billion on the C-17 project. The firm predicts the C-17 eventually will be profitable, but says the program's history exemplifies the problems of fixed-price Pentagon contracts, in which contractors develop weapons systems for a set price but pay for overruns themselves.

The biggest controversy about the C-17 involves allegations by Conyers and the Pentagon's inspector general that in 1990, when McDonnell Douglas was suffering cash shortages, the Air Force prematurely paid $442 million to the firm to keep it and the C-17 alive. The firm and some Air Force officials strenuously deny the allegations, which are being investigated by an Air Force panel.

McDonnell Douglas officials say the plane's cost soared as the Pentagon twice delayed it, in 1977 and 1981. Revived in 1985, the plan called for 210 of the transports, but in 1990 it was cut to 120, which drastically increased the cost of each C-17. Congress has scaled back C-17 budgets every year since 1986, and throughout the 1980s the Air Force pressured McDonnell Douglas into making greater concessions on the contract's terms, so that "the C-17 was going to lose money no matter who ran it," said Herbert Lanese, the firm's chief financial officer.

The most publicized of the technical problems stemmed from the military's need for the C-17 to be both sturdy and light weight, to conserve fuel and allow for heavier cargo. So C-17 designers shaved every ounce they could from the plane, including lightening metal supports in the wings.

In tests in October, the wings broke when stressed at 130 percent of what is defined as normal. The specifications require that the wings withstand stresses of 150 percent.

That problem further delayed delivery of the plane and generated a new round of rumors. C-17 critics said repairing the wings would cost up to $1 billion and kill the program. In fact, the repairs will cost $60 million and add 600 pounds to the C-17—which still lives. It also has had troubles with fuel leaks, its computer software and landing gear.

The company thinks it has solved the technical problems. "It's a hell of a plane," Lanese said. "We've just got to get through '93."

THE PRESIDENT HAS SEEN 3/2

Savings

This is in our defense budget "cuts" — We'll have to carry it in there I think.

RR

THE PRESIDENT HAS SEEN
3/22

On My Mind

A. M. ROSENTHAL

Facing the Risks

The United States is preparing to pare down the military power created by almost a half-century of American strategy and investment and a national lifetime of industrial growth.

Aside from those whose jobs are threatened, most Americans are paying about as much close attention as to the peeling of a banana.

The deep reduction of the forces is real change, affecting not just jobs but the destiny and safety of the United States and a good part of the rest of the world.

It could turn out to be the essence of wisdom. It could open new ways for America to strengthen itself at home and abroad. It could also turn out to be the greatest misjudgment since the U.S. disarmed after World War II knowing that Stalin would not be stupid enough to bother us.

Either way, even with the fall of the Soviet Union, it certainly is an interesting time to start down the road, proving either bravery or bravado, which are not the same thing.

Just a few days ago the end came for any faith in present international nuclear "safeguards," as they are amusingly called. North Korea defied the U.S. by pulling out of inspection and heading straight for nuclear military power.

And: Is there anybody who believes Iran is not driving toward nuclear production or that Iraq will not one day pick up where it left off — or that both might work together? I thought not. Or, now, that nuclear terrorism against America is impossible?

On defense: Treat us like grown-ups.

And: Members of the Russian Congress are going now for Boris Yeltsin's throat. They will cut it, unless he has the courage, and Western support, to dissolve or leap over the Communist-dominated Congress and its Soviet Constitution, nasty relics of the nasty past.

Plainly, deep reduction opens the country to risks and opportunities. The only person who can focus American attention on both is President Clinton. So far, he has chosen to tell us only the good stuff.

In the interests of all Americans, including the President, the time has come for another Arkansas-type seminar. Mr. Clinton could treat us like grown-ups, by opening himself to sustained public questioning and debate on defense.

The critical question: At what point does the reduction in non-nuclear strength increase the danger of nuclear war, perhaps started by the U.S. itself? That concept was an essential part of the decision to build up America's non-nuclear strength.

Let's assume that the West does not do now to North Korea what it should — try to take out its nuclear weapon capacity as the Israelis did to the Iraqis in 1981.

Assume that some years from now the North Korean leaders, full of confidence in their nuclear shield, make the mistake again of invading South Korea. They will pick a time when the U.S. is involved in another military crisis — say the Mideast. Would a U.S. already engaged, with reduced ground forces, facing a North Korean Army counted in millions, with nuclear weapons, be able to resist the military "logic" of a nuclear first strike?

And suppose Mideast terrorists make the U.S. a constant target. Suppose the U.S. knows they are sponsored by a state with access to portable nuclear weapons. With reduced U.S. forces could a new Desert Storm be organized as swiftly as the last? With what coalition? Would reduction make a nuclear strike the answer to the approach of nuclear terrorism?

And this: The possibility that Communists will again dominate Russia, and make alliances with nationalists in other former Soviet states, also nuclear, does that make no difference at all in American strategic thinking?

And what is American strategic thinking?

There may be excellent answers to these questions. But we need judgments on risks as well as opportunities, not only from journalists or Congressional supporters but from the one man who carries responsibility for our safety, and its conservation.

So far, Mr. Clinton reminds me of an editor I knew, who listened while a recently promoted reporter complained that he had been told all the good things about the big new job, but not the acute drawbacks. Son, said the editor, I figured you would find those out by yourself.

That really is not good enough, not for a man who wants not just to be a good President but a great one. □

19

THE PRESIDENT HAS SEEN 3/22

Mark/Zb/Stan

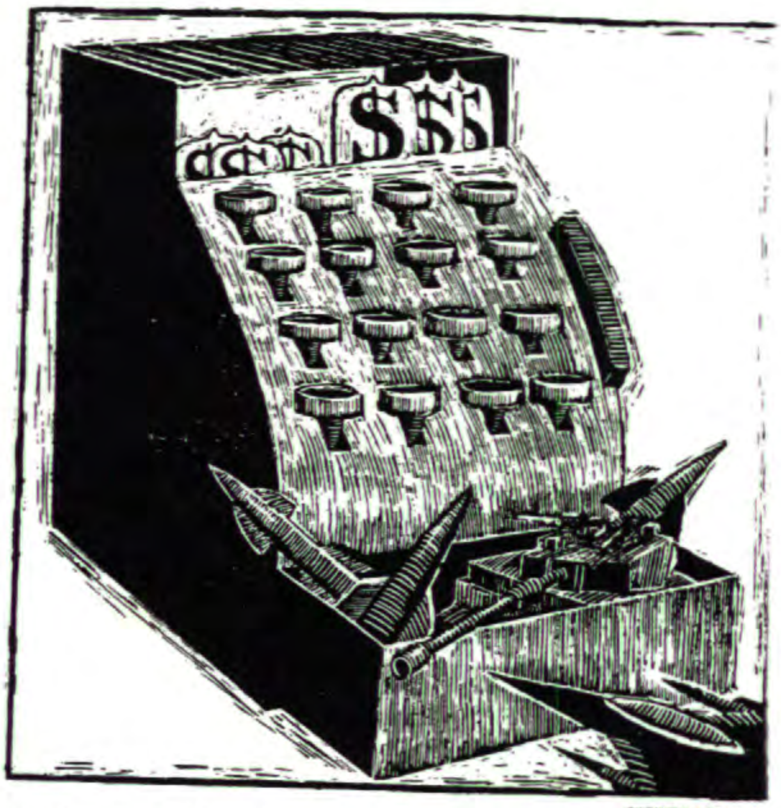
Given recent changes in Russia & Zb/Cong this may be even better advice.

J

THE PRESIDENT HAS SEEN 3/22

E. J. Dionne Jr. ✓

Tax and Spend: Conservatives For the Defense



BY RANDY MACK BISHOP

The howling over the Pentagon's new base closing lists serves as a reminder of a little secret of the Reagan era: A nice chunk of the prosperity of the 1980s was bought with government money, spent through the military budget.

A large distortion has existed at the heart of our political debate for the past 12 years. The assumption in most of our talk has been that Democrats are "pro-government" and Republicans are "anti-government."

But that's only true if you think that favoring, say, $25 billion to $30 billion for the food stamp program makes you pro-government but supporting defense budgets in the range of $200 billion to $300 billion makes you anti-government.

The intellectual awkwardness of this

> *"A nice chunk of the prosperity of the 1980s was bought with government money, spent through the military budget."*

view is underscored by the fact that federal government spending as a share of the nation's gross domestic product actually grew in the Reagan-Bush years.

Federal spending's share of the whole economy reached its lowest point in recent years in 1979 under Jimmy Carter, who, you will recall, belonged to that big spending party known as the Democrats. Government spending's take from the economy rose in the early years of the Reagan administration, fell back briefly, and then soared in the Bush years.

But you may say: The point of military spending was to defeat the Soviet Union; it wasn't designed as a form of "social engineering" or as a government-led industrial policy.

That's theoretically true, but the actual impact of military spending—particularly the money that went to buy planes, tanks, weapons systems and computers—was very much like that of an industrial policy.

When the government poured all that money into defense firms, it also encouraged private investors to pour in even more. These folks knew full well that the stock prices of defense-related companies were destined to rise. Under other circumstances, that private money might have been invested elsewhere.

The military buildup also affected the individual career decisions of tens of thousands of engineers and scientists who found "good jobs at good wages" in the defense industry. Think of it as the social engineering of the lives of engineers.

At issue here are not the merits of the Reagan military buildup. Let's concede for the sake of argument that every dime we gave the Pentagon was absolutely essential to hastening the collapse of the Soviet Union. Let's give Reagan some credit for the end of Soviet communism.

Let's agree further that there's something unbecoming—even if politically unsurprising—about ardent congressional foes of defense spending battling for every last defense dollar and contract for their own districts. And let's stipulate that a lot of the economic growth in the 1980s had nothing to do with military outlays.

Even if you concede all this, it remains utterly disingenuous for Republicans to say that the Democrats are the party that buys votes with government money while Republican hands stay pure. In fact, defense spending really did buy the Republicans a lot of votes.

Few states have benefited more from defense spending than California. In his book "The Odyssey of the America Right," Michael Miles noted that by the mid-1960s California was receiving a quarter of all defense contracts. He notes that a large chunk of that money flowed to three Southern California counties: Los Angeles, San Diego and Orange.

Southern California, particularly Orange County, is well-known for a muscular brand of anti-government conservatism. As Miles noted, conservatives confronted a kind of cognitive dissonance in cheering the benefits of big military budgets, since "all this largesse flowed from the federal government which was supposed to represent a threat to free enterprise."

Anticommunism solved the problem nicely, and no one was better than Ronald Reagan at praising free enterprise and passing the (federally financed) ammunition. At election time, Southern California proved grateful. In 1984 Reagan won 61 percent of the vote in the three Southern California counties. Poor George Bush. In 1992 the politics of recession-cum-military-cutbacks left him with only 33 percent in the same places.

The Republicans have regularly bashed Clinton for wanting to use public works spending to boost the economy. They say money for roads, bridges and summer jobs amounts to a subsidy to Democratic big cities.

But if you want to see really big stimulative public works projects, consider these figures, in constant 1988 dollars, compiled by Lawrence J. Korb in an essay written for the Cato Institute. In the six years between 1974 and 1980, the federal government spent $64.8 billion for fixed-wing combat aircraft. In the six years from 1981 to 1987 the government spent $103.3 bil lion for this purpose. For rotary aircraft spending went from $4.3 billion in the six years before 1980 to $17.4 billion in the six years after. Spending on comba ships rose from $47 billion to $68.8 billion. By comparison, the Clinton stim ulus program is a candy store operation.

In the long run, of course, the militar cuts will be good for the economy. A Federal Reserve Board Chairman Alan Greenspan said last weekend, these re ductions have the virtue of "freeing up resources to augment the nation's stock of physical and human capital."

But the medium term will be painful and the precondition for making it less so is to be honest about just how much we have leaned on government to promote economic growth. It would also be helpful to acknowledge that some of the civilian spinoffs from military spending—notably in aerospace and computers—have helped the broader economy.

Instead of wasting time in an empty ideological argument over who is the purest free enterpriser, we ought to study the defense buildup to figure out what sorts of government spending really can spur long-term economic growth—and also how not to spend public money. Bill Clinton might learn a lot from Ronald Reagan, that well-known fan of big government who used federal spending so effectively to get the economy moving again.

44

THE PRESIDENT HAS SEEN 3/22

Both options
Buy the ideal
argument
RR

THE PRESIDENT HAS SEEN
3/22

LOS ANGELES TIMES / WASHINGTON EDITION

WEDNESDAY, MARCH 17, 1993

√ **Comment**

ON THE NATION

Clinton's Feminization of Politics

By Steven D. Stark

BELMONT, MASS.

In Bill Clinton, the country may have found another "great communicator." Yet, what's becoming increasingly clear is that his rhetorical style is a striking departure from that of his predecessors. If other Presidents tended to speak by lecturing us ("We have nothing to fear but fear itself" or "Ask not what your country can do for you"), Clinton often communicates by listening ("I feel your pain").

Whereas other Presidents tended to address the country most effectively from above at a rostrum or alone at desk, Clinton is at his best in level conversation, when he can look at the people with whom he is talking. If the phallic, jabbing forefinger was the earmark of John F. Kennedy, the maternal hug and the "all ears" attentive body language are the characteristics of this President.

Call it New Age if you wish. But the Clinton style is really a textbook example of a leader who communicates in ways often more characteristic of women than men. From the work of Carol Gilligan to that of Deborah Tannen, a number of recent books have documented major differences in the ways men and women communicate and approach problems.

While these differences are not exclusive to each gender, certain trends emerge: Women tend to listen while men tend to lecture; women are interested in connections, while men value independence and hierarchy; women stress concrete relationships, while men focus on abstract ideals; women seek consensus, while men invite conflict. A woman tends to say, "I feel your pain." A man might say, "Let me tell you why you feel pain and what you should do about it." And then he might look at his watch, as a certain President did during the second presidential debate.

This is not to say that displaying a "feminine" style is bad. These characterizations are generalities, and Clinton displays more than his share of "male" rhetorical attributes. Moreover, all good politicians display what might be called a "feminine" side, since the ability to appear empathetic and work collaboratively is a true test of leadership—Lyndon B. Johnson could hug with the best of them.

Yet, Clinton is a few steps beyond the typical male politician. Taken separately, his coffee-klatch managerial style, his infamous propensity to schmooze and gossip, his celebrated indecision, his discomfort with the military (it is said he still has trouble returning salutes correctly) and his constant emphasis on inclusion might seem unremarkable.

But together these attributes present a different portrait. If traditional gender roles dictate that women care for the home while men police the perimeter, Clinton is the first President in a more than 50 years to make domestic affairs his preoccupation. It may not be just a coincidence that one of his first major actions abroad was to drop food in Bosnia—the foreign-policy equivalent, perhaps, of bringing a bowl of soup to a sick neighbor.

Moreover, this "feminine" style may provide a different way to view why he has been successful so far, as well as a clue to his presidency's possible strengths and weaknesses.

On domestic issues, such as health care or deficit reduction, where he must assemble a consensus, Clinton could exceed expectations. What's more, his somewhat feminine style may provide a clue as to why he seems able to withstand personal attacks that might cripple other politicians. As any political consultant will tell you, because women are usually perceived as softer and less powerful than men, negative attacks often end up creating sympathy for them. The same may be true for Clinton.

Voters, however, tend to view women as less decisive than men—particularly when it comes to matters of force. Thus, it would be shocking if Clinton didn't continue to have problems with the military—one of our most male-dominated institutions. Riots, a rising crime rate or an outbreak of domestic terrorism could also prove troublesome for a leader who is valued more for his ability to listen than his iron resolve. One would also expect Clinton to continue having trouble getting votes in the his native South, where gender stereotypes are strong.

All Presidents affect our definitions of leadership. But it's clear already that this presidency will affect our conceptions of gender as well. There used to be a joke that the first Jewish President would be an Episcopalian—the moral being that voters can accept only so much change at once. So it goes for this development. The good news is that we finally have a feminine leader. The bad news, of course, is that she's a man.

Steven D. Stark is a commentator for National Public Radio.

128

THE PRESIDENT HAS SEEN 3/2/2

GS

a lot of this is selective & BS - ignoring big chunks of new records & rhetoric but it's interesting + great in terms of guidance on following money trail — ~~#~~ I'd like to discuss w our pol group when they come in Mtg.

B

THE PRESIDENT HAS SEEN 3/22

THE NEW YORK TIMES, WEDNESDAY, MARCH 17, 1993

B Rubin
Should we try to do this? BC

Wider Investment Tax Credits Urged

By STEVEN GREENHOUSE

Special to The New York Times

WASHINGTON, March 16 — A council of experts that Congress and former President George Bush appointed to recommend ways of increasing the nation's competitiveness called today for broader investment tax credits than President Clinton proposed, a stepped-up program to spur exports and revamping the nation's high schools.

In a report, the bipartisan council of business, labor and government officials praised President Clinton's economic package but said stronger measures were needed to increase investment.

"The United States continues to face major competitiveness problems," the Competitiveness Policy Council said, pointing to the nation's huge trade deficit. "The problem has been developing for two to three decades. It cannot be solved overnight."

The panel called for a permanent investment tax credit on equipment, saying the President's proposal for a temporary two-year credit does not go far enough. The council also said that the tax credit on research and development should be expanded to include research into improving the manufacturing process.

Big Rise Urged in Export Credits

Viewing exports as a way to create high-wage jobs, the report urged the Administration to increase export credits to $20 billion a year to help American industry compete against foreign rivals. That would be an increase from $12 billion at present and would involve an annual outlay of about $1.2 billion to subsidize interest rates. France spent $1.99 for every $1,000 in nonfarm exports in 1990, the report said, while the United States spent 59 cents.

"The United States really lags behind in export finance," said C. Fred Bergsten, chairman of the council and president of the Institute for International Economics, a Washington research group. The council also includes Rand V. Araskog, chairman of ITT; John J. Murphy, chairman of Dresser Industries; Edward V. Regan, a Republican who is Comptroller of New York State; Albert Shanker, president of the American Federation of Teachers, and Lynn R. Williams, president of the United Steelworkers of America.

Giving low marks to the American education system, the council recommended developing nationwide performance standards, a uniform nationwide high school transcript and increasing the importance of school records for colleges and employment. The council complained that high school students had little incentive to do well because employers paid scant attention to how well they did in school.

Student Performance Lags

"Our high school students perform far worse than their counterparts abroad," the report said. "Twenty percent of our adults are functionally illiterate. A country cannot compete effectively unless its human resources are world class, and ours are falling toward the bottom of the league."

Concurring with President Clinton, the report said the Government should do far more to help high school graduates who do not go on to college make the difficult transition to their first job. "The Government provides no help when they need it most," the council said.

The report said the Government should provide financial rewards to schools and districts that achieve high standards. It also said aid to colleges should be linked to raising their admission standards.

Among the competitiveness problems the council cited were that the United States devoted a far lower percentage of its overall output to investment than did Japan and Germany, spent a far higher percentage of its output on health care than other nations, and devoted just one-fifth as much of its gross domestic product on training workers as did other industrial nations.

9

THE PRESIDENT HAS SEEN 3/2

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THE PRESIDENT HAS SEEN
3/22

The Washington Times WEDNESDAY, MARCH 10, 1993

BEN WATTENBERG

Muting a worthy voice of liberty ✓

Spending cuts? Leave it to your government to do it penny-wise, ton-foolish.

Consider the case of budget-starved State Department bureaucrats conning the Clinton administration into an attempt to terminate "Radio Free Europe," "Radio Liberty," and their parent organization, the semi-autonomous Board for International Broadcasting. What seems like an arcane government turf war has potent implications.

In one swoop, the budget decision manages to (1) violate another Clinton campaign pledge, (2) work against democracy in Russia, (3) and China, (4) harm President Clinton politically, (5) reward that stalwart of freedom, the emir of Kuwait and (6) display confusion.

To America, Russia is still the most important foreign country. The nuclear arsenal remains; in the wrong hands the weapons could threaten global stability. Further corrosion of Russian democracy could yield anarchy and an ugly global lesson: What follows totalitarianism may be worse. Mr. Clinton knows that. He is proposing financial aid, and he will soon be meeting with pro-democratic President Boris Yeltsin.

Yet, for U.S.-funded "home service" Radio Liberty — which broadcasts in 15 languages throughout the Former Soviet Union, which trains journalists in transitional societies that often still regard news as a propaganda weapon, which provides the best objective reporting of Russia by Russians to Russians — the Clinton budget proposes a Kevorkian solution.

Mr. Clinton thinks the job can be done by the Voice of America, an agency that — surprise! — would like to get its hands on RFE/RL's federal purse. But VOA is the "national service" voice of America, not of Russia. It is run by an always-nervous State Department, inherently reluctant and unable to do serious journalism about a foreign nation with which it is also negotiating.

If a second global superpower emerges, it will likely be China. America wants such a super-state to be democratic, which is why Mr. Clinton favors setting up "Radio Free China."

China may be America's second-most-important foreign nation. The repressive communist government is building up nuclear-tipped military forces and sending arms to unsavory states. The economy is booming. If a second global superpower emerges, it will likely be China. America wants such a super-state to be democratic, which is why Mr. Clinton favors setting up "Radio Free China."

In a campaign position paper, Mr. Clinton endorsed the report of the Commission on Broadcasting to the People's Republic of China, saying, "I am especially pleased by its principal recommendation: that a new surrogate radio service for Asia be initiated under the aegis of the Board of International Broadcasting."

Good idea. Emigre-based home service broadcasting would give nonpropagandistic news about

see WATTENBERG, page G4

Ben J. Wattenberg, a senior fellow at the American Enterprise Institute, is a nationally syndicated columnist.

WATTENBERG

From page G1

China, by Chinese, to China — encouraging democracy. Good idea, except that the Clinton budget zeroes out the aegis, the BIB. Again, Mr. Clinton gives the action to the VOA.

I was member of that commission. The commissioners did not want VOA running the new Radio Free China because the Voice's marching orders come from the very State Department that was, to use Mr. Clinton's campaign language, "coddling dictators." The commission discovered that VOA's China service did little broadcasting about China, and what it did was often muted lest it "provoke" the Chinese communist gerontocrats.

All this from one obscure budget line item. It gets worse. The same appropriation calls for building a $125 million transmitter in Kuwait. Now Kuwait a minute! The emir's plantation spa may be the most unstable place on the planet. Is that a safe spot from which to broadcast about tumultuous events in the Islamic world?

Is Mr. Clinton serious? A spokesman for the Office of Management and Budget says it is a done deal. But Undersecretary of State-designate Tim Wirth says "no decision" has been made.

Meanwhile, Republicans plan to make an issue about the RFE/RL phaseout among East European and Asian ethnic groups in America. Hard-line Democrats view it as more mindless mush. And Congress, which will probably resolve the issue, has yet to be heard from.

If a second global superpower emerges, it will likely be China. America wants such a super-state to be democratic, which is why Mr. Clinton favors setting up "Radio Free China."

The legislators may yet get Mr. Clinton out of the ditch. Support is growing to create a new quasi-independent agency that would save money by consolidating the national service VOA with the home service Radios, allowing each to do best what they do best, divorced from the cash-starved bureaucrats of the State Department.

Penny-wise, pound-sensible.

67

THE PRESIDENT HAS SEEN 3/2. 2

NSC

Tony

I'd like to discuss

this — these arguments

weren't in mind when the

decision was made. B.

THE PRESIDENT HAS SEEN 3/22

CAPITAL JOURNAL
By Gerald F. Seib

New Ideas Enter Standard Debate On Social Decline

IN THE FABLED St. Valentine's Day Massacre of 1929, seven gangsters were killed by other gangsters. The nation was shocked, the Constitution eventually was amended, Prohibition ended, and two entries were made in the World Book Encyclopedia.

There was another Valentine's Day Massacre in New York City this year.

Six people were executed, gangland-style. There was no national outcry; the story didn't lead the news; encyclopedia entries are unlikely.

Sen. Daniel Patrick Moynihan notes the disparity to illustrate a chilling phenomenon: There has been a breakdown in social order in the U.S. so widespread that many Americans have simply grown numb to it. The disintegration of the family is at the heart of the problem, he believes. And there are limits to what government programs can do about it.

It isn't just Sen. Moynihan sounding the alarm. From their widely divergent perspectives, William Galston, an assistant to President Clinton, and William Bennett, a conservative veteran of the Reagan and Bush administrations, have recently reached strikingly similar conclusions about the decline in the U.S. social order.

This troubling picture makes it clear that the oft-debated "social issues" – abortion rights, school prayer, gay rights and Murphy Brown plot lines – miss the wider calamities of life in the U.S. today. The powerful new writings of Messrs. Moynihan, Galston and Bennett are starting to cause ripples inside Washington, and in time are likely to transform the standard liberal-conservative debate over social policy.

Cold statistics they cite give the essence of the story: In the past three decades, the percentage of children born outside of marriage has risen fivefold, from 5% to 25%. Today, a stunning 63% of black children are born out of wedlock. At the same time, the divorce rate has tripled. The net result is that almost a third of U.S. families with children now are one-parent households.

AND A LOT OF THESE children grow up poor. The poverty rate among female-headed families was nearly 45% in 1988, more than six times higher than in married-couple families. Deadbeat dads are a big reason; one Census Bureau report showed that only half the mothers entitled to child support payments got what they were owed, a quarter got partial payments and a quarter got nothing at all.

Mr. Bennett this week tried to illuminate these woes further by publishing what he calls an Index of Leading Cultural Indicators. His index tracks 19 different "social indicators," from crimes committed to child abuse, during the past 30 years. He found a 560% increase in violent crime, a jump of more than 200% in the teenage suicide rate, an 80-point drop in SAT scores.

But it is Sen. Moynihan who puts such statistics into a human context. A quarter-century ago, Mr. Moynihan warned that a large increase in single-parent families was coming, but found little support for his shocking forecast. Now, of course, he is vindicated. And in an obscure scholarly article that is fast becoming a cult classic in the Senate, he now argues that "deviant behavior" has become so common that society has chosen to stop recognizing it as such, and instead has redefined its standards.

Sen. Moynihan says this occurred to him one day last summer when he found buried in the back pages of a newspaper a story recounting the discovery of three people shot through the head in a Bronx apartment and the dehydrated baby of one victim stuffed under a bed. It was, above all, the routine treatment of this drug-related slaughter that most shocked him.

THE GOOD NEWS is that a rough consensus is emerging across ideological lines about the nature of the problem. Disputes about solutions persist, of course. Conservatives like to preach about family structure while ignoring the economic causes of social problems, producing the sanctimonious "family values" rhetoric of last year's Republican convention. Liberals like to talk about economic causes, while ignoring family structure.

As Mr. Galston argued in an article he co-wrote just before taking his White House job, "A progressive family policy must address these problems simultaneously, with programs that both increase the resources available to parents and improve the chances that children will grow up in stable, intact families." Some agreement is emerging on policies to help: revising welfare to eliminate penalties for getting married or going to work, increasing the earned income tax credit to keep money in the hands of working parents, raising the tax exemption for children.

President Clinton endorses some of these ideas. But as a skillful communicator, he has another role to play. Presidents have used their bully pulpit before to change attitudes; it may be time to use it to rally people to stop the breakdown of families.

THE WALL STREET JOURNAL.

65

THE PRESIDENT HAS SEEN
3/2

C Rasco

we need to put all our initiatives together to do something on this — B.

Colombian Drug Flow Unabated

Cali-Based Cartel Supplants Medellin

By Douglas Farah
Washington Post Foreign Service

CALI, Colombia—With the Medellin cocaine cartel disbanding, Colombian and U.S. officials now face a bigger challenge—the Cali cartel, which has quietly grown into a global, multibillion-dollar narcotics empire with tentacles touching almost every facet of national life and threatening democratic rule.

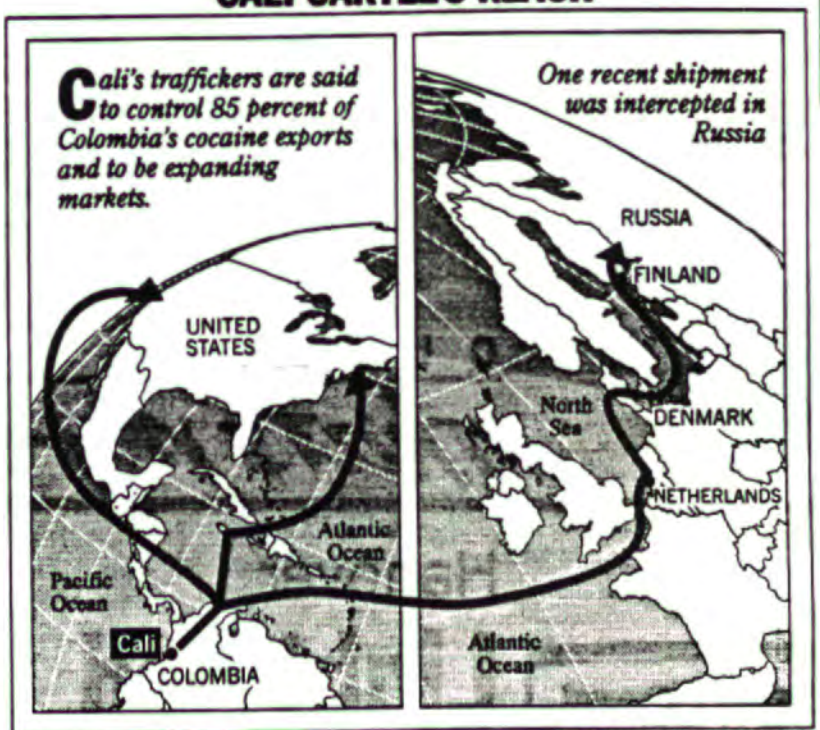
The flow of cocaine to the United States and expanding markets in Europe and Asia continues undiminished, law enforcement officials say, in large part because the Cali cartel has assumed much of the illicit trade from the dislocated Medellin operation, whose leader, billionaire druglord Pablo Escobar, is the focus of an intensive nationwide manhunt.

The continued effectiveness of the cocaine traffickers, as they broaden their operation into heroin production, worries law enforcement officials who fear that the Clinton administration may deemphasize overseas efforts to disrupt the international drug trade.

When Escobar launched a campaign of terror against the state in 1989, officials estimated that the Cali-based cartel controlled about 25 percent of the world cocaine trade. Now, while avoiding direct confrontation with the state and getting little attention from the police, the Cali group has consolidated about 85 percent of the trade and is acquiring new markets, government officials say. Last year, the U.S. Drug Enforcement Administration estimated the flow of drug money to the Colombian cartels at up to $30 billion a year.

"There is no question taking on Cali will be longer, harder and more costly than going after Medellin," said a senior law enforcement official. "They own the city, they have the best intelligence network in the country, and they are socially accepted. It is not impossible, but it is going to be really, really tough."

CALI CARTEL'S REACH



BY DAVE COOK—THE WASHINGTON POST

The Cali cartel, made up of a number of semiautonomous trafficking groups, has developed almost seamless networks to process cocaine; control distribution down to the street level in the United States, Europe and Asia; and launder billions of dollars in proceeds through interlocking businesses, according to law enforcement officials and sources who work with different groups in the cartel.

But while wanted ads for Escobar and his top confederates are flashed on television screens dozens of times a day with offers of millions of dollars in rewards for their capture, the well-known leaders of the Cali cartel are never mentioned.

"The decision to publicly offer rewards through the mass media is limited to those involved in terrorist actions, not simply criminal activities," said President Cesar Gaviria in an interview yesterday in Bogota. "That does not mean that in the future we will not use the same methods with other types of criminals, but right now the country is concentrating on those involved in terrorist acts."

Unlike Escober, the Cali syndicate has not practiced random terrorism, but it is ruthless with its enemies. And the families of those who work with it here and abroad are closely monitored by the cartel as insurance against desertion. Rodrigo Losada, a sociologist who has studied the Cali traffickers, says they can operate with impunity "in part because of their ability to intimidate, and in part because of their ability to eliminate witnesses. Without witnesses, there is no need to intimidate."

In a telephone interview from Washington, DEA director Robert Bonner described the agency's efforts against the Cali operation, including five raids over 10 months that netted a wealth of computerized information. But he acknowledged that the Cali organization nevertheless had "picked up much of the slack" as the Medellin cartel was disrupted.

"They have insinuated themselves into exerting undue influence over the political process, and there is a very grave threat that these organizations will become so powerful you would have a narco-democracy in Colombia, that is, a system actually influenced and controlled by drug traffickers," Bonner said.

See COLOMBIA, A16, Col. 1

1/2

2|2

COLOMBIA, From A14

"That hasn't happened yet, but it is in the balance." Bonner added that the Cali cartel "is exerting significant influence in [Colombia's] Congress, making it difficult to break the hold of people who have illegally acquired wealth."

In yesterday's interview, Gaviria declared that the drug war would not end after Escobar is captured or killed and that Colombia will continue to work to strengthen its judicial capacity to handle drug cases. "We will persevere," he said, "because drug trafficking is something that affects the life of the country, its economic development and social development. This country will continue to fight . . . so those who have committed crimes, not just drug trafficking but acts of violence, are punished and pay for their crimes."

Said Bonner: "Either you take their money or your life is in danger. Either you are going to be working for the Cali cartel, or you are not going to be working in Cali, and that poses a problem."

Bonner said the United States has "tremendous amounts of evidence we are willing to share, which involve all the major leaders . . . in wide-scale, high-level drug trafficking." He and others familiar with the Cali network said that numerous drug groups are involved but that the top leaders are Gilberto Rodriguez Orejuela, known as the "Chess Player;" his younger brother Miguel; Jose Santacruz Londono; and Francisco Herrera. Herrera is believed to have the single largest organization.

Most of the leaders live in heavily guarded mansions here in this tropical city of 1.5 million, regularly appearing at such public events as December's annual Cali fair despite criminal warrants against them. They have circumvented the legal process numerous times, and the only arrest warrants extant are for Gilberto Rodriguez—in a 1984 trafficking case—and Santacruz Londono, on a homicide charge. Because of the drug leaders' reputedly cozy relationship with local police, military and political authorities, all drug raids in Cali are carried out by police from Bogota, purportedly with no prior warning to Cali officials.

As an example of how the cartel works, Colombian sources cited its reaction last month when Prosecutor General Gustavo de Greiff transferred legal proceedings against some top Cali leaders to courts across the country because he feared the cartel could buy or intimidate judges in their hometown. Cartel lawyers filed a flood of legal challenges to the move, and congressmen sympathetic to cartel interests were encouraged to visit senior officials, including the defense minister, to argue against the transfer. The legislators contended that those involved in the cases were businessmen benefiting Cali.

"The moves stood," said one source familiar with the events. "But it takes a lot of nerve to think you can go to a minister's office and ask for something like that."

According to sources who work with the cartel, it has the best intelligence service in the country. Besides police officers on the payroll, informers include several hundred taxi drivers, telephone operators, waiters, bellhops at almost every hotel and anyone else who can provide information on strangers in the city or unusual activities.

It is often made clear to strangers that their presence is known. A reporter in a taxi leaving the airport recently was stopped by an army captain who greeted him by name and said: "Welcome, you are a journalist, and we have been expecting you." Foreign narcotics agents have been followed around and photographed by unidentified men.

The Revolutionary Armed Forces of Colombia guerrilla band discovered how efficient the cartel's intelligence was after kidnapping Cristina Santacruz, sister of Santacruz Londono, late last year and asking for $30 million in ransom. In response, according to cartel and government sources, the drug organization began abducting guerrillas and their supporters; last month, after more than two dozen guerrillas were rounded up and one was killed, the band freed Cristina unharmed without collecting any ransom.

Unlike Escobar, who was elected to Congress in 1982, Cali cartel leaders have never aspired to direct political power, appearing content to work behind the scenes and finance the campaigns of any and all political parties, the sources said.

The children of Rodriguez Orejuela children have studied at prestigious American universities, including Harvard, and now run a growing "legal" business empire—an approach those who know the Rodriguezes say is an attempt to pattern the family after the Kennedys.

Although shunned by the traditional Cali elite in the early days, all are now respected members of society, something Escobar aspired to but never achieved. In the early 1980s, according to sources in Cali, Santacruz Londono's application for membership in the prestigious Country Club was rejected; he then built an exact replica of the clubhouse at the other end of town. "That is the biggest difference between Cali and Medellin," said one Cali cartel source. "Escobar would have bombed the club. Here, they just built their own, and now they can go anywhere they want."

In part, the acceptance was gained because the cartel made trafficking accessible, moving small loads for customers, overseeing distribution and handing back tidy profits, according to sources here. The capital could then be used to start legitimate businesses.

The ability of the cartel to use its resources to find new markets around the world and meet demand by constantly shifting routes was demonstrated by the Feb. 26 interception of a metric ton of cocaine worth $200 million just across the Russian border from Finland—called the first such seizure in Russia.

According to Interpol officials, the cocaine, hidden in a canned-meat shipment, was shipped from Cali and was destined for the lucrative European market via the Netherlands. It was routed through Russia because the economic chaos and hardship there make drug interdiction a low priority.

To launder its drug profits, according to cartel sources and law enforcement officials, the Cali syndicate sells property from huge trtacts of land it owns to cartel construction companies, who build cartel leaders' homes, offices and apartment complexes. Luxury car dealerships owned by cartel members buy and sell each other's cars, running up large paper earnings. One source close to the cartel exhibited records from three months of sales indicating that each month more than $1 million in vehicles supposedly were sold.

"It is largely a fictitious economy, but the factories, land holdings and companies are legal," said one official of the international crime tracking network Interpol. "It starts out as drug money, but once it enters the legal economy it becomes harder and harder to trace, and it gets lost."

THE PRESIDENT HAS SEEN 3/2-?

Birnbaum

We need to meet w/
[illegible] soon to determine wide
range of policies — Radio
[illegible] — many interfere
w/ other countries' affairs

B

THE PRESIDENT HAS SEEN 3/22

Living in Sin to Cut Tax Bill Would Look Even Better to Some Under Clinton Plan

C1

YOUR MONEY MATTERS

By ELLEN E. SCHULTZ
Staff Reporter of THE WALL STREET JOURNAL

Maybe living in sin isn't so bad, after all. In fact, some working couples probably can't afford not to.

While most people realize that married couples pay taxes at higher rates than single individuals, the so-called marriage penalty slams many two-earner couples with unexpected force.

Some low-income taxpayers who marry can find that their new combined tax liability, including Social Security taxes, leaps to more than 45% of their taxable income. And couples with two high earners can pay tens of thousands of dollars more than they would owe if they were single.

Meanwhile, the marriage "penalty" actually turns into a tax break worth thousands of dollars for many wealthy males and for so-called "traditional" families, in which one spouse works outside the house and the other remains at home.

Surprising Result

Nobody really planned for it to turn out like this. "There was no intention to create a marriage penalty" or bonus, says Daniel Halperin, former deputy assistant secretary of tax policy at the U.S. Treasury, who is now a law professor at Georgetown University.

Rather, the penalty came about as lawmakers sought to equalize the tax liabilities faced by single and married taxpayers. Their efforts worked – if married couples had one wage earner.

But when a couple has two wage earners, they can end up paying more than they would together if they were single. This fact hasn't caught the attention of lawmakers, as many of them tend to be among the minority of American families with one wage earner, says Robert M. Spector, manager of technical support at IDS Tax & Business Services in Minneapolis.

Wider Discrepancies

But that may soon change. Now, with President Clinton's plan to increase the top stated bracket to 36% from 31%, and to add a surcharge that would boost the top rate for the highest-income taxpayers to around 40%, the discrepancies could widen even further.

Calculations prepared for The Wall Street Journal by KPMG Peat Marwick show that the marriage penalty has the greatest impact on the lowest wage earners with children. If they marry, they can no longer pay at the more favorable head-of-household rate. More important, they lose some or all of the value of the earned income credit, a credit for low-income taxpayers that phases out at incomes of $23,050.

Marriage Can Be Taxing

The Clinton proposal would both increase the marriage penalty on working couples, and boost the bonus on couples with one wage earner. The tax calculations shown here include both federal income taxes and Social Security tax.

MARRIAGE PENALTY

WHO THEY ARE	TAX SITUATION	WHAT HAPPENS IF MARRIED
LOW INCOME		
A single mother with two children and a single father with one child; each earns $12,000.	Each files as head-of-household; both qualify for earned income credit. Each receives money back from the government as a result of the earned income credit.*	Pay taxes at higher married rate; lose earned income credit. Effective tax rate jumps to 45%.

TAX DUE	SINGLE	MARRIED	MARRIAGE PENALTY
Present law	($593)/($238)	$2,744	$3,575
Proposed law	($1,482)/($640)	$1,918	$4,040

WHO THEY ARE	TAX SITUATION	WHAT HAPPENS IF MARRIED
WEALTHY PROFESSIONALS		
A single father of two and a single mother of one; each earns $250,000.	Each files head-of-household, has allowable itemized deductions of $50,000.	Pay tax at higher rate. Under proposal, rates rise and income above $250,000 is subject to 10% surtax.

TAX DUE	SINGLE	MARRIED	MARRIAGE PENALTY
Present law	$61,221/$61,265	$136,082	$13,596
Proposed law	$66,486/$66,537	$160,173	$27,150

WHO THEY ARE	TAX SITUATION	WHAT HAPPENS IF MARRIED
AFFLUENT PROFESSIONALS		
Each earns $145,000; two children.	Each files as head-of-household, with $23,384 in allowable itemized deductions.	More of their income is taxed at a higher rate.

TAX DUE	SINGLE	MARRIED	MARRIAGE PENALTY
Present law	$35,079/$35,079	$81,194	$11,036
Proposed law	$35,224/$35,224	$87,013	$16,565

MARRIAGE BONUS

WHO THEY ARE	TAX SITUATION	WHAT HAPPENS IF MARRIED
THE "TRADITIONALS"		
He makes $170,000. She's a divorced mother of two who receives child support, and earns $12,000 from part-time catering.	She takes the standard deduction and gets earned income credit. She files single, but can't claim kids as dependents. He has $24,189 in deductions.	She loses earned income credit, and no longer gets child support. But filing jointly, with exemptions for the kids, results in a marriage bonus.

TAX DUE	SINGLE	MARRIED	MARRIAGE BONUS
Present law	$45,888/$949	$42,966	$3,869
Proposed law	$47,877/$60	$43,473	$4,464

*Computation of earned income credit based on early draft of the president's proposal.
Source: KPMG Peat Marwick

For example, under current law, a single mother with two children earning $12,000 would actually get a check from the government for $593, according to Peat Marwick's calculations. That's because she would have no tax liability and would qualify for the earned income credit. A man with the same income and one child would get a check for $238.

But if they marry, Peat Marwick figures, their combined federal tax liability, income tax plus Social Security tax, would soar to $2,744 from a negative $831. Thus, the "penalty" for filing married would be a total of $3,575.

"There's a horrendous penalty for them to get married," says Mark Springer, a

Please Turn to Page C12, Column 5

1/2

57

Living in Sin to Reduce Tax Bill May Be More Enticing in Future

Continued From Page C1

partner with Peat Marwick in Washington. He notes that although their marginal tax rate is 15%, their effective tax rate — what they pay on their taxable income — jumps from zero to 45.36% of their taxable income of $6,050.

How? Individually, each paid $918 in Social Security tax. But some of this was refunded to them, thanks to the earned income credit. However, when married, none of the Social Security tax is refunded to them, which means they pay a total of $1,836, plus income tax of $908.

Mr. Springer notes, however, that this couple would have one advantage filing jointly: They could make use of the child-care credit, which neither could use when they were single. "The child-care credit is worthless to low-income wage earners," says Mr. Springer. "It's a non-refundable credit, which means you can use it only if you have tax liability."

Married, they have a tax liability, so could use the child-care credit. However, this would shrink their taxes by only about $600, and they would have to quadruple their child care spending to generate enough costs to trigger the credit, Mr. Springer says.

The next group of taxpayers most penalized by marriage is couples in which both have hefty incomes. Under current law, two individuals each earning $250,000 would pay additional tax of $12,000 to $15,000 if they married, Peat Marwick's calculations show. The exact amount of the marriage penalty depends on the size of a couple's deductions, and whether they have children. In general, the higher the tax rate and the higher the respective incomes, the bigger the penalty.

The president's tax proposals, which raise rates and add a surtax on income over $250,000, could cause the marriage penalty to nearly double for high earners. The $500,000 couple would see their penalty leap $25,000 to $30,000 or so, Peat Marwick calculates.

Even for people earning too little to be affected by Mr. Clinton's proposed higher tax brackets, the marriage penalty can still be quite a bite. Two childless people, each earning $75,000, pay $4,533 more as a married couple than they do as two single individuals.

But not all married couples pay a tax penalty. In fact, the tax structure benefits so-called traditional families in which one spouse remains at home while the other goes off to work — especially for high earners.

While a couple with two kids and one salary of $40,000 would have a "bonus" of about $465, Peat Marwick calculates, a family with one wage earner making $170,000 could have a bonus of about $4,000, and this bonus increases as income rises, Mr. Springer says.

One reason for this is that single filers enter the 31% bracket at taxable income of $53,500. But taxpayers who file jointly enter the 31% bracket at $89,150.

Accounting professionals say that most wealthy men are married, and commonly have non-working spouses. As a result, "they are the chief beneficiaries of the marriage bonus," says Mr. Spector of IDS.

Last year, for example, as a two-earner couple Bill and Hillary Rodham Clinton owed taxes of $55,284, incurring a marriage penalty of between $5,400 and $6,500, according to Mary Malgoire, a financial adviser with Malgoire Drucker Inc., a financial planning firm in Bethesda, Md.

If the Clintons hadn't been married, Mr. Clinton could have filed as a head of household, and Hillary Rodham could have filed as single; their combined total tax liability would have been $48,776. If Hillary Rodham had filed as head of household, and Mr. Clinton filed single, they would have owed a total of $49,893, Ms. Malgoire calculates.

This year, Mr. Clinton goes from being the lower wage earner in the family unit, to the sole earner. His salary is $200,000, and Ms. Clinton has an unpaid government post. As a result, rather than paying a marriage penalty, they will have a "bonus" of several thousand dollars, Ms. Malgoire estimates.

People in or nearing retirement face other forms of the marriage penalty. The tax on Social Security benefits kicks in when income from all sources, including Social Security, reaches $25,000 for individuals, and $32,000 for married couples.

2/2

58

THE PRESIDENT HAS SEEN 3/

Bob Rubin

Cong. Kennelly

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have a proposal on this

pse follow up.

DEPARTMENT OF THE TREASURY
WASHINGTON

March 18, 1993

93 MAR 19 AII : 53

MEMORANDUM FOR JOHN PODESTA
ASSISTANT TO THE PRESIDENT AND STAFF SECRETARY

FROM: Edward S. Knight Ed
Executive Secretary

SUBJECT: Transmissions from the White House to Treasury

If agreeable with you, when sending information by fax, please use the following number: 622-0073. This fax machine is in my office, and my staff and I will distribute the information as you direct.

Thank you.

For Fran
3/22/93
FW

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 3/22/93

TO: JAMES LEE WITT

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

[redacted]

James Lee Witt
Federal Emergency Management
Agency
500 C Street, S.W.
Washington, DC 20472

[redacted]

THE WHITE HOUSE

WASHINGTON

March 17, 1993

Dear Greg:

Thank you for your thoughtful note. I am sorry not to have responded to you sooner.

I appreciate your sending me your article, "A Security Agenda for the Twenty-first Century." Your comments provide much food for thought and I am grateful that you took the time to send me the piece. I couldn't agree more with your comments on the need to step forward assertively and attempt to shape change and influence its direction. Achieving that goal is a major priority for me and I will certainly consider your suggestions for a strategy of "progressive engagement."

With regard to the Federal Emergency Management Agency, I share your view of the importance of putting a strong and respected individual in the director's position. That is why I chose James Lee Witt for the job. I have asked him to be in touch with you directly to follow up on the specific ideas for the FEMA that you outlined in your letter.

Again, Hillary and I thank you for your thoughtful letter. I regret we were not able to join you, Jim, and Phil on January 19 at the Old Ebbitt Grill but I look forward to a reunion on some other occasion.

With warm regards,

Sincerely,

Bill

Mr. Gregory D. Foster
J. Carlton Ward Distinguished Professor
National Defense University
Industrial College of the Armed Forces
Washington, DC 20319-6000

006798

THE WHITE HOUSE

WASHINGTON

March 11, 1993

93 MAR 11 P8:24

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE

SUBJECT: Response to Gregory Foster

Purpose

To respond to Gregory Foster's letter to you at Tab B. The letter has been coordinated with Carol Rasco.

Background

Foster addresses three issues in his letter to you. First, he encloses an article he wrote detailing the need for a "grand strategy to guide our country into the next century." Second, he urges you to appoint individuals whose judgments do not reflect old Cold War thinking to your national security team. Finally, he stresses the importance of the FEMA and of appointing a respected individual to be its director. A response for your signature is attached at Tab A. Carol has asked James Lee Witt to follow up with Foster directly on the FEMA issue.

RECOMMENDATION

That you sign the letter at Tab A.

Attachments
Tab A Draft Response to Foster
Tab B Incoming

Called NSC

bcc President's letter after signature to James Lee Witt

FW 3/18

cc: Vice President
Chief of Staff

006798

THE WHITE HOUSE

WASHINGTON

Dear Greg:

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With warm regards,

Sincerely,

Mr. Gregory D. Foster
J. Carlton Ward Distinguished Professor
National Defense University
Industrial College of the Armed Forces
Washington, DC 20319-6000

THE PRESIDENT HAS SEEN
2/22/93 FDC

11-E

NATIONAL DEFENSE UNIVERSITY
INDUSTRIAL COLLEGE OF THE ARMED FORCES
WASHINGTON, D.C. 20319-6000

REPLY TO
ATTENTION OF:

December 14, 1992

President-elect Bill Clinton
Governor's Mansion
Little Rock, Arkansas 72201

Dear Bill,

It won't be long now until Susan and I, with much pleasure, will address you as Mr. President. In the meantime, I want to take this one last opportunity to try communicating with you on a more personal level. Having experienced considerable frustration over the past several months in attempting to get various ideas and papers to you through your staff, I can only hope that some discerning and understanding soul will see fit to pass this letter on. It contains one social note and three substantive notes.

THE SOCIAL NOTE: Jim French, Phil Jamison, and I are hosting a cocktail get-together at the Old Ebbitt Grill, Tuesday, January 19, from 4 to 6 p.m. (flier attached). It will be a relatively small gathering consisting primarily of the same folks who gathered at Carolyn Staley's house the morning after the election, as well as others of us from Hot Springs and Little Rock who live in the D.C. area and elsewhere (e.g., Rick Silverman, possibly Sheila Roscoe). Carolyn told Phil she would mention this to Hillary. We hope you might be able to join us for a few minutes at least--perhaps before you head for the Capital Centre that evening.

SUBSTANTIVE NOTE 1: I'm enclosing the galleys of an article of mine that will appear in the March issue of the journal THE WORLD & I. The final version won't be out, of course, until after you're in the White House, by which time the likelihood of getting something directly to your attention will be even lower than now. My message in the article is one whose importance I cannot emphasize strongly enough: the need for a fully articulated strategic vision--a grand strategy--to guide this country into the next century, to provide a comprehensive framework for the priorities you establish, to galvanize the American people in common purpose, and to legitimize our claim to global leadership. My hope would be that, even if you don't agree with the content of my article, you will see the importance and utility of what the article attempts to do in broad outline.

SUBSTANTIVE NOTE 2: As you select the key members of your national security team, you undoubtedly will be guided by the perceived need to pick solid establishment types who present a reassuring image of experience and constancy. At the risk of being presumptuous, may I urge you, though, as you proceed to fill sub-Cabinet positions, to seek a healthy contingent of free-thinking iconoclasts who are not burdened by the dead hand of Cold War history. I am concerned--and I would hope you are similarly concerned--that the advice you receive on national security affairs not be monopolized by individuals who, though having been out of power for some time, are nonetheless distinctly establishmentarian and traditional in outlook. The past has passed. The future demands dramatically new thinking that is not now in evidence among the advisers whose names I have heard.

SUBSTANTIVE NOTE 3: One of your seemingly "minor" nominations will be the directorship of the Federal Emergency Management Agency. Having dealt with FEMA for many years, and in fact having done my doctoral dissertation on the federal emergency management system, I strongly urge you not to consider this a minor nomination, nor to write FEMA off as a bastard organization of minor import. As you well know, FEMA is the object of intense scrutiny by critics such as Barbara Mikulski. The criticisms are well founded; most of the remedies being bandied about, however, are not. FEMA's problem is not one principally of organization or function. The rationale for the agency's creation--that of establishing a focal point at the national level for comprehensive emergency management--is even sounder now than it was in 1976. As we retrench--and hopefully streamline--our defense capabilities, the need for a national mobilization planning arm will be magnified. And, as various forces conspire to exacerbate the fragmentation of American society, the federal government's ability to respond swiftly and effectively to various civil disasters--and thereby to engender continued public trust and confidence--will assume added significance. FEMA's problem is, and always has been, leadership. If the agency is to rid itself of its Rodney Dangerfield complex and to effectively fulfill the vital mission for which it was created, it must be headed by a person of visible national stature. That means someone other than a politician who has failed reelection, and it means someone other than a middling state emergency planner--the two types of individuals most commonly considered to head FEMA. The dilemma is how to attract a heavyweight person to head what is widely believed to be a lightweight bureaucratic backwater. The solution: give him/her a seat in the Executive Office of the President (and thus official presidential imprimatur), and give him/her control over all emergency management funds (what used to be known as delegate-agency funding).

Well, this is more than enough for one letter--I hope not too much to guarantee that it never reaches you. These are matters that are important to me, and ones I hope will be important to you.

As always, Susan joins me in sending our best. Have a wonderful holiday season--as we know you will. We hope to see you during Inaugural Week.

With warmest regards,

Greg

Gregory D. Foster
J. Carlton Ward Distinguished Professor

Enclosures