

Chran

THE WHITE HOUSE
WASHINGTON

DATE: 04/23/93

MACK MCLARTY
MARK GEARAN
TO: BOB RUBIN

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

The attached has been forwarded
to the President.

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

April 23, 1993

03 APR 23 P7:21

MEMORANDUM FOR THE PRESIDENT

FROM: ALAN BLINDER *AB*SUBJECT: Interest Rates, Stock Market, and Money Supply,
Week Ending Friday, April 23, 1993

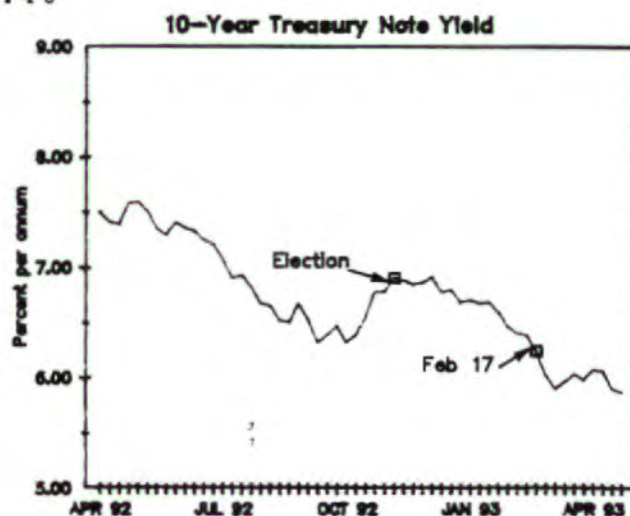
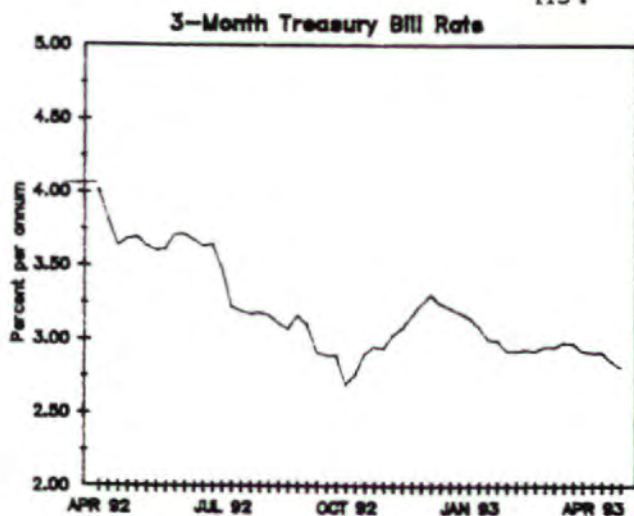
After finishing last Friday at a 16-year low, bond yields barely changed over the week. Changes in Treasury borrowing rates over the week were as follows:

	<u>Close 4/16/93</u>	<u>Close 4/23/93</u>
Three-month bills	2.90	2.90
10-year bonds	5.89	5.89
30-year bonds	6.76	6.79

The stock market fell every day this week. The decline was attributed to lackluster earnings reports and a growing consensus that aggregate economic performance will be weaker than originally anticipated. The S&P index closed Friday, April 23, at 437.03, down 2.7 percent from the preceding Friday's close. The Dow Jones Industrial Average decreased 1.9 percent by Friday, closing at 3413.77.

This week the Fed announced the average level of the money stocks for the week ending March 29. During the week, M1 and M3 both increased, while M2 decreased. Since March of last year, growth rates of the various M's have been:

M1: +10.6%
M2: +0.1%
M3: -1.4%



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COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

April 23, 1993

APR 23 1993 P7:21

MEMORANDUM FOR THE PRESIDENT

FROM: ALAN BLINDER AB
SUBJECT: Foreign Economic Developments

Exchange Rates: The dollar fell during the last week relative to both the yen and the deutschemark. The dollar is closing this week at around \$1 = 110.5 yen, down about 1.3 percent for the week. Market participants attributed the rise in the yen to your remark last Friday. The dollar closed at around \$1 = 1.58 DM, down about 2.5 percent despite the Bundesbank's cuts in interest rates.

Japan

- Household spending fell 3.4 percent in real terms in February on a year-over-year basis.

Europe

- **Germany** lowered its discount rate (the floor for money market rates) to 7¼ percent from 7½ percent, and the lombard rate (the ceiling for money market rates) to 8½ percent from 9 percent. The repurchase rate, which is the main money market rate, barely moved this week.
- **French** GDP fell 0.6 percent in the fourth quarter of 1992 on a quarter-over-quarter basis.
- The **UK** unemployment rate inched down to 10.5 percent in March from 10.6 percent in February. Retail sales rose 4.1 percent in March on a year-over-year basis.

Other

- **Canada's** consumer price index rose only 1.9 percent in March on a year-over-year basis. Retail sales increased 5.0 percent in March on a year-over-year basis.
- **Chinese** real GDP grew at around a 14 percent annual rate in the first quarter of 1993, following 12.8 percent growth in 1992. The CPI rose 15.7 percent in the first quarter on a year-over-year basis.

THE PRESIDENT HAS SEEN

4-23-93

A Greener, Cleaner President

President Clinton's speech commemorating Earth Day calmed the jangled nerves of those who had begun to question his interest in the environment, not least Al Gore. The Vice President was all smiles on Wednesday when Mr. Clinton pledged specific steps to address the threat of global warming and promised to sign an international treaty protecting rare and endangered species.

Both pledges reversed the timid policies of his predecessor and signaled that Mr. Clinton is prepared, at least for now, to assume the mantle of stewardship that George Bush declined.

But while Mr. Clinton has finally set himself on the right path, one nice speech does not begin to meet the strenuous tests of leadership that lie ahead. This is especially true on the matter of global warming. Despite years of studies, uncertainties remain. And while all scientists agree that certain gases — mainly carbon dioxide — trap heat and cause temperatures to rise, nobody knows whether the increase will make much difference.

Mr. Clinton must therefore make a persuasive case that the risk of cataclysmic temperature changes is itself enough to justify preventive steps. He will also be required to spell out what these steps will be and how much they will cost.

So far he has pledged only to "reduce" carbon dioxide emissions to 1990 levels by the year 2000. That's less ambitious than the target sought by European delegates to the Earth Summit in Rio de Janeiro last summer. Their aim was to "stabilize" emissions at 1990 levels, effectively capping them.

Moreover, many scientists argue that atmospheric concentrations of greenhouse gases will keep growing even at 1990 levels. Thus sharp reductions in those gases, not just stabilization, will be needed.

That could mean a more aggressive conservation program involving heavy capital investments in cleaner technologies and even higher energy taxes. And that, in turn, would sorely test the political skills of a President who's already tasked himself with selling the country on new income taxes and a revolution in health care.

Still, after three months of crablike scuttling on environmental issues — months in which Mr. Gore must have wondered why he signed up for the job — Mr. Clinton has begun to honor two important campaign pledges and fended off the doubters in his Cabinet who argued that conservation would threaten economic recovery. What counts now is whether Mr. Clinton can devise and sell a strategy worthy of his rhetoric.

Mr. Dole's Selfish Strut

"So, how do you think Clinton's doing?" One confronts that question everywhere these days. Except for his surprisingly worthy speech on the environment, the President has been in a blind stagger for several days. With Janet Reno's help, he made Waco a synonym for fiasco. On the economic-stimulus package, Mr. Clinton and his staff managed to make the Senate Republicans, usually a milling school of minnows, look like a pack of tiger sharks.

But the economic debate deserves a closer look. Mr. Clinton's sin was clumsiness. The Republicans' was one of indifference to the plight of working people and to untangling the economic wreckage left by the Reagan and Bush Administrations. So it's important to look behind the headlines congratulating Senator Bob Dole and his colleagues on their tactical brilliance in killing this Administration's \$19.5 billion package.

In his time, Mr. Dole has groveled for Presidents of his own party (Richard Nixon) or treated them with contempt (George Bush). But his assault on the economic plan of this Democratic President shows us the essential Dole. He is a creature of the storm who is happiest when he can ride the wind of anti-Democratic oratory and strut about spouting

platitudes on the obligations of opposition parties.

Mr. Dole wants to frustrate the President's effort to manage the economy. Fair enough, if Mr. Dole had a stronger idea or better record. But look at his history. As Senate majority leader, he helped Ronald Reagan launch his deficit rocket. During the Bush years, when unemployed families all over America and on the plains of his native Kansas were suffering, Mr. Dole and his party stood for the most grudging of remedies — temporary extension of jobless benefits, with nary a bow toward creating jobs that would make the benefits unnecessary.

Now the Senator has seen to it that Mr. Clinton's modest attempt to spur the economy has been knocked off track in favor of the same shopworn idea about temporarily stretching out payments to the unemployed. Sure, by including \$2.5 billion of pork-barrel projects in its stimulus package, the Clinton team handed Mr. Dole a weapon. But it wasn't just Mr. Clinton who got whacked with that club. Mr. Dole gave a good thrashing to the poorest, weakest and most undefended Americans, who might have profited by its job programs and by a stronger economy.

Mr. Dole, of course, had his stated reasons. He didn't want to add to the deficit he helped lift off.

Bob
in line
yesterday
Re

THE PRESIDENT HAS SEEN
4.23.93

Tom Daschle

Hidden Health Costs

What you don't know can cost you.

As the White House prepares to release its national health care reform plan, early attention will be given to its cost. That's as it should be. But after asking the first question about the cost of the new system, the second question ought to be "compared to what?" And that's where the problem lies.

It's a problem because we don't know what the average American really spends in our present health care system. We know the direct costs. For example, we can calculate insurance premiums, Medicare deductions and perhaps out-of-pocket costs. But that is just part of the price tag. The rest is hidden deep in the budgets of local, state and federal government. It is found in the overhead costs of most businesses and calculated as health benefits rather than income. And it is found in the padded bills of hospitals and providers who necessarily pass on the cost of patients who can't pay to those who can.

Our job, were we to calculate what the average American really pays for health care, would be to find out what percentage of one's federal taxes goes to programs such as Medicare and Medicaid. Add the extra costs that businesses pass on to the consumer because of health costs. Add the amount that hospitals overcharge to cover the costs of patients who can't pay. Then combine all these charges with the one bill we usually think is our only health bill, insurance.

Easy, right? Well, not exactly. I'm told that no one has calculated health costs that way. Not the Health Care Financing Administration, not the Congressional Budget Office, not the Office of Management and Budget, nor the Congressional Research Service. Don't ask why. I did. No one can give me a satisfactory answer. In part, the answer lies in the fact that contributors are public and private entities in a system not designed to be truly national.

But if we don't know what the current system costs, how are we going to determine if the new system costs a lot or a little? How can we determine if, on a per capita basis, we are spending more or less?

My fear is that since the sources of funding in the new system will not be as obfuscated, it may look more expensive to the average American, when in reality it will be cheaper. If, for example, a person is told that the new



BY RANDY MACK BISHOP

system will mean some new taxes and larger premiums but will eliminate some state and local taxes and hospital pass-through charges, my bet is that most people's attention will be on the costs and not on the savings, because the costs will be direct and the savings indirect.

So let me lay down a challenge to the army of analysts in Washington whose living is made calculating such numbers: Find out what Americans really spend on our current system. So far, our guess is that health costs are far greater than most American families think. A rough estimate is that a typical family spends more than \$7,000 a year on health care, even when they are healthy.

How much will it be in later years if we fail to enact comprehensive health reform this year?

Weeks from now, when the president's new plan is unveiled and its costs are analyzed, knowing what we pay now is our only hope if each American is to honestly evaluate this plan. If we can compare costs, we can ask smart questions and make good decisions. If we cannot, we will be choosing blind.

In this case, the old saw is wrong: What you don't know can hurt you.

The writer is a Democratic senator from South Dakota.

Blind Secularism

By Neal Stephenson

SEATTLE

Fear none of those things which thou shalt suffer: behold, the devil shall cast some of you into prison, that ye may be tried; and ye shall have tribulation 10 days: be thou faithful unto death, and I will give thee a crown of life.

Revelation 2:10

In 870, the Danes assaulted a community of nuns at Colddingham, Scotland, and were flabbergasted to discover that, following the example of one Ebbe (later St. Ebbe the Younger), they had gashed their lips and noses with razors, rendering themselves so gruesome as to put to flight any lustful thoughts.

The nonplused invaders ended up burning the place down, and its inhabitants with it, and thus joined a long series of practical-minded sorts who have failed to understand the faithful. The roster of baffled infidels includes many Romans, at Masada and when they were martyring early Christians, and missionary-killing aborigines the world over. Now we can add the Bureau of Alcohol, Tobacco and Fire-

Neal Stephenson is author, most recently, of "Snow Crash," a novel.

arms, the Federal Bureau of Investigation and much of the news media.

The day after the Branch Davidians immolated themselves, I happened to drive past Boeing Field in Seattle. The spot where the E-4B airborne nuclear command post used to appear, surrounded by fences, lights and guards, is now occupied by shiny new 737's and 757's waiting to be delivered to customers around the world. The prospect of nuclear war has faded with astonishing suddenness. Even the ozone hole is shrinking, another apocalypse to scratch off the list. Yet the Branch Davidians got just the apocalypse they were looking for.

Our cultures used to be almost hereditary, but now we choose them from a menu as various as the food court of a suburban shopping mall. Ambition, curiosity, talent, sexuality or religion can draw us to new cities and cultures, where we become foreigners to our parents. Synthetic cultures are nimbler than old ones, often imprudently so. They have scattered so widely that they can no longer hear each other and now some have gone so far afield that they have passed through the apocalypse while the rest of us are watching it on TV.

The smorgasbord of new cultures is probably a good thing, and for every person it makes crazy, there are probably a hundred it keeps sane. But new cultures lead to new forms of

culture shock, and new ways for us to misunderstand each other.

No three cultures could be more mutually incomprehensible than the trinity at Waco: Branch Davidians, G-men and the media. This is not because they came from different places; on the contrary, it is easy to imagine members of all three groups

We didn't believe that David Koresh really believed.

growing up in the same small town in the Middle West, starting out as schoolmates and winding up on opposite sides of barricades shouting gibberish at one another.

Waves of police, each more heavily armed and psychologically refined than the last, were dispatched to Waco, but came no closer to understanding the cultists than did local cops. Still, they came closer than the news media. Before the flames had even died out, journalists were complaining about the lack of on-the-scene fire engines — as if the trigger-happy cultists, dodging the battering

rams and tear gas to slosh lantern fuel across the floors of their own home, amounted to just another predictable public health hazard, like cryptosporidium in Milwaukee.

... and God shall will wipe away all tears from their eyes.

Revelation 7:17

Tear gas hurts, even if you have a gas mask, and the Branch Davidians withstood it with the same fortitude as the razor-wielding nuns of Colddingham. Looking out their windows at the weird tanks sent to assault them, the cultists could not have failed to notice their resemblance to the hellish tormentors prophesied in their favorite book of the Bible: "and they had breastplates, as it were breastplates of iron [Revelation 9:9-10] ... and out of their mouths issued fire and smoke and brimstone [Revelation 9:18]."

The F.B.I. was surprised by the fire because it apparently did not, take David Koresh's religion at face value. Now many commentators find fault with the Government, and in so doing misunderstand the Branch Davidians even more miserably than the F.B.I. (The agency's bombardment of the compound with amplified rock and Tibetan chants shows that it understood synthetic-culture shock at least well enough to use it as a weapon.) The pundits (and Congressional inquisi-

tors) who find fault with the F.B.I.'s approach and who suggest that anyone other than the cultists themselves is to blame for the deaths are just as out of it as the Danes in 870.

In weighing the morality of the Branch Davidians, it is not necessary to go any deeper than the fact that they were abusers, (allegedly) molesters and (finally) murderers of their own children. But has our society really secularized to the point where we are so bewildered by people with sincere religious faith? The F.B.I. can perhaps be forgiven for not having seen it in the Branch Davidians' words — but how can the critics fail to recognize it in their deeds?

In my adopted city, the sun is out for once, illuminating the flowery payoff of a long, rainy spring. No apocalypses seem imminent and the citizens, few of whom were actually born here, are pursuing the customs of their chosen cultures. Around here, this means a lot of young people in bright clothes, healthier than you or me, riding bikes, drinking espresso and typing away on their Powerbooks — activities that would doubtless meet the approval of the journalists who patronize the Branch Davidians by scolding the F.B.I. The scene is as shiny and inviting as the spring snow on the glaciated slopes of the Cascades, which conceals jagged crevasses hundreds of feet deep. Still, it is a better place to live and to raise children than older societies that held up people like St. Ebbe the Younger as role models.

For many, the heavy eschatological issues that lie just below the surface of religion are simply too icky and troublesome to think about. But in a society where multiculturalism has become a new creed, it would not hurt for some of us to spend some time trying to see things from the standpoint of a sincerely religious person, just as we would for a differently abled sexual minority.

Though I have recently started going back to church, I am as full of doubts and skepticism as many full-blown atheists. Even so it doesn't take much of a stretch to understand that the Branch Davidians didn't think death was such a bad thing. One does not have to believe David Koresh was the Messiah to understand that he wasn't kidding. Next time the organs of secular society find themselves pointing their cameras and gun barrels into a compound full of Scripture-toting survivalists, a perusal of the lives of saints or the story of Masada might be illuminating. []

THE PRESIDENT HAS SEEN
4-23-93

THE NEW YORK TIMES NATIONAL FRIDAY, APRIL 23, 1993

THE WHITE HOUSE

WASHINGTON

April 23, 1993

Mr. Curt Kornblau
Senior Vice President
Food Marketing Institute
Suite 500
800 Connecticut Avenue, N.W.
Washington, DC 20006

Dear Mr. Kornblau:

I understand that you are coordinating the search for a new FMI president. As you move forward, please know of our high regard for Marshall Matz.

Marshall has been a leader on food and nutrition issues for over twenty years. In the 1970s, while serving as general counsel to the Senate Select Committee on Nutrition, he supervised the publication of the Dietary Goals for the United States which has served as the basis for the Dietary Guidelines for Americans, published jointly by USDA and the Department of Health and Human Services. Since entering private practice in 1980, Marshall has represented the food and agriculture industry with distinction and credibility.

In the campaign last fall, Marshall played a key role as a food and agriculture advisor to the Clinton/Gore ticket and as the coordinator of the Clinton/Gore Agriculture Working Group. During the primaries, he served Governor Clinton as a member of the Senate Super-Delegate Committee.

I have known and worked with Marshall for many years. He is a dynamic and capable leader well suited to serving FMI in the 1990s and beyond on the complex and challenging issues faced by your important industry. I know this opinion is shared by many of my colleagues in the Administration.

Sincerely,



John Podesta
Assistant to the President
and Staff Secretary



September 23, 1992

Mr. Marshall Mats
1400 Sixteenth Street, N.W.
Suite 400
Washington, D.C. 20036

Dear Marsh:

I just wanted to drop you a note to thank you for all your help with the Agriculture and Rural Task Force. Your leadership in coordinating the Task Force has done so much to make it a valuable asset to the campaign.

From shaping our position paper to organizing the large agriculture and rural constituency groups, we could not have gotten the job done without your advice and contribution.

After twenty years of working together on our common concerns, Marsh, I still believe the most exciting times for us lie ahead. I look forward to sharing those times with you in the years to come.

With my thanks,

Sincerely,

Bill Clinton



September 23, 1992

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ATTORNEYS AT LAW

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 WASHINGTON, D. C. 20036-2220
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OF COUNSEL
 MICHELE P. CROWN
 JAMES V. DELONG
 JOHN J. BEATTY II

FAX
 (202) 234-3537

DATE: April 22, 1993

* ADMITTED IN OKLAHOMA ONLY
 * ADMITTED IN VIRGINIA ONLY

TELECOPY TRANSMISSION

TO: Ms. Fran Wessel
 Office of John Podesta

FAX #: 456-2215

FROM: Marshall Matz

Comments:

John, Fran ---

Thank you very much.
 Marshall

P.S. The President's letter is for your background, not to forward.

*P. Marshall sent
 draft of
 that will
 help.*

TOTAL PAGES 1 + COVER SHEET

IF YOU DO NOT RECEIVE TOTAL # OF PAGES LISTED ABOVE,
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*cc to
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DRAFT

[DATE]

Mr. Curt Kornblau
 Senior Vice President
 Food Marketing Institute
 800 Connecticut Avenue, NW
 Suite 500
 Washington, D.C. 20006

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Sincerely,

John Podesta
 Assistant to the President
 and Staff Secretary

Attachment

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 food and agriculture
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 Clinton
 and Gore
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 and

Know

many of my



September 23, 1992

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With my thanks,

Sincerely,

Bill Clinton

April 23, 1993

MR. PRESIDENT:

I have provided copies of
this update memo to the
Vice President, Mack,
Rahm and George.

John Podesta

THE WHITE HOUSE

WASHINGTON

93 APR 23 P2:02

April 22, 1992

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: Tracey Thornton, Legislative Affairs *TT*
SUBJECT: Status of Motor Voter Conference (H.R. 2)

I. SUMMARY

The House/Senate Conference Committee has resolved all outstanding differences on Motor Voter except one provision which is being insisted upon by Senator Durenberger who is not a conferee. The House has reservations about accepting the Durenberger language.

Conferees:

Senate--Ford (Chair); Pell, Inouye, McConnell, Warner.
House--Rose (Chair), Swift, Conyers, Frost, Hoyer, Kleczka,
Wm. Thomas, Livingston, Pat Roberts

II. DISCUSSION

The conferees have reached an informal agreement on Motor Voter striking a very good balance between the House and Senate versions.

With regard to agency registration, the agreement requires agencies of public assistance (food stamps, medicaid, WIC, and AFDC) and agencies serving the disabled to permit voter registration. In the case of registration at unemployment offices, the House accepted the Senate provision which gives states the discretion to permit voter registration at unemployment offices. This latter provision was part of the package of amendments insisted upon by Senate Republicans and accepted on the Senate floor.

The rationale for this compromise, which makes allowing registration at unemployment offices discretionary but mandatory at public assistance offices, is that, unlike persons seeking public assistance, applicants for unemployment benefits are more likely to be put on voter rolls through motor vehicle agency registration. Those applying for unemployment are more likely to have a driver's license than those applying for public assistance.

The only outstanding matter to be resolved is one raised by Senator Durenberger who, while not a conferee, has informed the conference committee that he will support the committee's agreement if his proposal, in its entirety, is accepted.

The proposal basically requires that certain specified information be included on a form given to the applicant. That information would inform the applicants that they have the right to register or not to register; that their benefits will not be affected by their decision; that they have the right to privacy or to assistance while they fill out the form; and that if they believe someone has interfered with their right to privacy or right to choose their own political party or other political preference, they may file a complaint with election officials.

While the Senate conferees will accept this language to get Mr. Durenberger's support, the House conferees--particularly Messrs. Swift and Conyers--find most of this proposal objectionable as written, especially the complaint section.

Senator Simpson's amendment allowing states to require documentary proof of citizenship was dropped in conference. This provision would have been difficult to administer since the statute requires statewide uniformity and nondiscrimination. If one person were asked for documentation, all applicants would have to be asked.

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TELEX: RCA 23-2098
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APRIL 19, 1993

MR. JOHN PODESTA
ASSISTANT TO THE PRESIDENT AND STAFF SECRETARY
THE WHITE HOUSE
WASHINGTON, D.C. 20500

DEAR MR. PODESTA,

MARIO CASTILLO, FORMER CHIEF OF STAFF, HOUSE AGRICULTURAL COMMITTEE,
HAS SUGGESTED THAT I WRITE TO YOU IN RELATION TO THE PRESIDENT'S
HEALTH CARE TASK FORCE AND ITS CURRENT MANDATES.

I AM ENCLOSING A LETTER FOR YOU TO TRANSMIT TO MRS. CLINTON AND I
HOPE THAT IT WILL THEREFORE RECEIVE PROPER ATTENTION.

SINCERELY,

B. A. Trugman
BERNARD A. TRUGMAN

*Sent to for
corresp
forwarding care
to health
task force
4/23*

FAX: 212-791-1863
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ITT 42-0538
WUJ 62-849
TEL: (212) 964-9350

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APRIL 19, 1993

MRS. HILLARY RODHAM CLINTON
PRESIDENT'S HEALTH CARE TASK FORCE
THE WHITE HOUSE,
WASHINGTON, D.C. 20500

DEAR MRS. CLINTON,

MY DAUGHTER AND SON-IN-LAW ARE FAMILY DOCTORS IN MASSACHUSETTS. IN MY DISCUSSIONS WITH THEM ABOUT THE CURRENT CHANGING HEALTH CARE SCENE I LEARNED SOME SIMPLE ANSWERS TO SOME OF THE DIFFICULT PROBLEMS WHICH ARE BEING DISCUSSED BY THE TASK FORCE.

HEREWITH ARE SEVERAL FACTS AND SOLUTIONS TO SOME OF YOUR VEXING PROBLEMS:

FACTS--1) THERE ARE 37 MILLION PEOPLE UNINSURED TODAY WHO SHOULD BE INSURED AND ELIGIBLE FOR HEALTH CARE. THAT IS CLOSE TO 15% OF THE USA POPULATION. THIS PROBLEM WAS KNOWN 10-15 YEARS AGO BUT NOTHING WAS DONE ABOUT IT. WE APPLAUD YOU FOR UNDERTAKING THIS ENDEAVOR.

2) THESE 37 MILLION PEOPLE SHOULD BE PROVIDED WITH MEDICAL CARE BY DOCTORS IN THE FIELD OF PRIMARY CARE. THEY HAVE BEEN TRAINED TO TAKE CARE OF ENTIRE FAMILIES, ARE THE LOWEST COST PROVIDERS IN THE FIELD OF MEDICINE, ARE TRAINED IN THE FIELD OF PREVENTIVE MEDICINE WHICH IN THE LONG RUN WILL SAVE THE ENTIRE SYSTEM MANY DOLLARS BY BY AVOIDING VERY EXPENSIVE ACUTE AND CHRONIC CARE WHICH DEVELOPS DUE TO LACK OF PREVENTIVE CARE.

3) PRIMARY CARE PHYSICIANS ARE:

- A) FAMILY DOCTORS
- B) PRIMARY CARE INTERNISTS
- C) PEDIATRICIANS

4) THE BASIS FOR ANY HEALTH CARE SYSTEM SHOULD BE PRIMARY CARE. THIS ENTAILS:

- A) MEDICAL SCHOOL TRAINING FOR PRIMARY CARE
- B) HOSPITAL RESIDENCY TRAINING FOR PRIMARY CARE
- C) SUPPORT IN PRACTICE--YOU HAVE TO MAKE IT ATTRACTIVE TO THE PHYSICIAN TO PRACTICE PRIMARY CARE

5) MEDICAL SCHOOLS ARE FUNDED BY:

- A) TUITION FROM STUDENTS (MANY STUDENTS INCUR LOANS WHICH REACH \$100,000. BY THE END OF FOUR YEARS--WHICH HAVE TO BE RE-PAID AFTER RESIDENCY).
- B) SALARIES OF FACULTY ARE PAID BY RESEARCH GRANTS

TODAY MEDICAL SCHOOLS TRAIN SPECIALISTS NOT PRIMARY CARE PEOPLE. THE ROLE MODELS IN MEDICAL SCHOOL ARE SPECIALISTS. THERE IS NOT MUCH EXPOSURE TO FRONT-LINE PRIMARY CARE.

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INSURANCE COMPANY ADMINISTRATIVE COSTS CAN BE CUT AT LEAST 15%
IF PAPER WORK IS CUT
HOW? INSTITUTE A SINGLE PAYER SYSTEM!

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DISCOVERIES MADE TWENTY YEARS AGO ARE COMING INTO PRACTICAL USE TODAY. IT TAKES THAT LONG! MY SON, WHO IS A PROFESSOR IN NEUROLOGY DOING BRAIN RESEARCH TELLS ME THAT THE TOTAL AMOUNT SPENT ON PURE RESEARCH IN HIS FIELD IS SO SMALL THAT THEY COULD USE TEN TIMES THE NUMBER OF RESEARCHERS. AND THESE ARE THE PEOPLE WHO COULD CUT YOUR REAL LONG TERM HEAVY EXPENSES BY DISCOVERING SOLUTIONS TO DISEASES THAT FILL OUR HOSPITALS THESE DAYS.

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THANK YOU FOR THE OPPORTUNITY TO PRESENT THE ABOVE INFORMATION AND
IDEAS.

VERY TRULY YOURS,



BERNARD A. TRUGMAN

PS: I ENCLOSE COPIES OF TWO PRESS ITEMS:

A) SUNDAY APRIL 18TH 1993
OP-LETTER IN THE NY TIMES BY A CANCER SPECIALIST

MONDAY APRIL 19TH, 1993
ARTICLE ON HEALTH COSTS IN THE NY TIMES

BOTH HAVE SOME POINTS WHICH I DEVELOPED IN MY LETTER.

Viewpoints

Let's Hear It for Low-Tech Medicine

By FAZLUR RAHMAN

PRESIDENT CLINTON'S plan to overhaul the health care system is long overdue. The system has become increasingly expensive — we paid \$800 billion in 1992 alone — and we have 37 million uninsured. But no plan will succeed unless we reorient our thinking, and address the essential issues.

One reason medical care has become so impersonal and high-priced is that physicians are not rewarded for bedside medicine. In our society, primary-care doctors do not exert as much influence as specialists do. Much can be achieved by low-tech medicine and personal contact, but high-tech tests are more lucrative and less time-consuming. A gastroenterologist will not hesitate to do a gastroscopy on a patient with vague abdominal discomfort because he is paid handsomely for the procedure, while he gets meager compensation for doing a thorough physical examination. No wonder that from 1965 to 1990, the number of gastroenterologists has increased more than 1000 percent, while the number of primary-care doctors has gone up only 66 percent.

General internists have been particularly unappreciated by the reimbursement system, though they are a vital link between family physicians and specialists. Internists are trained to handle complicated conditions like heart attacks or respira-

High-tech tests are lucrative, so high-tech tests are common.

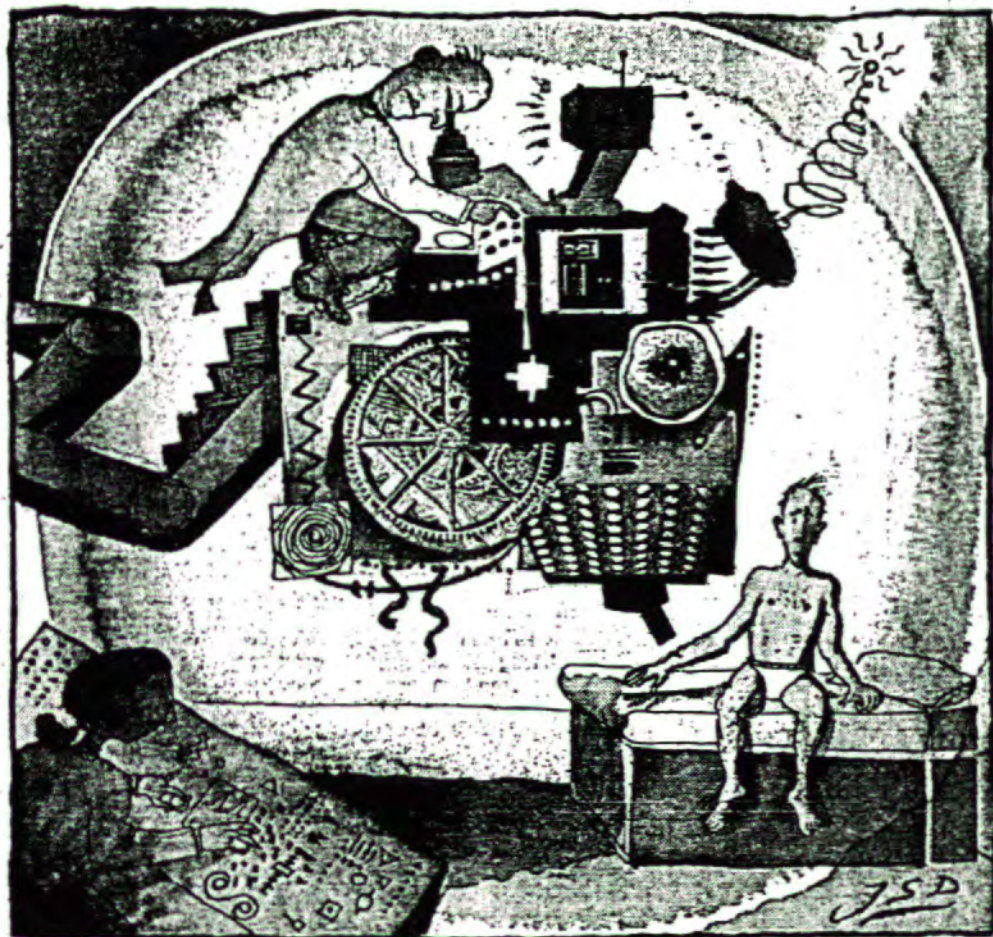
tory failure, and at the same time they are comfortable in taking care of daily problems like hypertension, diabetes and arthritis. Unfortunately, there is a shortage of doctors practicing general internal medicine. The number of medical school graduates pursuing such a career fell from 36 percent in 1982 to less than 15 percent in 1992.

Out of 600,000 physicians in the United States, 400,000 are specialists, and specialists are the ones who practice expensive types of medicine. Contrast that with Canada and Germany, where half the physicians are generalists — and where 10 percent of the gross domestic product goes to health care, compared with 14 percent here.

The American medical school curriculum is designed to teach acute care and high-tech medicine. It is time to reverse this trend.

Hospitals must also revamp day-to-day opera-

Fazlur Rahman is a practicing cancer specialist in San Angelo, Tex.



Illustrations by John E. Dykstra

tions. Professional committees in hospitals are now strongly influenced by medical and surgical specialists. One notices a paradox time and again: A cardiac surgery division may generate headlines in the local press, while general-medicine programs languish.

Here are some other key points:

- Mr. Clinton's emphasis on childhood immunization and prenatal care, and on the cost of smoking, are steps in the right direction. But he should be more forceful in publicizing the ill effects of drug and alcohol abuse. And surely for health reasons — if for nothing else — we have to speak out against sexual promiscuity. Education and personal responsibility will prevent a great deal of venereal diseases, AIDS and teenage pregnancy.

- Americans have come to expect too much from medicine. Academic physicians and the scientific community have fostered the impression that every ailment, real or imagined, can be cured. The President and the medical profession must

disabuse the public of this notion. For a vast number of our citizens, a moderate diet and exercise will be more helpful than a host of doctors.

- Billions of dollars are wasted yearly on defensive medicine, which is practiced mainly because of the fear of lawsuits. Doctors sometimes order expensive tests just because they may be faulted later for failing to do so. We must have malpractice reform, and restraint on abusive lawyers.

- Finally, the Health Care Task Force must include practicing professionals — physicians, administrators and technologists. We should not be unduly swayed by the intellectual prowess of the "Jackson Hole group," the leading proponents of "managed competition." President Clinton accepted the basic blueprint of the group during last year's campaign. But in truth, the group is dominated by academics and insurance executives. If the Clintons rely heavily on individuals and organizations that are more interested in furthering their own agenda, the reform will fail.

As Health Plan Comes Together, Big Price Tag Comes Into Focus

How to Pay for Coverage Is Issue for Panel Now

By ROBERT PEAR
with DAVID E. ROSENBAUM
Special to The New York Times

WASHINGTON, April 18 — Just one month before President Clinton is scheduled to send Congress an ambitious proposal to guarantee comprehensive health care for all Americans, Administration officials are beginning to realize that it may involve huge costs and tax increases bigger than any previously proposed.

The White House has spent 12 weeks developing ideas for guaranteeing all Americans a rich package of health benefits. But only recently has the task force sorting through the ideas begun to focus on the costs.

President Clinton would probably finance his health plan by asking Congress to impose new taxes, amounting to hundreds of dollars a year even for middle-income families, including millions who already get health insurance coverage through their employers. In return, the Administration says, the health plan would provide peace of mind for all Americans because people would be assured of coverage if they moved, changed jobs or became sick.

How Many Billions?

Officials say they cannot yet estimate totals because Mr. Clinton has not decided what the precise ingredients of his package will be and because even the members of the health-policy team cannot agree on reliable figures for individual elements of the plan.

But if the plan included guaranteed

insurance coverage for prescription drugs, mental health care and long-term care, benefits recommended by the staff, these items alone could easily reach more than \$50 billion a year, say health-policy experts and actuaries in and out of the Government. Parts of the health program might be put into effect gradually, so that the tax increase would be less abrupt, and perhaps more politically palatable.

In February, Ira C. Magaziner, manager of the President's Task Force on

The Health Agenda

Tallying the Costs

A special report.

National Health Care Reform, said in a memorandum that "universal access could mean \$30 billion or \$90 billion of additional annual expenditure by the Government by 1997." The ultimate cost may be toward the upper end of that range if Mr. Clinton's proposal includes many items under discussion.

As attention turns to the costs of new health benefits, the options for raising revenue also come into focus, as do the political risks that may accompany such proposals.

Aides to Mr. Magaziner, a business consultant from Rhode Island with lim-

Continued on Page B10, Column 1

As Clinton's Health Plan Comes Togeth

Continued From Page A1

ited experience in government and politics, say he was surprised by the political uproar last week over the disclosure that the Administration was considering an indirect form of national sales tax known as a value-added tax to pay for the health program.

Government actuaries and statisticians told the White House that if all the benefits recommended by the staff of the task force were included, a 14 percent value-added tax might be needed, a rate much higher than politicians have ever contemplated.

Two senior Administration officials said recently that Cabinet officers had pressed Mr. Magaziner for more detailed cost estimates and had been frustrated at his not factoring cost into the deliberations earlier.

Robert D. Reischauer, the director of the Congressional Budget Office and Congress's chief economist, said these matters were "so complex and the data so limited" that reliable estimates were probably impossible.

What follows is a description of the potential costs of individual elements of the President's plan that are under discussion and the possible sources of revenue to finance them.

The Costs

Many Needs Mean Huge Expenses

Lack of health insurance inhibits the use of health care. Providing coverage for the uninsured would increase their use of care and improve their health, but would also contribute to an increase in spending.

"If you give people an insurance card, they will go to the doctor more often," said John F. Sheils, a vice president of Lewin-VHI, a consulting concern that specializes in medical economics. "The uninsured use about 60 percent as much care as insured people with similar characteristics."

Mr. Sheils said health-care spending for people now uninsured would rise by \$36 billion a year if they all became insured. The uninsured now get \$41 billion a year in medical services, including what they pay for themselves as well as what they receive from public hospitals and programs, and they would get \$71 billion worth if they were insured, he estimates. To prevent overuse of services, Administration officials would encourage patients to see general practitioners or family doctors before specialists.

One unresolved question is whether to upgrade Medicare, the Federal health insurance program for 35 million elderly and disabled people, to include all the benefits now offered by private health-maintenance organizations. Such enhancements could cost \$15 billion to \$20 billion a year.

These other elements are under consideration:

Prescription drugs It would cost the Government perhaps \$10 billion a year to provide insurance covering the cost of prescription drugs to people who do not have such coverage.

The Federal Health Care Financing Administration, which runs Medicare and Medicaid, estimates that \$44 billion, most of it private money, will be spent on prescription drugs for people outside hospitals this year. The Pharmaceutical Manufacturers Association says 72 million Americans have no insurance coverage for prescription drugs. One-fourth of these people are 65 years old or over.

If the Government required employers to cover prescription drugs as part of the standard package of employee health benefits, it would, for political reasons, almost certainly have to provide drug coverage under Medicare.

Elderly people account for 13 percent of the population, but they are responsible for 34 percent of all spending for outpatient prescription drugs. Medicare generally does not cover the cost outside a hospital.

Long-term care Standard health insurance policies do not cover the cost of nursing homes or medical and social services provided to people in their own homes over a prolonged time. Medicaid, the Federal-state program, finances a substantial amount of such long-term care for low-income people, at a cost to the Federal Government of \$35 billion a year.

But many other people need such care. Donald N. Muse, a statistician who has worked for the Congressional Budget Office and for the Medicare actuary, estimates that "a medium-size package of long-term care would cost the Federal Government \$60 billion a year," beyond what it already spends.

Generous, comprehensive coverage under a public program could cost \$100 billion a year, Mr. Muse said. By contrast, he said, the cost to the Government might be \$20 billion a year under a program of the type favored by the nursing-home industry, which relies heavily on private insurance.

But Mr. Sheils said: "If you had full coverage for long-term care and eliminated supply constraints, you would probably see a 30 percent increase in utilization of nursing homes, and the use of home health services could double."

Mental health President Clinton's proposal holds out the prospect of mental health care for millions of people

Paying for a National Health Plan

The estimated costs and revenue sources in President Clinton's health plan.

WHAT IT WOULD COST

Annual estimated costs of items that may be included in President Clinton's health plan. Figures are in billions.

Prescription drugs	\$10
Long-term care	\$50
Mental health care	\$6.5
Subsidies to employers	\$20

HOW TO PAY FOR IT

Annual estimated revenues from new taxes under consideration. Figures are in billions.

Tobacco and alcohol taxes	\$25
5 percent value-added tax	\$60
Limit on tax breaks for health insurance provided by employers	\$20-\$30
Payroll tax on employers for part-time workers	\$4
Tax on hospitals and doctors	\$10-\$12

Sources: Congressional Budget Office, Lewin-VHI, Donald N. Muse

who need such services but do not get them. His plan, at a minimum, would guarantee coverage for people with severe mental illnesses. But it would probably cover little psychotherapy for people who function reasonably well.

In a report to Congress last month, the National Institute of Mental Health said it would cost \$6.5 billion a year to provide coverage for treatment of severe mental illnesses like schizophrenia, major depression and manic-depressive disorder.

"Currently," the agency said, "60 percent of people with severe mental disorders use services during a given year. This number would probably increase to about 80 percent with full coverage." The Government says that 5.1 million adults and nearly 1 million children have severe mental disorders.

Mr. Clinton's plan could also help some people whose illnesses were less than severe.

Other, Big Price Tag Comes Into Focus

Subsidies Mr. Clinton wants to require employers to provide health benefits to employees; workers would bear some of the cost. But Mr. Clinton will propose subsidies to reduce the burden on poor people and on companies with many low-wage employees.

Such subsidies could quickly become expensive for the Government. Under one option favored by senior members of Mr. Clinton's health team, the Government would subsidize premiums so that a private employer's contribution would not exceed a specified proportion of payroll — say, 7 percent. Such a guarantee, Mr. Sheils says, would cost the Government \$20 billion a year in premium-subsidy payments.

But he points out that health costs are growing faster than wages. To cover such costs, insurance premiums must also rise rapidly. As a result, Mr. Sheils said, more employers will find their health costs exceeding 7 percent of payroll. More employers will thus qualify for the Federal subsidies, and employers will need bigger subsidies.

The Taxes

A Few Proposals, None Painless

Politicians, scholars and others at the center of the debate disagree over how to pay for universal health care, but a consensus exists on one point: some new form of tax with which Americans have no experience will almost certainly be needed.

More than 90 percent of Federal revenue is now raised through individual and corporate income taxes and through payroll taxes from employers and workers for Social Security and Medicare. No one is seriously proposing higher income or payroll taxes to meet the cost of the health program.

Mr. Clinton has already asked for a steep increase in income tax rates to reduce the Federal budget deficit, and another increase is out of the question politically. He can hardly ask employers to pay a further tax, since they would already bear much of the cost of universal coverage.

The financing problem is worsened by the fact that the Government will lose billions of dollars in tax revenue if additional workers are covered by their employers. That is because either companies or workers will owe less in income taxes: If companies swallow the additional cost of covering workers, they will get a new tax deduction. If, instead, companies offset their cost by lowering employees' pay, the workers would owe less in income taxes.

Administration officials have said that more than a dozen potential sources of new revenue are under consideration. As a practical matter, only a handful seem plausible. These are the most widely discussed:

Sin taxes The President has said he favors new taxes on tobacco and alcohol products, and opinion polls show that the public would favor such a step. But these taxes would not raise nearly enough money to cover all the Government's new costs.

According to the Congressional Budget Office, an increase in the Federal cigarette tax, now 24 cents a pack, to \$1 would raise an additional \$10 billion a year. An increase to \$2 would raise nearly \$20 billion.

The most commonly discussed proposal on alcoholic beverages would, for example, increase the tax on a six-pack of beer to 81 cents from 33 cents. Such a tax on alcoholic beverages would raise nearly \$5 billion a year, according to the budget office.

These taxes have the advantage of taxing behavior that leads to poor health, Administration officials say. But if people cut back on drinking and smoking, the tax base would erode.

Value-added tax Such a tax, called a VAT, would be imposed at each level of production and would ultimately be paid by consumers, meaning it would essentially be a sales tax. Food, housing and medical care would probably be exempt, but most other products and services would be covered.

The main advantage of a value-added tax is that it would raise large sums of money. The Congressional Budget Office calculates that a 5 percent VAT would generate nearly \$60 billion the first year it was fully in force, and the amount would rise annually as the economy grew and prices of goods and services rose.

Theoretically, value-added taxes also encourage saving, since no tax is paid until money is spent. Psychologically, consumers can feel a small degree of control over what they pay, since they can avoid taxes by keeping their wallets shut.

The biggest disadvantage is that this is what economists call a regressive tax, meaning that the poorer people are, the heavier their tax burden.

Middle-income families could pay more than \$1,000 a year in additional taxes with a VAT as low as 4 percent, even with exclusions for food, shelter and medical care. Politically, this would be an extraordinary proposal for a Democratic President who campaigned on the theme that the tax system was unfair to the poor and middle class.

Senator Bob Dole, the minority leader, seized that theme today on the NBC News program "Meet the Press." Calling a value-added tax one that "hits low-income people the hardest," the Kansas Republican said he would not support a VAT "unless it replaces maybe the corporate income tax or part of the income tax."

Tax on Insurance Employers can take a tax deduction for the entire cost of paying medical insurance premiums for workers, and no matter how generous this fringe benefit, employees get it

tax-free. Most experts believe that overly generous insurance coverage encourages overuse of medical services and raises the cost of care.

The Congressional Budget Office reviewed a proposal to place a tax on employer-paid premiums of more than \$165 a month for individuals and \$400 for a family, approximately the cost of the average policy.

The tax could be imposed either by disallowing the employers' deductions for the additional amount or by requiring employees to pay taxes on the excess as if it were income. Limiting the deduction is probably more attractive politically. Either way, according to the budget office, \$20 billion to \$30 billion a year could be raised.

This proposal is a favorite of economists and health-policy specialists. But it is vigorously opposed by labor unions that have forgone large wage increases in favor of medical benefits.

Payroll Tax for Part-time Workers This tax is nearly a sure bet. Employers would not have to provide medical insurance for employees who worked fewer than a certain number of hours, but they would have to pay a tax to cover the Government's cost of buying insurance for such workers.

Lewin-VHI, the consulting group, calculated that if companies had to pay a tax of 8 percent of part-time workers' wages, it would raise about \$4 billion a year for the Government.

Tax on Hospitals and Doctors In theory, hospitals and doctors would get a windfall from universal coverage because they would be paid for care in charity cases that now go unreimbursed. Michael D. Bromberg, executive director of the Federation of American Health Systems and a lobbyist for private hospitals, estimates that on average hospitals spend 5 percent of their budgets on charity patients.

By one estimate, a 3 percent windfall tax on the hospital revenues and doctors' incomes could raise \$10 billion to \$12 billion a year. But without price controls, this could become a tax on the sick, since doctors and hospitals would pass it along.

THE WHITE HOUSE
WASHINGTON

April 23, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN *ur*
SUBJECT: Secretary Reich Memorandum Regarding the
Pension Benefit Guaranty Corporation

Given the recent spate of publicity about the PBGC, I suggested that Bob Reich give you a very brief status report, which is attached. As an independent view, Ellen Seidman, an exceedingly experienced NEC senior staff person, has been involved in this and feels that the politics, the substance and the Administration process, led by Bob, are all in very good shape.

Attachment

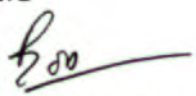
*C.C. The Vice President
Mack
Carol R.
George JOP*

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

APR 22 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT B. REICH 
SUBJECT: Status of the Pension Benefit Guaranty Corporation

I have begun an intensive review of the concerns raised during the campaign about whether the Pension Benefit Guaranty Corporation (PBGC) presents a critical situation analogous to the savings and loan crisis.

I have concluded that the PBGC's situation is not critical, but there are serious long-term concerns that should be addressed while the situation is manageable. The PBGC has ample resources to pay benefits for a number of years, even under the worse economic scenarios. However, the PBGC has a deficit of \$2.7 billion which will grow if current law is not changed.

To address the long-term problem, I have taken the following steps:

1. In March, I established an interdepartmental task force to review the corporation's financial condition and recommend appropriate action. The group is meeting with Congressional staff, unions, employers and others in the pension community to hear their views, and it has begun to focus on legislation to address the long-term problem.
2. I appointed Martin Slate, a 10 year veteran of IRS, as Executive Director of the PBGC in March. Martin is extremely knowledgeable about the PBGC and pension policy generally. He was immediately able to take control of the corporation, and he will provide strong leadership for the task force on these issues.

My preference is to first spend the next several months carefully reviewing policy alternatives and developing support and then to go forward with a legislative proposal in September (Roger Altman and Alice Rivlin are in accord with this approach). These are complex issues and there are divergent views in the public and in Congress on how to address them. The Labor Committees are supportive of this approach, but Representative Pickle, who chairs the Ways and Means Oversight Subcommittee, is anxious to include PBGC legislation on the reconciliation bill. I will keep you informed of our progress.

Attached are two articles from the Post and Times on the hearing earlier this week.

cc: Robert Rubin

Administration Assailed On Pension Reform Delay

Rep. Pickle Accuses White House of Stalling

A4 By David A. Vise 4/21
Washington Post Staff Writer

Tensions between Congress and the Clinton administration flared on Capitol Hill yesterday when members of both parties said the White House's pension reform task force was moving too slowly to prevent multibillion-dollar financial problems from getting worse later this year.

Rep. J.J. Pickle (D-Tex.) accused the administration of delaying pension reform until this fall to avoid conflict with labor leaders and auto industry executives who oppose any changes that would limit their flexibility in contract talks starting this summer.

Both General Motors Corp. and Chrysler Corp. have billions of dollars less in their pension plans than they have promised to retirees. Without legislation requiring the companies to put additional cash into the plans, the gap could increase as a result of the labor talks.

Martin Slate, the new executive director of the federal Pension Bene-

fit Guaranty Corp. (PBGC), told the Ways and Means oversight subcommittee that the administration task force needed until September to complete its work on a legislative proposal.

Slate said that was soon enough to make needed changes while the size of the pension problem was still manageable. He added that while financial problems at the agency were mounting and needed to be addressed, the PBGC had enough cash to continue paying pension benefits "as far as the eye can see."

But Pickle, chairman of the oversight subcommittee, and other members of the panel said the issues had been studied long enough and that further delays could be costly for taxpayers.

"There are windows of opportunity in the legislative process," said Rep. Richard J. Santorum (R-Pa.), referring to the prospect of attaching pension reform legislation to a federal budget bill in the next few weeks. "Are you suggesting the

committee move forward on its own?"

"We are working as hard as we can," Slate said. "I hope we can all work together."

Pickle told Slate that delaying until the fall was unacceptable.

"If history repeats itself, there will be billions of dollars of new pension promises made and perhaps not one penny put into the pension pot," he said.

Pickle has introduced legislation that would prevent companies with underfunded pension plans from promising new benefits without putting up the money to pay for them. He said yesterday that any legislation should have provisions that make it applicable to the auto industry talks.

Allen Reuther, director of legislative affairs for the United Auto Workers union, has said he will oppose any congressional efforts to speed up pension reform that interfere with the upcoming labor negotiations because such actions could hurt the companies and employees.

Rep. Bill K. Brewster (D-Okla.) asked whether there was any reason not to move forward at once on Pickle's bill.

"I think you and the chairman made a persuasive case this morning for taking rapid action," said another witness, James Blum, deputy director of the Congressional Budget Office. "Without any changes in the law, the problem is going to get worse."

The Treasury Department's Ran-

dolf H. Hardock said it might not take the administration until the fall to come up with a reform proposal, but made no promises. "[Treasury] Secretary [Lloyd] Bentsen is committed to moving this process forward," he said.

The PBGC guarantees employee pensions up to \$29,250 a year when companies fail and has about \$2.7 billion less than it needs to meet its obligations in the years ahead. Slate said yesterday that figure would continue to grow without reforms and that the underfunding in corporate pension plans had reached \$40 billion by the end of 1991. "If all were well, we wouldn't have set up the task force," he said.

Joseph F. Delfico, director of income security issues for the General Accounting Office, said another major problem was the failure of companies to inform employees about the financial health of pension plans. He also said that while many companies failed to comply with important new pension rules and laws, the Labor Department frequently did not prosecute them or detect the violations.

Pension Agency's Problems Described as Manageable

By JEFF GERTH

Special to The New York Times

WASHINGTON, April 20 — Unlike the Bush Administration, which saw the Federal pension insurance program as a possible disaster like the savings and loan debacle, the Clinton Administration told Congress today that the agency's problems were real but more manageable.

In testimony before a Congressional panel, Martin Slate, the newly appointed executive director of the Pension Benefit Guaranty Corporation, did not dismiss the agency's \$2.7 billion current deficit. Nor did he deny that the deficit would increase. But he said the deficit did not threaten the agency's operation and that further study was needed regarding future problems.

Mr. Slate declined to endorse, at least for now, efforts to tighten financing requirements for companies that have not fully funded their pension plans. The Bush Administration had backed similar legislation.

Exodus of Companies

He said he shared the concern of some panel members that the agency needed to stem a current exodus of companies from the Federal insurance program in order to insure the program's long-term viability and attractiveness to employers. He de-

scribed the agency's primary goal as benefit protection.

By contrast, the Bush Administration placed more emphasis on the agency's looming fiscal troubles and frequently raised the possibility of a taxpayer bailout of the agency, which is financed by employer premiums.

Appearing before the House Ways and Means Committee's oversight panel, Mr. Slate declined to answer a number of questions on the ground that the issue was being reviewed by an interagency task force scheduled to finish its report in September.

Mr. Slate's responses evoked skepticism from some members of the subcommittee who want to move faster on tightening restrictions on employers who have underfunded pension plans.

The committee's chairman, J. J. Pickle of Texas, has introduced legislation tightening requirements for employers who have underfunded their pension plans and want to increase benefits for employees.

Only yesterday did President Clinton announce a nominee for the job of top pension regulator at the Department of Labor. The nominee, E. Olena Berg, California's Chief Deputy Treasurer, must still be confirmed by the Senate.

More than half of all private-sector workers are not participating in any pension plan at all, according to the Labor Department.

THE WHITE HOUSE

WASHINGTON

93 APR 23 All : 56

April 23, 1993

MEMORANDUM TO THE PRESIDENT

FROM: KATIE MCGINTY THROUGH JOHN PODESTA

SUBJECT: FOREST SERVICE APPEALS REGULATIONS

The attached memorandum is in response to your note to me regarding the 4/16/93 Washington Post story (attached) concerning the reaction of the environmental community to the Forest Service's proposed regulations on comments and appeals.

Please note that we have subsequently directed the Forest Service to extend the comment period on the draft regulations an additional 30 days, until June 1, in order to provide all interested parties with an adequate opportunity for input.

CC. The Vice President
MARK

April 21, 1993

MEMORANDUM

TO: KATIE

FROM: JIM LYONS

SUBJ: FOREST SERVICE APPEALS REG'S

Please keep the following in mind with regard to the issuance of the draft reg's late last week:

1. These rules were drafted by the previous Administration late last year in response to legislative direction included in the FY 1993 Interior Appropriations bill.

2. Influential Members on the Hill (particularly staff to the Speaker) felt it important to get this information out for review and comment, in light of the fact that the substance was in response to legislative direction of 6 months ago.

3. The substance of the reg's, unfortunately, reflects both legislative intent and some carryover of "ideas" that were part of the Bush Administration's proposed reg's of a year ago -- which essentially would have done away with the appeals process as we know it.

4. These problems can be fixed.

5. By issuing the reg's and then (see attached) extending the comment period, we can be seen as responsive to the Hill and also responsive to the enviro's by granting them more time.

6. Both sides indicated a willingness (industry and enviro's) to sit down and work out differences -- to be consistent with the legislative intent -- to have a final rule in place in July.

7. This has been run by all key players in the legislative compromise -- and key Committee staff. Only minimal grumbling has been heard.

8. I believe we can safely distance ourselves from the substance of this draft and offer a reasoned and reasonable compromise by July.

Administration Proposals on Forests Vex Environmentalists

By Tom Kenworthy
Washington Post Staff Writer

Just two weeks after the White House sparked a fight with its allies in the environmental community over fees for use of federal lands, the Clinton administration has compounded its problems by proposing new restrictions on challenges to timber sales from U.S. national forests.

According to environmentalists, the proposed new rules published Wednesday will sharply restrict the ability of citizens to learn about and appeal proposed sales in national forests, grant the U.S. Forest Service broad authority to duck appeals altogether by declaring emergencies, and violate the intent of Congress.

"Last year the Forest Service tried to cut the public out completely and Congress stopped them," said Kevin P. Kirchner, an attorney with the Sierra Club Legal Defense Fund. "Once again the agency is ignoring Congress . . . and trying to cut the public out of the process."

On March 30, the White House abandoned a proposal to eliminate or reduce subsidies enjoyed by cat-

tle, mining and timber interests that use federal lands. At the urging of western Democratic senators, the administration dropped the resource fee provisions from its budget plan, while promising to push for separate legislative and administrative measures to accomplish the same goals.

Stung by the reaction of major environmental groups to that action, the administration moved swiftly yesterday to distance itself from the new timber sale appeal rules. The rules, proposed by the Forest Service, an agency of the Agriculture Department, were cleared by the president's Office of Management and Budget.

"These regulations were crafted under the Bush administration and we put them out there because we want the review process to start," said Marla Romash, spokeswoman for Vice President Gore and the White House's Office on Environmental Policy. Romash said the proposals "don't necessarily reflect our views" and could be changed after public comments are received.

The review of the procedures governing administrative appeals of timber sales was prompted by a Forest Service proposal last year to eliminate the right of appeal. Senior

Forest Service officials and the timber industry have long maintained that the government's ability to meet its production targets is increasingly hampered by a flood of appeals by environmental groups challenging sales they believe violate forest management and other environmental laws.

Congress blocked the Forest Service proposal to eliminate appeals,

*"Once again the
[Forest Service] is
ignoring Congress."*

—Kevin P. Kirchner,
an attorney with the Sierra Club
Legal Defense Fund

but in an appropriations bill directed the agency to streamline the process. The proposed rules published Wednesday in the Federal Register are the result of that congressional directive.

Environmentalists have expressed a number of concerns about the proposed rules, including:

- The short, 15-day period allowed for public comment on the plan. Ro-

mash said yesterday that deadline will be extended.

- A provision under which the Forest Service can block public comment and appeals entirely in "emergency" situations, such as when trees must be harvested quickly because of insect or disease damage, fires, or windstorms. "That directly contradicts the intent of Congress," said David L. Crandall, executive director of the Spokane-based Inland Empire Public Lands Council. "It's so wide open that anything is an emergency."

- A failure to meet congressional directives for notice of impending timber sales to interested individuals.

The timber industry, which President Clinton generally supported as governor of Arkansas, has endorsed the proposed changes. Anne Heisenbittel, director of forest planning and policy for the American Forest and Paper Association, said her organization is "very supportive" of the proposals and hopes "the Forest Service will get the final rule out and implement this new direction as soon as possible."

The incident underscores the difficulty the White House faces in meeting Clinton's expressed goal of

presenting a coherent, unified forest policy.

So far, other than Agriculture Secretary Mike Espy, the administration has put no new political appointees into positions with authority over the Forest Service. As a result, policy is still heavily influenced by leftover Republican appointees who the environmental community and some Democrats in Congress feel are too favorable to the timber industry.

"It sounds like some of these proposals are holdovers from the previous administration that I'm hopeful will be corrected in the final regulations," said Sen. Patrick J. Leahy (D-Vt.), chairman of the Senate Agriculture, Nutrition and Forestry Committee.

THE WHITE HOUSE
WASHINGTON

April 22, 1993

MEMORANDUM FOR GEORGE STEPHANOPOULOS
RAHM EMANUEL
DEE DEE MYERS
RICKI SEIDMAN
ALEXIS HERMAN
REGINA MONTOKA
HOWARD PASTER
MARLA ROMASH

THROUGH: JOHN PODESTA
FROM: KATIE MCGINTY *KM*
SUBJECT: FOREST INJUNCTION FILING

This afternoon, the Justice Department filed a motion in Seattle Audubon Society v. Moseley/U.S. Forest Service to modify orders of U.S. District Court Judge Dwyer which required the Forest Service to complete a supplemental environmental impact statement (SEIS) on management guidelines for the Northern Spotted Owl in the National Forests. The Court enjoined the Forest Service from holding timber sales in habitat for the owl until it adopted revised northern spotted owl guidelines, and issued a compliance schedule for preparation of the SEIS.

Today's motion asks for relief from completing the current EIS. The documents filed state that resources could more productively be used to work on an old-growth ecosystem approach which will supersede the work on this spotted owl EIS, in accordance with many of the recommendations the President heard at the Forest Conference. Alternatively, the Forest Service requests that it be granted a 75 day extension for completing the owl SEIS, (November 1). The motion details the recent Forest Conference, and explains that as a result of that Conference, a Forest Ecosystem Management Working Group is identifying alternative strategies for a scientifically sound, ecologically credible, legally responsible basis for managing federal forests in this region in accordance with the President's direction.

The basic point made in the pleading is that, in light of the need to develop an ecosystems management approach, it makes no sense for us to continue developing a spotted owl EIS, and, therefore, the Judge should relieve us of that obligation. Having said that, however, we do not in this pleading set out a schedule for when we will complete an ecosystems EIS.

We refrained from doing so at this point because we have not yet decided if we should proceed administratively (and thus produce an EIS) or legislatively (which would alleviate the need for an EIS). We are silent in order to preserve the President's options.

Probable Reaction: The environmental community, the timber industry and local communities may criticize the administration for failure to lay out an immediate specific plan to comply with environmental laws for the administration's strategy, and express concern and displeasure about further delays in getting the injunction against timber harvesting lifted.

Response: The administration has moved promptly to address this long-standing conflict which has developed over the past two administrations. The President committed to the development of a strategy 60 days after the Forest Conference (June 1). Having the Forest Service proceed with this separate SEIS is counter to what the administration, and indeed Judge Dwyer, are trying to achieve through a conservation plan applicable to all federal lands. We anticipate preparing a plan very soon that will take a more comprehensive approach than the FS plan the Judge ordered last August. The actions laid out in the motion will maximize the administration's ability to implement the strategy as soon as possible. The people of the Pacific Northwest deserve a well-thought out plan.

UNITED STATES SENTENCING COMMISSION
ONE COLUMBUS CIRCLE, NE
SUITE 2-500, SOUTH LOBBY
WASHINGTON, DC 20002-8002
(202) 273-4500
FAX (202) 273-4529

COPY

03 APR 23 All: 17

William W. Wilkins, Jr. Chairman
Julie E. Carnes
Michael S. Gelacak
A. David Mazzone
Ilene H. Nagel
Paul L. Maloney (ex officio)
Edward F. Reilly, Jr. (ex officio)



TO: Jose Carden
Andre Oliver

April 21, 1993

File in:
To the President

MEMORANDUM

TO: Executive Branch Invitees

FROM: William W. Wilkins, Jr. *WWW*
Chairman

SUBJECT: Symposium on Drugs and Violence

I write with respect to the recent invitation you received to attend the Sentencing Commission's National Symposium on Drugs and Violence in America in Washington, D.C. on June 16-18, 1993.

During the past few days, the Commission has received a number of inquiries from Executive Branch personnel asking whether we could assist with funding. Although budget constraints are significant, the Commission will be able to pay the \$165 registration fee for all Executive Branch officials invited to the symposium. This registration fee covers all symposium written materials, conference meeting space, the dinner and reception Wednesday evening, lunch Thursday and Friday afternoon, and continental breakfast Thursday and Friday morning.

Please note that individuals who plan to attend the symposium must mail or fax a completed registration form to the Commission's symposium coordinator (consult the registration brochure for her address and telephone number).

The Commission, working within its limited budget, is sensitive to financial constraints of the Executive Branch and hopes that its payment of the registration fee will enable you to attend this important symposium.

THE WHITE HOUSE
WASHINGTON

DATE: 4/22

NOTE FOR: *Bruce*

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

Information

☒

Action

☐

Thank you.

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

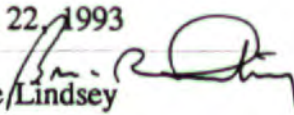
cc: *R. A. M.*

THE WHITE HOUSE
WASHINGTON

RECOMMENDED TELEPHONE CALL

To: Sidney Williams, Maxine Waters' husband
(213) 754-7389 Home
(213) 466-3141 Work

Date: April 22, 1993

Recommended by: Bruce/Lindsey 

Purpose: To ask him to be Ambassador to the Bahamas.

Background:

Topic of Discussion:

Contact Person: Bruce Lindsey, x2668

Date of Submission: April 22, 1993

Action: — @ interesting discussion re: LA Mayor's name
— he's selected
— V. concerned re: ability to work to regain
momentum —

THE WHITE HOUSE
WASHINGTON

DATE: 4/24

NOTE FOR: *Tom Epstein*

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

Information

☒

Action

☐

Thank you.

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

cc:

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
4 14.9 3

APRIL 14, 1993

RECOMMENDED TELEPHONE CALL

TO:

California Assemblyman Sam Farr
Demo. Nominee for California's 17th CD (Panetta's district)
408/595-1987 (car phone, 11 a.m.-2 p.m. EDT)
916/445-8496 (office, after 2 p.m. EDT)
916/443-0178 (Sacramento apartment)
408/624-4246 (Santa Cruz home)

DATE:

TODAY, APRIL 14

RECOMMENDED BY:

Tom Epstein

PURPOSE:

Congratulate him on winning yesterday's primary election

BACKGROUND:

Farr ran 1st with 25.6% of the vote. His nearest challenger was a Democrat in this 53% Dem/31% Rep district. He faces a June 8 runoff against a conservative Republican, Bill McCampbell, who received just 13%. Panetta got 74% of the vote against McCampbell in the November, 1992 election. Farr is a liberal who ran in strong support of your economic plan and in favor of universal health care. His district includes a potential base closure, the Monterey Language Institute, which Secretary Aspin deleted from the list but Courter re-added. They also have a pending conversion project to create a new university at Ft. Ord. He recently received a photo with the President taken at the meeting with California State Legislators, and ran a photo from that meeting in his campaign literature. He won because of a strong absentee ballot program. He actually ran 2nd in votes cast on Election Day.

TOPICS TO DISCUSS:

He will ask for a Presidential or Vice Presidential visit to spotlight the defense conversion proposal. Unless the race tightens, this is unnecessary for electoral purposes. Panetta will certainly campaign for him.

CONTACT PERSON:

Tom Epstein 202/456-6257

SUBMISSION DATE:

April 14, 1993

THE WHITE HOUSE
WASHINGTON

DATE: 04/22/93

NOTE FOR: HOWARD PASTER

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

Information ☒ XX

Action ☐

Thank you.

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

cc:

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
4.22.93

93 APR 17 All : 50

April 16, 1993

RECOMMENDED TELEPHONE CALL

TO: Senator Joe Biden

DATE: At your earliest convenience.

RECOMMENDED BY: Howard Paster *HP*

PURPOSE: To discuss the Senator's recent trip to Bosnia.

BACKGROUND: The Senator had originally requested a meeting regarding his trip to Bosnia. However, in lieu of a meeting, I suggest that you call the Senator to discuss the trip.

TOPICS OF DISCUSSION: 1. His findings on his recent trip. You should ask him for his recommendations on what strategy he thinks you should consider on Bosnia.

CONTACT PERSON AND
TELEPHONE NUMBER(S): Howard Paster X 2230
Steve Ricchetti X 6493

DATE OF SUBMISSION: April 16, 1993

ACTION: _____

55 62:02

THE WHITE HOUSE
WASHINGTON

DATE: 4/22

NOTE FOR:

Rahm, Tom Emerson

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

Information

☒

Action

☐

Thank you.

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

cc:

Rahmy / Emerson

all he asked was -
that (endorse)
him - (I think
he needs to sharpen
his message -
we put over him -
let's discuss —

B.

THE WHITE HOUSE
WASHINGTON

APRIL 20, 1993

RECOMMENDED TELEPHONE CALL

This call should not be made until election returns are in verifying Woo and Riordan have finished 1st and 2nd (in either order). Call 213/485-9110 or 213/485-3581 for results.

TO: L.A. Councilman Michael Woo
Democratic Nominee for Mayor
213/463-4185 or 213/463-2984 (4/20 after 11:30 p.m. EDT)
213/664-5053 (home, 4/21 until noon EDT)
213/626-5573 (office, 4/21 after noon EDT)

DATE: LATE TONIGHT, APRIL 20, or TOMORROW, APRIL 21

RECOMMENDED BY: Tom Epstein and Rahm Emanuel

PURPOSE: Congratulate him on earning a spot in the June 8 runoff

BACKGROUND: Woo is expected to finish 1st or 2nd and compete with Republican Richard Riordan in the June 8 runoff. Woo was an early Clinton endorser and a pragmatic liberal with a conciliatory manner. If elected, he would be the first Chinese-American mayor of a major U.S. city. Since L.A. is 65% Democratic, he should prevail. Riordan is expected to spend millions of his own money, however, and could be competitive in a low turnout race. Riordan's campaign chair is former Clinton state chair Bill Wardlaw, who once worked in Riordan's law firm. Riordan prominently used endorsements from Ronald Reagan and Jack Kemp in his direct mail, in which he claimed he was the only "real Republican" in the race. Municipal elections in Los Angeles are nominally non-partisan.

TOPICS TO DISCUSS: He wants administration fundraising help, but probably will refrain from asking you directly. We are in touch with his staff to formulate an endorsement/political support plan.

CONTACT PERSON: Tom Epstein 202/456-6257 or 301/320-9690 (home)

SUBMISSION DATE: April 20, 1993

MA received 4/21
7.45 PM.

THE WHITE HOUSE
WASHINGTON

DATE: 4/22

NOTE FOR:

Tony Lake, Marcia Hale

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

Information

☒

Action

☐

Thank you.

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

cc:

THE WHITE HOUSE
WASHINGTON

April 20, 1993

Mr. President:

This lays out some scheduling options for your trip to Japan. I've shown this to Marcia. Near as I can tell, they have tried to reserve at least one breakfast and a run on the beach for you while you are in Hawaii.


John Podesta

*Agree in general
would like to
discuss two -*

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

2150

THE WHITE HOUSE
WASHINGTON

April 20, 1993

93 APR 20 All : 38

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE ✓

SUBJECT: Your Trip to Asia for the G-7 Summit

DECLASSIFIED E.O. 13526

White House Guidelines,
September 11, 2006

By DB NARA, Date 5/8/18
2018-0662-S

THE WHITE HOUSE
WASHINGTON

DATE: 4/22

NOTE FOR:

Mack, Howard

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

Information



Action



Thank you.

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

cc:

THE PRESIDENT HAS SEEN
4.22.93

THE WHITE HOUSE
WASHINGTON

April 19, 1993 APR 19 P6:52

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER HP

SUBJECT: MISCELLANEOUS LEGISLATIVE ITEMS

1. The House will likely try again this week to pass the enhanced rescission measure that failed just before the recess. Republicans are generally opposed because it is not as tough as the Line Item Veto, and Appropriations Committee Democrats along with liberals not on the committee are reluctant to cede power to any President -- even a Democrat. We should consider whether or not you want the White House more or less identified with this fight.

2. Our survey of House members at the end of last week indicates reluctant acceptance of the need to reduce the size of jobs bill. But there is real anger at the Senate and a clear message that we do not have substantial additional flexibility.

3. The calls to the Hill on Russian policy found Republicans generally supportive, and increasingly aware that the fight on the jobs bill could imperil Russian aid. The Republicans would like us to treat the jobs bill and Russian aid as unrelated issues; Democrats will not tolerate that separation. Put simply, if we lose the jobs bill this week we will have to slow down considerably the Russian aid package. The Republicans would like it to be otherwise; our side says that will not work.

4. The more I ponder the last two weeks the more I come back to the importance of Bob Dole's emergence as the leading Republican spokesperson in the country. More than 12 years ago, the last time there was a Democratic President, Dole was not even in the Senate leadership. Today Dole is not only the most visible of the 1996 Presidential candidates, he is for the first time in his career his party's leading spokesperson, and he obviously is enjoying the media attention. He also is showing more and more of the meanness he showed in 1976. And I would argue his attitude toward you borders on disrespectful, i.e. press releases referring to Bill Clinton without using your title. Bear in mind, also, that last week he was doing fundraising for Jeffords and Durenberger, among others. I have a friend who used to be Dole's counsel and I am planning to have that friend over for lunch next week for advice and counsel.

5. You should know that Senator Feingold is threatening to link his vote for the jobs bill to a reaffirmation of your plan to end Radio Liberty and Radio Free Europe. He is pushing what he thought was a Clinton initiative in this area, and is distressed by the effort of the neo-conservatives to turn around your position.

THE WHITE HOUSE
WASHINGTON

DATE: 4/22

NOTE FOR: *Rosen, Regina, Tom Haggett*
MACK, MARK

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

Information



Action



Thank you.

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

cc:

THE WHITE HOUSE

WASHINGTON

93 APR 22 PM 2:22

✓
April 22, 1993

RECOMMENDED TELEPHONE CALL

TO:

Jim Folsom, Democratic Lieutenant Governor of Alabama who now becomes Governor with today's conviction of Republican Governor Guy Hunt

DATE:

April 22, 1993, before his swearing-in at 3:30 p.m. EDT

RECOMMENDED BY:

Joan N. Baggett, Political Affairs

PURPOSE:

To offer congratulations and say you look forward to working with him.

BACKGROUND:

Governor Hunt was convicted today of illegally using \$200,000 raised for his inauguration for personal expenses like mortgage payments, cattle feed and a riding lawn mower. Alabama Democrats, however, want to avoid too much public gloating just in case the state Supreme Court overturns the conviction. Under Alabama law, though, during the appeal Hunt must resign and Folsom is sworn in as Governor. Frank Greer has been working with Folsom to get things off to a fast start.

TOPICS OF DISCUSSION:

1. Congratulations
2. Offer to do anything you can to help
3. Thank him for supporting the economic plan

CONTACT PERSON AND
TELEPHONE NUMBER:

John Tanner, 205/261-2000

DATE OF SUBMISSION:

April 22, 1993

ACTION:

*Follow up 4/22 - very good visit.
Wants to be a "Team player"*

THE WHITE HOUSE
WASHINGTON

DATE: 4/22

NOTE FOR: Tony Lake

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

Information ☒
Action ☐

Thank you.

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

cc:

AS REQUESTED

Tony Hurl
Fyl - interviewTHE PRESIDENT HAS SEEN
4.20.93BC
MEMO

TRANSMISSION COVER SHEET

DATE:

March 30

TO:

Nancy Herrreich, Office of the Pres.

FAX NO.

456-2397

TRANSMITTING

9

PAGES (INCLUDING COVER SHEET)

FROM:

DEREK SHEARER
DEPUTY UNDER SECRETARY FOR ECONOMIC AFFAIRS
U.S. DEPARTMENT OF COMMERCE
14th & CONSTITUTION AVE., N.W., ROOM 4850
WASHINGTON, D.C. 20230
TELEPHONE NO. (202) 482-3523
FAX NO. (202) 482-0432

RE/COMMENTS:

Nancy,

(1) Pls. include attached in Pres.' reading
box as an FYI item from me.

(2) Will you be in town this Friday? I'd
like for you to meet Casey + Anthony
and have them have lunch at White House.

(3) Should I check with Marcia about
logistics for Monday's game.
I hope that you got to spend some time
with Ashley.

By the way, Casey chose Georgetown
Day in spite of the philosophy of life (D)

-Derek

Did the Mystery Book Store send over their
gift pack for the Pres. yet?

TO: Derek Shearer, Deputy Undersecretary of Commerce for Economic Affairs
FROM: Mike Mochizuki, School of International Relations at the University of Southern California
SUBJECT: April 1993 U.S.-Japan Summit between President Bill Clinton and Prime Minister Kiichi Miyazawa

DATE: March 29, 1993

Given the importance of President Clinton's upcoming meeting with Prime Minister Miyazawa, I wanted to convey to you some of my thoughts regarding this historic bilateral summit.

BACKGROUND

Miyazawa's Political Situation:

The latest revelations of tax evasion by and illicit payments to Shin Kanemaru (former Deputy Prime Minister) and other influential Liberal Democratic Party (LDP) politicians have certainly hurt Prime Minister Miyazawa politically. Miyazawa's approval rating in Japanese public opinion polls has plummeted to 21 percent. A further drop would endanger the survival of his cabinet.

But at the same time, Miyazawa enjoys more freedom of maneuver within his own party than at any time during his sixteen-month administration. The arrest of Kanemaru, the discrediting of former Prime Minister Noboru Takeshita, and the recent split in the Takeshita faction have made Miyazawa less beholden to the Takeshita faction which had played a critical role in Miyazawa's selection as prime minister in October 1991. Foreign Minister Michio Watanabe's illness eliminates for all intents and purposes Miyazawa's chief rival for the prime ministership.

During his meeting with President Clinton, Miyazawa will be seeking visible signs that he is able to manage successfully relations with the United States in order to buttress his political position at home. He also wants to lay the groundwork for a successful G-7 summit meeting in Tokyo in July which he can use to win another two-year term as LDP president and therefore prime minister.

Miyazawa's Political Style:

Miyazawa sees himself as the most erudite Japanese politician regarding public policy—especially in economic matters. Consequently, unlike many of his predecessors, he has been reluctant to seek the advice of scholars and even career bureaucrats in making critical policy decisions. One senior Japanese official has told me that Miyazawa would often intimidate bureaucratic officials assigned to him by pointing out where they are wrong or ill-informed. Consequently, rather than suggesting bold initiatives, career bureaucrats have tended to concentrate on avoiding mistakes.

Although his knowledge of policy and his quick intelligence are undisputed, Miyazawa has been disappointing as a political leader. During his tenure as prime minister, he has been unable to articulate a vision for Japan's future that would inspire Japanese citizens. This is somewhat surprising since Miyazawa likes to think of himself as continuing the tradition of Hayato Ikeda (Miyazawa's political mentor and prime minister from 1960-64). Prime Minister Ikeda articulated the national goal of "income-doubling" and brilliantly forged a consensus behind high economic growth after a decade of political strife and social conflict. Following Ikeda's legacy, Miyazawa has over the years talked about "asset-doubling" and making Japan into a "livelihood superpower." But he has been much less effective than his mentor. One reason is that unlike Ikeda, Miyazawa does not have a large "brain trust" of intellectuals and journalists who can refine and promote a national vision. Second, Miyazawa has not been very adept in building a strong base in the ruling Liberal Democratic Party beyond his own faction.

Miyazawa's Attitude Towards the United States:

Miyazawa's attitude towards the United States is paradoxical. On the one hand, he is the most cosmopolitan of the senior politicians. He speaks good English. He met his wife while attending the Japan-America Student Conference at the University of Southern California in the early 1930s. No other Japanese politician has had as much experience interacting with Americans since the end of World War II. More American policymakers know Miyazawa better than any other Japanese leader. And Miyazawa heads the faction in the ruling LDP that has traditionally been the most pro-American.

On the other hand, Miyazawa seems to have a certain disdain for the United States. His public statement about "having sympathy for the United States" is one indication of this attitude. During the early 1980s when he was Chief Cabinet Secretary in the cabinet of Prime Minister Zenko Suzuki, Miyazawa failed to act expeditiously when Japanese journalists attacked a joint communique between Suzuki and President Reagan that characterized the U.S.-Japan relationship as an "alliance." More recently, a prominent Japanese scholar told me that Miyazawa spurned his suggestion that the Japanese government buy U.S. automobiles for use by cabinet members. According to this person, Miyazawa joked that if the cabinet were to use American autos, then the cabinet meetings would tend to start late because of car problems.

Miyazawa's disdain for the United States probably has its origins in his experiences in the early 1950s when he and his colleagues were pushed around by American policymakers during his trips to Washington. He believes that the U.S. has mismanaged its economy and that Americans are now whining about Japanese unfair trade practices when they have only themselves to blame.

U.S. Leverage Over Japan:

Notwithstanding Miyazawa's negative attitudes towards the United States, America's leverage over Japan is probably greater now than it has been since the end of the occupation period. First, with the end of the cold war, the United States no longer needs to hold back on economic issues for fear of alienating an ally critical for our anti-Soviet containment strategy. Second, Japan does not have a viable alternative to good relations with the United States. Although Tokyo is now

emphasizing its Asia-Pacific policy, access to U.S. markets and technology remains critical to Japan's economic success. Third, Japanese policymakers are concerned that the U.S. will significantly reduce its military presence in East Asia at a time when the security environment is becoming more uncertain and even more threatening for Japan. Consequently, the United States can argue that Japanese concessions on economic questions will be necessary to sustain U.S. domestic support for the security commitment to Japan. And fourth, American leverage over Japan is greater today because the Clinton Administration is beginning to get America's economic house in order.

But in order to make effective use of this leverage, the United States has to be clear about its policy objectives vis-a-vis Japan and to convey these objectives to Tokyo without equivocation.

PRESIDENT CLINTON'S APPROACH TO THE SUMMIT

Form Matters As Much As Substance

In Japanese culture, form matters just as much as substance. *How* decisions are made or *how* messages are conveyed is just as important as *what* decisions and *what* messages. There is now much talk in Washington about being *tough* with Japan. Although this makes for good domestic politics, I believe that merely being verbally tough will not produce meaningful results from the Japanese. It is more likely to provoke resentment and inaction.

Japan wants to be recognized for its accomplishments and to be consulted *before* decisions are made. The best way for the United States to get cooperation from Japan on a wide variety of international issues is to take Japan seriously and accord it the international status it feels it deserves while being clear and firm about U.S. policy objectives.

Taking Japan Seriously

Although Mike Mansfield's dictum about the U.S. and Japan being the most important bilateral relationship in the world has been quoted *ad nauseam* by U.S. policymakers, the truth is that the U.S. government has not taken Japan seriously. Attention to Japan policy in previous administrations has been limited and sporadic. Coordination across government agencies on matters related to Japan has been practically nil. Consequently, talk of forging a "global partnership" between Japan and the United States has tended to ring hollow.

In his upcoming meeting with Miyazawa, President Clinton has the opportunity to demonstrate that unlike his predecessors, he will be taking Japan seriously. He can do this by showing his deep interest in Japan's economic policies and business practices. For example, he could express his admiration for how Japan overcame economic adversities during the 1970s (e.g., the oil shocks and yen appreciation) by restructuring its industries in response to changing international market conditions. The President could also inquire about how the Japanese government managed to overcome entrenched interests to reduce significantly its national budget deficit during the 1980s while sustaining robust growth. Being an

avid student of public policy himself, Miyazawa will welcome a sophisticated discussion of such issues.

But while recognizing Japan's achievements, the President should inform the Prime Minister that he intends to link his domestic strategy for economic revitalization with an international economic strategy as Japan has done so successfully in the past. He should emphasize that in today's interdependent world economy, an American campaign to revitalize its economy cannot succeed without the cooperation of other advanced industrial countries like Japan. And the President should remind Miyazawa that Japan has a critical stake in American revitalization because a strong America is in Japan's interest.

In addition, President Clinton could cultivate a sense of intimacy and rapport between Miyazawa and himself by holding some informal discussions in English without interpreters and advisers. One excellent way of doing this would be to take a walk around the White House grounds-- just the two of them, but within the range of cameras. Since Miyazawa prides himself on being able to handle high-level discussions without the customary bureaucratic handlers, he should jump at the opportunity.

SOME KEY ISSUES

Aid to Russia and the Other Former Soviet Republics:

The President should avoid a lengthy discussion of how the territorial dispute prevents Japan from providing a major aid package to Russia. While adhering formally to its doctrine of the "inseparability of politics and economics" (i.e., no major bilateral aid package without concessions on the territorial issue), Japan does want to stay in step with the Western nations regarding assistance to the former Soviet republics. Senior Foreign Ministry officials have told me privately that there are four loopholes to permit Japanese economic aid to Russia: (1) aid through international organizations e.g. the International Monetary Fund, (2) humanitarian assistance, (3) private sector trade and investments, and (4) large-scale projects -- primarily for resource development.

The President should press Miyazawa to widen the above channels for helping the Russian reform process, rather than to compromise his nation's territorial claims. The President could facilitate this by having Japan contribute more capital to the IMF and the World Bank in exchange for giving Japan a greater voice in these international economic organizations. Moreover, I believe some incorporation of the Japanese development philosophy (e.g., close partnership between government and the private sector) into IMF lending practices would be helpful for Russian reform. As some Japanese studies argue, strict adherence to neo-classical market strategies may be misguided for Russian economic reconstruction.

There are also two other ways to circumvent the territorial issue. First, the President can stress that the entire world has a vital interest in helping Russia replace its dangerous Chernobyl-type reactors and reduce its nuclear arsenal while eliminating the incentives for Russian nuclear engineers and technicians to transfer their know-how to developing states. Even the most conservative policy analysts in Japan acknowledge that the nuclear issue is critical enough to soften somewhat

Japan's hardline position on the northern territories. Second, the President could point out that the territorial dispute with Russia should not preclude Japanese economic assistance to the other former Soviet republics (e.g., the Baltic and Central Asian republics, and the Ukraine).

In the longer term, the President could offer to mediate between Tokyo and Moscow on the territorial issue when the political situation in Russia becomes more stable. The idea would be *not* to downgrade America's support of Japan's claims, but rather to insure positive communications between Tokyo and Moscow when another opportunity for some Russian flexibility emerges.

Macroeconomic Policy Coordination

In order to avoid a further deterioration of the U.S. trade deficit with Japan, the President should underscore the importance of *bilateral* macroeconomic policy coordination. To the extent that the President's proposed budget includes a moderate stimulus, the worst thing for U.S.-Japan relations would be for Japan to try to export its way out of its current recession. A surge of Japanese exports to the U.S. would undermine the President's economic strategy as well as sour the bilateral relationship.

Therefore, the President should seek a firm commitment from Miyazawa to adopt as soon as possible a supplemental spending package (in addition to the FY 1993 budget). According to Japanese press reports, LDP politicians are advocating a fiscal stimulus in the range of \$80 to 120 billion (\$10 to 15 trillion). Of course, the U.S. should insist that the Japanese stimulus be as large as possible. Moreover, the President should also ask that a large-scale government procurement of foreign products (e.g., computers, drug detection devices, and medical equipment) be included in the stimulus package.

Market-Access Agreements

In its December 1992 report entitled "The Japan-United States Economic Partnership in a New Age," Japan's blue-ribbon Council on Japan-United States Economic Relations criticized the United States for asking the Japanese government to intervene in Japan's market in a "result-oriented market access approach." It called on both countries to "return to the fundamental principles of free trade and reevaluate the various market access arrangements that have been created between Japan and the United States."

Whether or not Miyazawa takes the advice of this council and chooses to press the President on this point, the President should state his unequivocal support for such market-access arrangements like the semiconductor agreement, the automobile and automobile parts agreement of January 1992, and the various arrangements negotiated under the market-oriented, sector-specific (MOSS) talks. In this context, he could praise the 20-percent foreign share of the Japanese semiconductor market that was recently achieved. He could also suggest his interest in negotiating other market-access agreements for sectors in which the United States is competitive and for which U.S. penetration in the Japanese market remains limited.

The President should point out that America's trade deficit with Japan is more than just a product of macroeconomic imbalances (e.g. high Japanese savings and low U.S. savings). As the President noted during his March 23rd press conference, a huge trade imbalance between Japan and the United States has continued although America's large trade deficit with Western Europe during the 1980s has been corrected. Despite Japan's low average tariff rates, Japan's massive global trade (\$132.6 billion) and current account (\$117.6 billion) surpluses in 1992 clearly indicate structural protectionism. Insofar as this protectionism is the by-product of the preferential trading practices of Japanese business networks (*keiretsu*), government intervention in private-sector trade practices is essential to mitigating the trade imbalance.

In the long-term, the best way to overcome the trade barriers posed by Japanese business networks is to internationalize the *keiretsu*. U.S. attempts to break up the *keiretsu* through negotiations like the Structural Impediments Initiative (SII) are bound to fail because the Japanese tendency to create both vertical and horizontal networks with preferential trading practices is so deeply rooted in Japanese business culture. What the United States should do is to penetrate these *keiretsu* through foreign direct investments in Japan and through corporate alliances between Japanese and American businesses. Given the shortage of American investment capital, the President should ask Miyazawa to enhance opportunities for strategic U.S. investment in export-enhancing infrastructure and joint research-and-development activities in Japan. Japan could do the following in this regard: (1) expand the Japan Development Bank's program of preferential financing for foreign direct investors, (2) lease government-owned land at preferential rates to foreign investors, and (3) provide preferential tax treatment for foreign investors which are seeking to expand exports into Japan.

Rice and the GATT Negotiations

Insofar as the United States is committed to a successful conclusion of the GATT Uruguay Round negotiations, the President should insist on Miyazawa's support for this endeavor by liberalizing Japan's rice market through tariffication. Although I do not believe that opening up the Japanese rice market should be a top priority in terms of our trade policy, a change in Japanese rice policy could have important indirect political consequences that would serve U.S. interests. One of the reasons why Japan's economy remains relatively closed is the dominance of the Liberal Democratic Party which favors producer interests over those of workers and consumers. If the Miyazawa cabinet would bite the bullet on rice, then the action could set in motion a chain of events that would eventually lead to political realignment and reform in Japan and the emergence of a strong political force committed to consumer and worker interests.

In November 1992, Miyazawa appeared willing to adopt tariffication of rice so that Japan would not become the spoiler in the Uruguay Round. Now that the GATT talks have stalled again, the pressure is off Miyazawa to do anything. The United States should come to an agreement with the European Community on the outstanding GATT issues as soon as possible. The current haggling between America and Europe allows Japan to sit gleefully on the sidelines. The U.S. policy towards GATT is especially hard to understand since Japan, and not Europe, is our number one trade problem. The United States should be working with Europe to increase market access in Japan.

While supporting these objectives, the President should tell Miyazawa that in order to sustain the American political will for maintaining regional security, the United States must improve its access to East Asian markets and increase its economic presence in the region. The current situation in which Japanese investments in Southeast Asia exceed those of the United States by a four-to-one margin and in which the United States is the main absorber of East Asian exports undermines this will to provide for regional security. Therefore, the President should insist that Japan absorb more imports from the East Asian economies so that Japanese investments in East Asia do not become export platforms directed at the U.S. market. The President could also ask Miyazawa to develop ways in which Japan and the United States could cooperate on foreign aid programs so that U.S. firms can gain more access to development contracts. As a follow-up, the President could begin work on his vision for economic cooperation in the Asia-Pacific region for presentation at the Asia-Pacific Economic Cooperation (APEC) meeting scheduled for November 1993 in Seattle.

In terms of regional security, the President could express his support for using the ASEAN Post-Ministerial Conference as a forum to discuss security issues and to promote confidence and security-building measures. He could also indicate his interest in building upon the tacit cooperation among Japan, the United States, South Korea, China and Russia to prevent North Korean nuclearization in order to develop a Northeast Asian dialogue on security issues.

Japan's Contribution to International Security

The President should express his support for Japan's growing contribution to United Nations peacekeeping in terms of both funding and personnel. He could encourage Japan to follow up its participation in the Cambodian peacekeeping operation with similar efforts in Mozambique and possibly even Somalia. At the same time, he should emphasize that the U.S. fully endorses Japan's strictly defensive military policy. It should not be the intention of the United States to push Japan into becoming a great military power in the traditional sense. Such a course would not only go against the spirit of the Japanese constitution, but also be potentially destabilizing for both regional and global security.

Notwithstanding President Clinton's campaign statements, the President should withhold firm support for Japan getting a permanent seat on the U.N. Security Council until Japan is prepared to increase dramatically its financial support for U.N. peacekeeping operations beyond its current level of 12.5 percent. The United States now contributes about 30.4 percent.

DATE: 4/22

NOTE FOR:

Tony Lane

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

Information

☒

Action

☐

Thank you.

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

cc:

TIME OF TRANSMISSION

THE PRESIDENT HAS RECEIVED
TIME OF RECEIPT
**WHITE HOUSE
SITUATION ROOM**PRECEDENCE: IMMEDIATE
PRIORITY
ROUTINERELEASER: AmmanDTG: 101544Z APR 93

MESSAGE NO. 01 CLASSIFICATION UNCLASSIFIED PAGES 3
FROM WHSR
(NAME) (PHONE NUMBER) (ROOM NO.)
MESSAGE DESCRIPTION SecDef Weekly Memo

TO (AGENCY)	DELIVER TO	DEPT/ROOM NO.	PHONE NUMBER
<u>Camp David</u>	<u>MilAide for the President</u>		
<u>Little Rock</u>			

REMARKS:

Time of Delivery Request...

5 601-2

**OFFICE OF THE SECRETARY OF DEFENSE
MEMORANDUM**

9 April 1993

TO: Mack McLarty
FROM: Les Aspin, Secretary of Defense
RE: Weekly Report to the White House - for week of April 12th - 18th

○ **TAILHOOK**

At the request of DoD's Acting Inspector General, I am preparing a strategy to release the TAILHOOK II report within the next 10 days. As you know, this will be a major news event, with great repercussions within the Service itself.

As we've discussed before, it's VERY important that we have a Clinton Secretary of the Navy nominated to deal with all aspects of the fallout from TAILHOOK when the report is issued.

I'll be ready to discuss a strategy with you on this next week.

○ **DFAS**

I will also be forwarding you a proposed strategy for DFAS and will be ready to discuss it at your convenience.

○ **TRIP TO CALIFORNIA**

We have tentatively scheduled a trip to California on Friday, April 16th to speak at an ARPA Conference in Los Angeles. I plan to discuss your reinvestment plan.

I also may be meeting with local editorial boards in Los Angeles, again to promote your reinvestment package in California.

On Saturday, I will travel to Oakland, California (Congressman Dellum's district) to discuss base closure conversion possibilities in Alameda.

- BOTTOM-UP REVIEW

Sometime in the next week, I plan to hold a press briefing on the DoD "Bottom-Up Review". Stay tuned for details.

- KING TRIAL

In view of the impending verdict in the Federal trial of the four Los Angeles policemen, we have put in place a DoD contingency plan to respond with the National Guard if the situation requires.

- NATIONAL AIDS VACCINE

DoD and HHS have reached a compromise on the implementation of a program involving HIV research called for in the FY 1993 Department of Defense Appropriation Act.

\$20 million dollars is in the process of being transferred from DoD to HHS. The National Institutes of Health, the principal medical research arm of DHHS, will be primarily responsible for execution of a large scale, phase III clinical investigation among HIV-infected patient populations, consistent with the legislation.

White House Legislative Affairs has encountered some opposition to the proposal from the Senate Appropriations Committee which has detained the announcement of the compromise. Stay tuned.

- WOMEN IN COMBAT

To prevent each of the services from going off in a different direction, I am working on a DoD proposal to address the significant recommendations from the Herres Commission report of last year. At the top of the list are the assignment of women to combat aircraft and to combatant ships. A draft for you to review will be ready shortly.

- SOMALIA

Our plans for withdrawal are proceeding on schedule. We expect to have UNISOMII stood up under Turkish General Bir's command by May 1st. Our residual contingent of U.S. troops, about 4,000, will retain their national leadership.

- BALKANS

NATO will begin to enforce the No Fly Zone resolution over Bosnia on Monday. Admiral Mike Boorda, in his NATO hat as Commander-in-Chief of the Southern Region, will direct the effort. Initially, the U.S. national contribution will consist of a squadron of Air Force F-15s stationed out of Aviano, Italy and a squadron of Navy F/A-18s operating off your old friend, THEODORE ROOSEVELT (CVN-72), in the Adriatic. The British, the French, and the Dutch will also be providing fighters. Reg Bartholomew and Barry McCaffrey will be in the region beginning Sunday to examine the situation first-hand and to finalize arrangements for command and control with our major allies. As we are now doing, we will be prepared to render combat search and rescue support to any participating nation if required. With Chris's people, we have looked closely at other contingencies -- for example, possible retaliation against NATO troops on the ground or against NATO AWACS aircraft in orbit over Hungary -- and are confident that we are operating with an acceptable level of risk.

- POW/MIA

The news media recently broke a story which asserts that documents relating to previous POW/MIA cases were destroyed in Bangkok by the Joint Task Force -- Full Accounting, apparently as a measure of consolidating records. Admiral Chuck Larsen, our Commander-in-Chief Pacific Command has ordered an investigation. This may be a case of the perception being more important than the reality, but POW/MIA groups are already reacting to it, and we need to move proactively. As a related subject, we are looking at improving the USG POW/MIA organization, further to the report of the Senate Select Committee last year, and I expect to have a set of recommendations for you in short order.

- VIETNAM

We will be preparing for General Vessey's trip to Hanoi on April 15-21st to tell Vietnam we need tangible progress and assurances of continued cooperation on the POW/MIA issue in four key areas: (1) continued cooperation in investigating the remaining 92 discrepancy cases; (2) answers to questions about the 31 remains of those who died in captivity and depicted in casualty photographs from Vietnamese archives; (3) assistance in conducting trilateral activities to investigate the Lao Border cases; and (4) access to information regarding U.S. MIAs in the files of the Defense Ministry.

THE WHITE HOUSE
WASHINGTON

DATE: 04/22/93

NOTE FOR: RAHM EMANUEL

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

Information ☒ XX

Action ☐

Thank you.

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

cc:

THE PRESIDENT HAS SEEN

4.22.93

THE WHITE HOUSE
WASHINGTON

April 22, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: RAHM EMANUEL

SUBJECT: LYNN YEAKEL

As you know, Paul M. Yeakel, Lynn Yeakel's husband, wrote you concerning his wife's debt from her unsuccessful senatorial bid. He asked for your help in retiring her campaign debt.

I do not think that you or the Vice President should do anything for Yeakel until after we have helped Senator Wofford and Mayor Rendell. Offering the administration's assistance to Yeakel before helping Wofford and Rendell would be damaging to our two good friends from Pennsylvania.

OK

MEMORANDUM

TO:

Bahn Emanuel / David Wilhelm

FROM:

Nancy Hernreich

RE:

PRESIDENTIAL MAIL

DATE:

4.21.93

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

_____ ACTION - Please draft reply for the President's signature.

_____ ACTION - Please follow up (an initial letter has been sent indicating that it was sent to you for follow up).

_____ Follow up - As indicated

☒ FYI - Information copy

3-18-93 PAUL M. YEAKE

Secretary Ron Brown and Chairwoman Tyson are a credit to your administration. His wife, Lynn, incurred substantial debt on both the campaign and personal level and is having difficulty raising money. Any assistance you can give would be most appreciated.

I don't think we should do anything w/ you or VP until we do Wofford + Bender (damage 2 friends)

*guy
cc RATH
cc D. WILK*

*Shirley
Rahn / Burkh*

—

JA VIP 4/5

KIDDER, PEABODY & CO.

Incorporated
CENTRE SQUARE WEST
1500 MARKET STREET
PHILADELPHIA, PA 19102-2187

Paul M. Yeakel
SENIOR VICE PRESIDENT

(215) 496-2270

March 18, 1993

President Bill Clinton
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

—

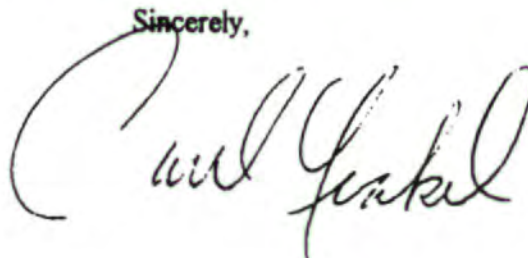
Thank you for your kind letter concerning the reception I attended for Secretary Ron Brown and Chairwoman Laura Tyson. They are a great credit to your administration and delivered your message and vision clearly.

As you know my wife Lynn ran for, but narrowly missed winning, the Pennsylvania United States Senate seat. It was a tough race against an entrenched incumbent with twice as much money and many outstanding chits.

Because of her aggressive race Lynn has incurred substantial debt on both the campaign and personal level and is having some difficulty raising the money to meet her obligations.

Any assistance you can give her on this matter would be most appreciated.

Sincerely,



THE WHITE HOUSE
WASHINGTON

DATE: 4/22

NOTE FOR: *Rahm, Bruce, Bob Rubin*
Tony Lane

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

Information

☒

Action

☐

Thank you.

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

cc:

Betty

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
4.22.93

93 APR 21 P4:41

April 21, 1993

RECOMMENDED TELEPHONE CALL

TO: Governor Jim Hunt of North Carolina
Office: (919) 733-4240
Mansion: (919) 733 3871
Car: (919) 971-8710
Home: (919) 237-5087
(919) 243-2378 (private)

DATE: Before Sunday, April 25

RECOMMENDED BY: Rahm Emanuel R.E.

PURPOSE: Governor Hunt has requested the call.

TOPICS TO DISCUSS: The Governor wants to discuss two (2) topics:
1) Cigarette Tax
2) Recommend Jeanette Hyde for an Ambassadorship

CONTACT PERSON: Rahm Emanuel (ext. 1125)

SUBMISSION DATE: April 21, 1993

- ① 2nd cont 80,000 jobs
② Hyde is very good - did great work
for him when he was Gov. before

B.

Nannie Smith 507 284 2511
St Mary's Rm 5126

THE WHITE HOUSE
WASHINGTON

DATE: 7/22

NOTE FOR: *Bob Rubin*

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

Information

☒

Action

☐

*I don't think he focused
on the last # on
pg 1.*

Thank you.

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

cc:

THE WHITE HOUSE
WASHINGTON

April 22, 1993
THE PRESIDENT HAS SEEN
4-22-93

MR. PRESIDENT:

I have copied this to the
Vice President, Mack and
Bernie.



John Podesta

THE WHITE HOUSE
WASHINGTON

April 21, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN *RE*

SUBJECT: Barclay's and the Unitary Tax Issue

As per our discussion, I have today posted Alex Allen, Private Secretary to Prime Minister John Major, as to our decision on the Barclay's case.

The script and the discussions with California have been the result of a joint effort between the State Department, Treasury, the Office of the White House Counsel, and people with California sensitivity (USTR and NSC were also involved in the underlying decisions).

Our basic points to Alex Allen were as follows:

- (a) The decision was made not to file an unsolicited brief supporting a grant of cert, because, in our view, the filing of an unsolicited brief requires major policy reasons, which is not the situation here, since this case involves a statute which is no longer in existence. The litigation obviously will proceed, and the private parties still have their full rights in the judicial process.
- (b) The Solicitor General's office may well be asked by the court to submit a brief, and we have not yet faced the question of what position we would take in that brief. Meanwhile, we would very much like to work with the U.K. government on the issues involved in unitary taxation.

I did not mention political considerations or any effort to change California's prospective legislation, because there was a feeling that attribution of this decision to political considerations could play very badly in the U.K., and a promise to help on California's prospective treatment could hurt us in California.

THE PRESIDENT HAS SEEN
4.22.93

*This was about
200,000 US 80045
Surrey they could
understand that*

Instead, we posited a high policy hurdle for unsolicited amicus intervention, and then expressed a judgment that that was not met.

Alex Allen was friendly and polite, but said that the Prime Minister would be disappointed and that if the Supreme Court won't hear this matter, the U.K.'s retaliatory measures will go into effect. Meanwhile, he felt we should begin discussions right away on unitary taxes, with the appropriate person in their Embassy. We are also receiving letters of concern from other European countries.

Meanwhile, we are attempting to get credit in California, including via carefully worded discussion with the media, while also beginning an effort to negotiate a reduction in the penalty for those who opt out of unitary taxation (our leverage is the desire of California multinationals to avoid retaliation, and perhaps that the Solicitor General is very likely to be asked for a brief by the Supreme Court).

As part of our discussions with the British, we will look at the substance and politics of expressing a federal view that states should not have unitary systems, other than voluntary systems with no penalty.

On the whole, as stated in our decision memo, this issue is exceedingly delicate, and our best outcome will be damage minimization.

4.22.93

Traxler's Legacy: Small Print Spelled Big Bucks

When Ross Perot saw President Bush's original economic plan, his response was, it looks all right, but the devil's in the fine print.

In Perot's honor, here's some fine print for the average American on one small drop in the federal

budget ocean, the White House Office of Science and Technology Policy (OSTP). According to the Clinton budget and White House documents, OSTP was funded at \$6.2 million this fiscal year, but would be slashed to \$5.1 million next year, a savings of a million bucks. Sounds good? Well, let's take a look under the hood:

See, Bush had actually asked for \$4.4 million for that office for the current year and Congress signed off on \$4.2 million.

Okay. Now stay with me, here, can't sound-bite it for you. Then Rep. Bob Traxler (D-Mich.), who ruled the OSTP budget last year, came along and added a little goodie for his congressional district: almost \$2 million for the Consortium for International Earth Science Information Network. That's the giant sucking sound of your taxes leaving your pocket.

The White House office was just the bagman for the cash, ordered to "pass through" the \$2 million to the consortium in a onetime-only grant, according to a reliable source. Special language had to be added to the appropriation bill to allow such a deal because the White House is not a grant-making agency. Isn't it fascinating how these things happen?

So anyway, here comes the budget-cutting Clinton gang, acting like a crazy aunt up in the attic. Naturally, it uses the \$6.2 million figure—which includes Traxler's onetime pork—as its baseline for what OSTP costs. So the Clinton team lops off a about million from the \$6.2 million officially being spent this year.

But another way of looking at it is that OSTP, with a new budget of \$5.1 million, may actually end up with a million bucks more to spend than it did under Bush.

For Baliles, Reservation With Airline Revival

■ Word is that former Virginia governor Gerald L. Baliles is in line to be named to head the new National Commission to Ensure a Strong Competitive Airline Industry, a body created by legislation President Clinton signed last week to figure out how to save the ailing industry. Under the law, the president names one-third of the commission's 15 voting members and the bipartisan congressional leadership picks the rest.

American University law Prof. Judith A. Winston is said to be a strong contender for the general counsel's job at the Department of Education.

Lynne M. Ross, deputy director and legislative director National Association of Attorneys General since 1976, is moving to the Environmental Protection Agency to direct the congressional liaison division, working for associate administrator Bob Hickmott.

Washington attorney Daniel Spiegel is said to be a strong candidate to replace Morris B. Abram as permanent representative to the United Nations offices in Geneva, where the U.N. has more offices and people than it does in New York. The Clinton folks had kept Abram on for a while but he left the job last month. Spiegel, a former Senate aide to the late Hubert H. Humphrey, worked in the Carter State Department.

Tsongas on 'Managed Competition' Track

■ Former U.S. senator and presidential hopeful Paul E. Tsongas has signed on with the Healthcare Leadership Council to make public appearances and/or meet with reporters a few times a month as part of the council's national "education process" on health issues.

Tsongas said he took the assignment after making sure the council (largely made up of health businesses and provider groups) approved the same kind of "managed competition" plan for health reform that he proposed during his campaign for the 1992 Democratic presidential nomination. He said he won't do lobbying.

Signs of the Times

■ A sign of the new administration. The bumper sticker below is floating around the White House. The Bush folks wouldn't have been caught dead admitting—let alone honking—to policy wonkism. The more uncharitable would say that was because they didn't have any policy.

**WONK IF YOU ♥
POLICY**

Majority Rule: New Justice's Gender No Issue

■ While the White House searches for a woman or minority candidate to replace retiring Justice Byron R. White, it seems the country doesn't much care about the gender of the next justice, according to an Associated Press poll released yesterday. Only 12 percent said Clinton should appoint a woman. Five percent said he should choose a man, and 82 percent said the nominee's sex does not make any difference.

But there was a closer split on whether naming a minority should be a factor. Forty-five percent thought minority status was an important consideration, while 49 percent didn't think it mattered.

Duffy and Mica Getting the Clinton Nod

■ It's official. The White House announced two nominations yesterday. American University president Joseph Duffy will be nominated to run the U.S. Information Agency and former representative Daniel A. Mica (D-Fla.) was named chairman of the Board of International Broadcasting, where he has been a member since 1991.

—Al Kamen



JACK ANDERSON and MICHAEL BINSTEIN

Federal Land Fees as Political Threat

In his decision to withdraw proposed increases for grazing fees and mining royalties on federal land, President Clinton was heeding political warnings raised in private meetings with western senators that it could cost Democrats control of the Senate in 1994.

Clinton angered environmentalists by buckling to regional pressure on the fees. Though the administration sought to package the compromise as an attempt to retain the support of western senators for his economic package, electoral politics played a much larger role during weeks of negotiations than either the White House or Congress is publicly acknowledging.

That was illustrated most dramatically during a White House meeting last month between Clinton and the "Gang of Nine" senators who forced Clinton's early retreat. Led by Democratic senators Max Baucus (Mont.) and Ben Nighthorse Campbell (Colo.), the group included Dennis DeConcini (Ariz.), Kent Conrad (N.D.), Byron L. Dorgan (N.D.), Harry M. Reid (Nev.), Richard H. Bryan (Nev.), J. James Exon (Neb.) and Thomas A. Daschle (S.D.).

According to sources, the more than hour-long White House meeting was unusually blunt, with nearly every senator raising the subject of the 1994 midterm elections—and the fact that the president was in danger of imperiling the gains made in the last election when he won several traditionally GOP states in the West.

"This president made inroads in traditional Republican territory," explained one Democratic strategist. "We don't want to lose those inroads. We want to build on that. We can't have a repeat of Jimmy Carter by writing off the West."

Clinton got an earful of electoral politics during the White House meeting. It's reducible to some simple math. Democrats must defend 22 Senate seats compared to just 12 for the GOP in 1994. Currently, the balance in the Senate is 57 seats for the Democrats to 43 seats for the Republicans. Another factor favoring Republicans is that the party that has lost the presidential election has gained Senate seats in 11 of the past 14 midterm elections.

If Republicans capture control of the Senate next year, according to Republicans and Democrats,

Clinton would be rendered a lame duck with two years left in his presidency.

"We have the opportunity to slice the Clinton presidency in half," one senior Republican strategist told us, confirming the Democrats' worst fears. These were the types of fears that permeated the White House meeting, where Clinton impressed the senators with his copious note-taking and attentiveness.

One source close to the negotiations described the meeting this way: "I know one of the themes that was sounded throughout was, 'Look, you've done better in our part of the country than any Democrat in recent history. We have a number of Senate races that are competitive. And we're not just talking about [our] incumbents. We have three very vulnerable Republicans in the West, too.'"

Those three Republican senators are Slade Gorton of Washington, Conrad Burns of Montana and Malcolm Wallop of Wyoming. Wallop reportedly may not even run for reelection.

On the Democratic side, DeConcini tops the Republican hit list for 1994, the senior Republican strategist said. Ironically, DeConcini may face a stiff primary challenge from Hattie Babbitt, whose husband, Interior Secretary Bruce Babbitt, was one of the administration's key architects of the grazing-fee and mining-royalty initiative.

Even those senators who do not have to face the voters in 1994 felt a political stake in the federal land issue. Baucus, for example, may run on the same ticket as Clinton in 1996. Montana's mining industry has suffered from the price drop in precious metals.

Democrats are disheartened by Clinton's failure to anticipate and avoid the flap over grazing fees and mining royalties. For example, why were Democrats kept in the dark along with Republicans until the night of his State of the Union address? Democrats think that their opposition to the federal land issue could have been averted if Clinton had consulted them.

"I think it is significant in that it tells you that some of these decisions were made in a vacuum on the other end of Pennsylvania Avenue or in sole consultation with environmental interests," said one Democrat close to the negotiations. "We probably could have given the administration some good advice on how far to go in proposing changes in these programs."

Alch

I need to see you
something about
this Bill

Jan. 14, 1993

GS/c Rahm
Sever

THE PRESIDENT HAS BEEN

4-22-93

175th day
Truce
ended
early!

PM-KS--Dole-Deficit, Bjt,0420<

Dole Wants Clinton To Stress Deficit Reduction<

By BARRY MASSEY=

Associated Press Writer=

WASHINGTON (AP) Congress would agree to a major deficit reduction package, including unpopular cuts in Medicare and other entitlements, if President-elect Clinton strongly advocated such a proposal, says Senate Republican Leader Bob Dole.

"If it's a comprehensive package, if it's a balanced package, it probably would be received fairly well," the Kansas Republican said Thursday in a telephone news conference.

"There are enough of us in both parties, if it's a good package and would reduce the deficit, it could be passed."

But Dole cautioned that it would "take a lot of work" by Clinton and said the president is "going to have to expend a lot of political capital" to win passage of a significant deficit package.

Dole pointed out that the Senate in 1985 approved a GOP-written budget package that would have cut the deficit by an estimated \$300 billion during three years. It would have eliminated more than a dozen federal programs and contained several unpopular provisions, including a freeze on Social Security benefits.

Dole was majority leader of the Senate when the package passed, but it was never enacted in part because then-President Reagan later disowned the proposal.

The Kansan said Clinton needs to fashion a deficit-cutting package that emphasizes less spending, not more taxation.

The Bush administration recently released a new budget forecast that projected rising deficits billions more than the administration had projected last summer.

Because of the gloomy budget outlook, Clinton has expressed doubts that he can meet his campaign pledges of halving the deficit in four years or cutting taxes for the middle class.

Dole said Clinton's retreat showed "reality is setting in" for the incoming president.

President Bush, in his final budget earlier this month, projected a record deficit of \$327 billion in fiscal 1993, which ends Sept. 30. Bush estimated that after dropping slightly, the deficit will rise again, to \$320 billion by 1998.

Dole said the growing budget shortfall offered Clinton "an opportunity to go to the American people" and stress the importance of deficit reduction as an immediate priority of his new administration.

Dole said he hoped Democrats and Republicans would stop political finger-pointing about the deficit and other problems to provide a chance for Clinton and Congress to work together.

"I think we ought to have a truce. Stop the politics for 90 days and let's see what we can do," said Dole.

Misjudgment and Tender Mercies

Janet Reno is getting kudos for taking it on the chin about her disastrous decision on Waco. She has been extremely straightforward about her responsibility, and that's rare in Washington and commendable. But she has let down people who thought that with a woman calling the shots, calamities like the fiery finish at the David Koresh compound would not happen.

All though the Vietnam War, peaceniks mourned that if a woman had been present at meetings where the men babbled about infrared sensors, electronic fences and other high-tech wonders to end the war, she would bring them back to earth with practical questions: "Will many die?" or "Are you sure?"

Attorney General Reno took office with more expectations than any other Cabinet member. She was tough, she was law-and-order, but she was compassion incarnate, aching with sympathy for children brought up in violence who practiced it themselves at the earliest opportunity.

In her first major decision, she was more law and order than compassion, although she says her approval of the storming operation in Waco, Tex., was mostly driven by her concern for the two dozen children, some of them fathered by Koresh, who apparently were holed up in the compound with their fanatical parents.

She was sworn in just 41 days ago. Waco was probably the last thing on her mind. Her team is not assembled and she had no representative there.

Due to the languid personnel policies of the president, she had an FBI director who has no moral authority, although he was in charge of Waco. Serious ethical questions about William S. Sessions have been raised and rumors about his imminent firing have been rampant, yet Clinton has never acted. Sessions had an obvious interest in a flashy finish to the deadlock on the plains.

Reno was dependent on law enforcement personnel for her information and for recommendations. She was, by her own account, given excuses rather than reasons for the assault. The troops were tired, she was told. Why were they not rotated? She was told that the hostage-rescue team was worn out. In this great nation is there only one? And who said that the people who were incinerated on Monday were hostages? They were fanatics, loving only Koresh, a megalomaniac who called himself Jesus

Christ. One woman who was on fire tried to dash back into the building. She was rescued against her will.

Of course the FBI wanted to blaze into the compound. Of course they wanted to capture Koresh. Four fellow officers (from the Bureau of Alcohol, Tobacco and Firearms) were killed in the raid on the compound on Feb. 28. Of course, they wished to avenge their buddies. The FBI's job is to collar killers and bring them to justice. But what were the hysterical, suicidal inmates of the compound supposed to think or do when they saw a tank spouting tear gas bearing down on them? According to the FBI's psychiatrists, mothers, overcome by maternal instinct, would grab their children and rush for the exits. What about Jonestown, where mothers helped their children to poisoned Kool Aid? Did she ask, "What's the hurry?"

Rookie Reno might have benefited most from a conversation with Leonard Garment, Richard Nixon's White House counsel, who oversaw similar crises for that law-and-order administration. Garment is reminded this week of the 71-day standoff in 1973 between feds and Indians at Wounded Knee.

That confrontation ended with three casualties, two Indians and one marshal. Garment operated with a mandate from Nixon—"Don't let people get killed." Nixon had been bloodied by the National Guard killings of four students at Kent State University in 1970. "The country came apart," Garment recalls.

A task force of high-level Justice Department officials met at a command post in Justice three times a week with Garment and OMB's Frank Carlucci to review the situation, the options and the political consequences.

Garment had his own people on the ground at all times. As negotiators tired, they were brought back to Washington and substitutes sent in. When pressure for a storming mounted, the Pentagon sent a general to Wounded Knee to assess potential casualties. He informed all participants that he thought there might be 20 to 40 dead Indians, plus seniors and babies who would die from tear gas. "All talk of assault stopped," says Garment.

Nobody except their families would much care about the fiery deaths of the cultists if it weren't for the children. The fact that they are cited as the reason for the assault recalls the grisliest line of the Vietnam era: "We had to destroy the village in order to save it."

THE PRESIDENT HAS SEEN

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As Gays March, Military Ban Haunts Clinton

By ALBERT R. HUNT

On Nov. 19 the president-elect and the chairman of the Joint Chiefs of Staff held their first postelection meeting at the Hay-Adams Hotel in Washington. Bill Clinton blundered that day, and the political price he's paying may escalate this weekend.

The subject of lifting the ban on gays in the military was addressed in passing that day. Gen. Colin Powell, the Joint Chiefs chairman, argued for an exhaustive study, and Mr. Clinton promised widespread consultation before a final decision. A little while later, the president-elect tapped an old political friend, John Holum, to spearhead this effort during the transition.

But by the time Mr. Clinton took office, the issue had imploded, forcing him to backtrack from a campaign commitment (albeit a not very prominent one) and producing a protracted controversy that distracts from his hope to focus with laserlike intensity on the economy.

The tension over this emotional issue likely will be exacerbated this weekend when up to a million gay Americans descend on Washington for a gay pride march. If promised provocations occur—ranging from a drag queen contest to laying pink triangles on 25,000 graves at Arlington National Cemetery to honor war dead who supposedly were gay—it surely will inflame more public resentment.

This fight could have been largely avoided. Instead of having that perfunctory conversation with the country's top general, the president should have said: "General, I know we disagree somewhat on this issue, but I have enormous respect for the military's ability to adapt, indeed to lead, on contemporary social issues. As your commander in chief-to-be, I am designating you to come up with a workable solution that will end discrimination in the first six months of my presidency."

Clinton partisans contend that wasn't possible, that Gen. Powell was adamantly opposed to lifting the ban. That's a misreading of Gen. Powell.

Less than two weeks after that meeting, the Joint Chiefs chairman, while continuing to express reservations about the practical effects of lifting the ban, pointedly took issue with critics who said this would destroy the military. At an American University speech, he said: "I never have been of the view that this would break the armed forces . . . that there will be mass resignations."

Those who know Gen. Powell say his concern has been over some of the potential practical problems. "Colin is no homophobe," says Richard Armitage, a former top Defense Department official and close friend. "I've talked about every issue that a man can discuss with Colin, and I've never once heard him express any anti-gay sentiments." (Most homophobes are insecure, while Colin Powell is a very secure man; the same isn't necessarily true for all the Joint Chiefs, however.)

Moreover, President Clinton failed to understand the military mindset, the belief in the chain of command. If given such an order by his commander in chief, there's little doubt that this politically resourceful general would have found a way to accomplish the objective with minimal fallout.

Some gay leaders no doubt would have protested; they're more interested in using the issue for their own political purposes than in affecting the policy. (That's why this is different from Harry Truman's decision to racially integrate the armed services 45 years ago, a move that Strom Thurmond charged was "un-American.") Yet the best that the White House or gay leaders can hope for now is exactly the sort of accommodation Gen. Powell would have fashioned.

The president now promises a decision by July 15, but after all the flak—even before this weekend's march—a compromise is unavoidable along the lines laid out by Charles Moskos, the eminent military sociologist at Northwestern University: "The military can live with the following: (a) don't ask new service entrants about their sexual orientation, and (b) don't seek out and dismiss gay service members. On the other side, gays must conform to no public expression of their sexual orientation in the armed services."

Few will be satisfied, but as Prof. Moskos says, "at least it's a *modus vivendi*," and it will enable the Clinton administration to "point to a major symbolic accomplishment without undermining military effectiveness."

For a while, there undeniably will be some practical problems to sort out. But Mr. Clinton is substantively right in trying to lift this ban. It's ludicrous to argue that lots of gays haven't served admirably and ably in the half-century the ban has been in effect. Proof of that fact is that the ban repeatedly has been relaxed during wartime or when personnel needs were the greatest.

As for the argument that lifting the ban would destroy unit cohesion, Adm. William Crowe, Gen. Powell's predecessor as chairman of the Joint Chiefs, notes that in his 47 years in the Navy he experienced a fair share of problems. Virtually all were caused by heterosexuals.

None of the blame for this dilemma rests with the president's political friend, John Holum, who diligently tried to work out an accord, privately working closely with Adm. Crowe. But it does crystallize the problem of Mr. Clinton's belief that his longtime friends are the best and brightest, and more reliable than existing institutions. No matter how talented these many Friends of Bill are, the president can ill afford to ignore institutions like the military—or political parties, or even the bureaucracy—as this otherwise intelligent politician is bent on doing.

This tendency reflects an arrogance that's going to haunt him. If he wants to avoid one of the first painful lessons, he had better hope the gay pride march this weekend is far tamer than advertised.

Mr. Hunt is the Journal's Washington bureau chief.

THE PRESIDENT HAS
4/22/93

*March
University*

THE WHITE HOUSE
WASHINGTON

DATE: 4/22

NOTE FOR: *Terry*

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

Information

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Action

☐

see pg 2

Thank you.

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

cc:

Bruce Lindsey

THE WHITE HOUSE

WASHINGTON

73 APR 14 P7:11

4/14/93

Mr. President,

Thought you would like to see Dave's
commentary.

Mack

Handwritten:
Fy / R
B / R



Memo: 4/12/93

To: The President

From: Dave McCurdy *DMC*

I have just returned from leading a congressional delegation to four countries--Italy, Turkey, Syria and Morocco. The purpose of the trip was threefold:

(1) examine fears of old ethnic rivalries in the new world disorder and the U.S. plans to possibly enforce Vance-Owens agreement in Bosnia, and continued enforcement of no-fly in Northern Iraq;

(2) nature of challenge from politically active wing of Islam and prospects for progress in Middle East peace talks; and

(3) identify U.S. plans for how our reduced base structure abroad will be able to support overseas missions.

Our first meeting was in Naples with Admiral Mike Boorda, the senior ranking NATO officer in the Mediterranean region as commander-in-chief of Allied Forces in Southern Europe. He is responsible for preparing the contingency planning for any eventualities we may face in Bosnia. Boorda is a "good guy" and it would be worthwhile to meet with him. He has meticulous plans and is confident he can perform the mission. (However, I still have serious reservations about Vance-Owens and believe it is inherently unstable and unworkable.)

In Ankara, Turkey we met with Prime Minister Demirel, the real political power since President Ozal has lost his base in the parliament. Turkey, which has always been unrecognized for its strategic importance to NATO, is extremely vital as a pro-American secular nation bordered by eight countries--Georgia, Armenia, Azerbaijan, Iran, Iraq, Syria, Greece and Bulgaria. In spite of the "rough neighborhood", Demirel indicated that the United States must lead the world, the threat has not gone and the greatest danger is still Russia. (*Istanbul, pop. 15 million, is 1/3 larger than pop. of all of Greece.)

Regarding Bosnia, Demirel stated that both the UN and CSCE decisions have not worked and the "credibility of both depreciated in the eyes of the world." (Especially the Muslim world.)

With regard to Armenia and the recent advance by Armenian forces, there is tremendous pressure on the Turkish government to intervene on behalf

of Azerbaijan. Demirel, however, stated that Turkey was not going to "take any hostile actions against any neighbor" and that he "just wants to stop the bloodshed."

We visited Incirlik Air Base the day our F-16's flying from there were fired upon by Iraqi anti-air defense. Incirlik is a critical facility and we must successfully renegotiate the Defense Economic Cooperation Agreement (DECA). Even though senior Turkish leadership made it clear that there is no political threat to the continuation of the American presence, it would be helpful if we could gain permanent basing of a fighter wing as opposed to the rotating "training" units that come from Europe and CONUS.

With regard to the Peace Process in the Middle East, we had a long meeting with the Syrian Foreign Minister in Damascus, which our Ambassador indicated was conducted in a "much more open and flexible atmosphere."

* In Morocco we were the first delegation to be received by King Hassan in nearly two years. It was clear that he is anxious to learn more about your administration and develop closer ties with Congress. The King, who has ruled for over 30 years, is known for his contacts throughout the Arab and Muslim world. He asked that I convey to you his personal appreciation for the letter you sent the day we met with him. He pulled me aside after the formal meeting and indicated that "although it will be difficult, he will intervene with the Palestinians and encourage them to return to the negotiations." The King also told me that he plans to visit the United States in the near future. I think you would find him fascinating, with a great deal of international experience and wisdom. "One footnote on Morocco is the presence of a first-rate female DCM, the acting Ambassador, Joan Plaisted."

Send her money her husband?

Lastly, Our discussions and site visits to several joint military installations in the region underscore the need for a "strategic basing plan" which focuses on how a reduced base structure abroad will support both present and future missions. The uncertainty of permanent basing of the 401st Tactical Fighter Wing is a perfect example of our government's present inability to seek options with our allies. As we move from the cold war to a hot peace, we must ensure that our dwindling defense expenditures in the region are expended in a rational manner and reflect threats posed to our national security interests.



THE EMERITUS FOUNDATION

1614 TWENTIETH STREET, N.W., WASHINGTON, D.C. 20009 • (202) 232-0863 • FAX: (202) 234-2777

April 19, 1993

Mr. John Podesta
Office of the President
The White House
Washington, D.C.

Dear Mr. Podesta:

Following up on your conversation with Martha Toomey, I am enclosing some materials on the Emeritus Foundation. The Foundation's goal is to create structures that allow retired persons to use their lifetime skills in public service. We have developed programs for emeritus lawyers, emeritus accountants, emeritus scientists and engineers, for example.

Contrary to popular conception, older persons are mostly healthy and economically self-sufficient. What they most need, we believe, is an opportunity to continue to have a useful role in their communities. This large and rapidly growing group of citizens is an enormous potential resource for solving some of the ills of our society. We have found that they are willing, talented and experienced.

In planning for a National Service Corps we urge the President to consider ways to include older Americans, more than 60 million of whom are retired. We will be pleased to help.

Sincerely yours,

Lawrence H. Mirel

cc. Martha Toomey

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Emeritus Scientists,

Mathematicians and

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Beryl C. Rice, ACSW, DSW

Emeritus Social Workers

Mattie W. Carey

Emeritus Teachers



THE EMERITUS FOUNDATION

1614 20th Street, N.W., Washington, D.C. 20009 ■ (202) 232-0863

INFORMATION PACKET



The Emeritus
Scientists,
Mathematicians and
Engineers
Program

THE
EMERITUS
SCIENTISTS
MATHEMATICIANS
AND
ENGINEERS
PROGRAM





THE EMERITUS FOUNDATION

1614 TWENTIETH STREET, N.W., WASHINGTON, D.C. 20009 • (202) 232-0863 • FAX: (202) 234-2777

FACTS ABOUT THE EMERITUS FOUNDATION

The Emeritus Foundation is a non-profit 501(c)(3) private operating foundation located in Washington, D.C. It was incorporated in 1979 by Lawrence H. Mirel, the Foundation's president.

MISSION: The Emeritus Foundation designs and carries out experimental projects that demonstrate how the professional talents and experience of retired Americans can be placed at the service of their communities.

PROGRAMS: Working with professional societies, the Emeritus Foundation creates structures that enable retired persons to volunteer their time as consultants and senior advisors:

o Emeritus Attorneys. Under the sponsorship of local bar associations, retired and other older attorneys in selected communities work with Neighborhood Legal Services and other organizations that provide legal services to poor persons.

o Emeritus Teachers. With the support of the Washington Teachers Union, retired teachers from the District of Columbia public schools are recruited to serve as reading and mathematics tutors in several schools in poor neighborhoods of the city.

o Emeritus Accountants. Various professional accounting organizations help the Emeritus Foundation recruit retired accountants to work with small, non-profit agencies on financial management and accounting procedures.

of Directors
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ward A. Hoffman
A. Kennedy
an Levin
s. Meyer
R. Preston
allory Starr
ry M. West
Directors
ald L. Sharon

THE WHITE HOUSE
WASHINGTON

DATE: 4/20

NOTE FOR: *George*

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

Information

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Action

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per our discussion

Thank you.

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

cc: Jenny McCarthy

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

April 19, 1993

~~MR. PRESIDENT:~~

Attached is a memo from Jenny McCarthy, who is in charge of the case work office in Marsha Scott's shop. It tells the story of a nine month old little girl whose life may well have been saved by a combination of Jenny's excellent, diligent work and your Presidential Memorandum lifting the ban on fetal tissue research. This is apparently the first fetal tissue transplant since you lifted the ban.

 I have sent copies of Jenny's memo to George, Ricki Seidman, David Dreyer, Walter Dellinger, Melanne Verveer and Mrs. Clinton.

cc: GSS
only

THE WHITE HOUSE

WASHINGTON

93 APR 17 P3:56

April 14, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: JENNY MCCARTHY
DIRECTOR, OFFICE OF AGENCY LIAISON

THROUGH: MARSHA SCOTT
DEPUTY ASSISTANT TO THE PRESIDENT AND DIRECTOR OF
PRESIDENTIAL CORRESPONDENCE

SUBJECT: Melissa Acevedo Case -- First Fetal Tissue
Transplant Since Your Lifting of the Ban

Summary: As you know, one of your earliest actions was to lift the Bush Administration ban on fetal tissue transplants. Nine-month old Melissa Acevedo, whose story is described below, was able to obtain a fetal thymic transplant, providing her with a functioning immune system. Hers is the first fetal tissue transplant since the lifting of the ban, and it tells in human terms the impact of your action.

Background: The Bush Administration ban prevented the federal government -- namely, the National Institutes on Health (NIH) -- from funding, or in any other way promoting research on fetal tissue transplants. Supporters of the ban said that such research promoted abortion. Those who opposed the ban did so because such research held promise for some of the most withering diseases we know -- Parkinson's and juvenile diabetes, to name a few.

Because of the overwhelming role NIH plays in the country's biomedical effort, the ban inhibited U.S. research on fetal tissue transplants. Researchers were unable to secure federal funding, collaborate with other federally funded researchers, and reluctant to get involved in the highly politicized issue of abortion.

Your decision to lift the ban changed all that and enabled NIH to take an active role in helping Melissa Acevedo obtain a fetal thymic transplant.

Melissa Acevedo: Melissa is a nine-month old infant from Southern California who was born with DeGeorge syndrome, a rare birth defect that severely impairs the body's immune system. Persons with DeGeorge lack a functioning thymus, the gland that

produces the body's T-cells. Her aunt, Diane Acevedo, pleaded to you in a February 21st letter (attached) to help Melissa obtain a fetal thymic transplant. She said doctors had told her that Melissa's "time was running out". Melissa's family health insurer had agreed to cover the costs.

Todd Stern forwarded Diane's letter to you to this office. We made contact with Dr. Lance Liotta, NIH's Deputy Director of Intramural Research, who in turn worked on the case with Dr. Thomas Waldmann, a specialist in immunodeficiency diseases at the National Cancer Institute (NCI). They spoke at great length to Melissa's mother and her pediatrician.

After ruling out Melissa's participation in any of NCI's experimental protocols because of other complicating health problems, Drs. Liotta and Waldmann identified the most experienced specialist in cases like Melissa's. This process involved conferring with DiGeorge specialists from around the world (because this is a rare disease, there is a small international community who specialize in this area), and led them to Dr. Richard Hong of the University of Vermont.

Dr. Hong, who felt that Melissa was a good candidate for a fetal thymic transplant, was nevertheless concerned about the status of the ban on fetal tissue research. Dr. Liotta reassured him that you had lifted the ban.

On March 29th, Melissa received a fetal thymic transplant from Dr. Hong at the Medical Center of Vermont in Burlington. Because Melissa's family has a limited income Dr. Hong also put them up at his home. There were no complications, and Drs. Hong, Liotta, and Waldmann all feel hopeful about Melissa's prognosis. She will need to be monitored over the next two months. (I am also attaching a statement from Dr. Liotta about NIH's role in this case.)

Dear President Clinton,

Today February 21, 1993 after speaking
to you, and shaking your hand among the
thousands of others in a Santa Monica
city college gym you gave me, my family,
a an 8th month old baby girl named
Melissa corrected our last ray of hope.

The fact that you were born in a place
called Hope is not ironic Mr. President,
because ever since Melissa was born,
and the doctors told us that she would
die unless she received a transplant,
all we have been holding onto is hope.

The fact that you chose my brother,
Melissa's father to be one of history's first
Latino Healthcare CEOs to stand next to
you and speak on your behalf in
Chicago last August was not ironic either,
but I believe God's way of giving Melissa
a chance for life, and again you became
her only hope.

11

Every day since last August we prayed that God watch over you and Hilary because we knew that unless you became President, Melissa would probably die.

The financial hardships that Melissa's hospital care have brought to the family has drained us all. We are very proud people Mr. President, the grandchildren of immigrants we have never asked for a penny of help from government or anyone else.

On January 20th, 1993^{when} my brother and I stood outside among thousands to watch you become the President of the United States, we knew that even though we had used our last bit of savings on airfare to make the trip, it would be worth it, because if it meant that it would bring us closer to meeting you and asking for your help in getting Melissa her transplant.

This afternoon after I walked to my car in Santa Monica I stopped to call my brother and his wife, still in tears I gave them the ~~news~~ news that you

promised to help, and my Sister-in-law went into the baby's room and woke Melissa out of sleep and told her that she would be O.K. that President Clinton was going to help us all, and she smiled at most as if she knew.

On Friday January 22, 1993 I stood outside the White House and waited for the news to report that you had signed the lift on the Fetal Tissue Ban. I held onto more hope all the way back to Los Angeles because I knew that Melissa had received more hope for life. But Mr. President, we still cannot get it for her. She is still caught in the middle of what became a very political issue that has blocked the ability for us to have the procedure done.

We had lost all hope until today!

Please Mr. President, believe that I am truly sorry for causing any undue burden on you. I know that you have so much to worry about, and that our country needs a man like you so much, but you are our only chance at life for Melissa,

She is only 8 months old and cannot speak or advocate for herself. We have to fight for her chance to live.

The syndrome Melissa was stricken with is called "Di GEORGE". About one in three hundred thousand children is born with "Di GEORGE", and so far Melissa has outlived them all much to the doctors dismay. We attribute her survival to God's will. And we also know that it was God's will for you to have become President of this great country, and that you would try your best to help us through this tragic nightmare.

Mr. President, thank you for caring, may God bless you, Hilary, and Chelsea. I hope that you can respond quickly because Melissa is running out of time. I will call your assistant Wendy Smith, and hope you can somehow find a way to help us through this, and I am truly sorry to burden you. (1)

He can be reached at the following numbers.

James and Leticia Acaredo
mother and father
(818) 361-1591.

I can be reached at:

Diane Acaredo
(213) 264-6633.

(213) 262-6990 - FAX.

I remain, sincerely yours,

Diane Acaredo.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

National Institutes of Health
Bethesda, Maryland 20892

April 2, 1993

Ms. Jennifer McCarthy
Director, Office of Agency Liaison
Executive Office of the White House

FAX: (202) 456-2806

Dear Ms. McCarthy:

I have again talked to Dr. Waldmann and he in turn has spoken to Dr. Hong about the questions you raised in our phone conversation this morning. It is clear to me that without the action of NIH, through Dr. Waldmann, Dr. Hong would not have done the fetal tissue transplant. Dr. Hong indicated that lifting of the ban on the use of fetal tissue transplants in medical research improved the atmosphere and facilitated the availability of fetal tissues for transplant.

Sincerely yours,

Lance A. Liotta, M.D., Ph.D.
Deputy Director for Intramural Research

THE WHITE HOUSE
WASHINGTON

DATE: 7/20

TO:

Jack Quinn

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

per our discussion

MEMORANDUM

TO: John Podesta
FROM: Si Lazarus *SL*
SUBJECT: Please give me a call when you can
DATE: 4/21/93

Please give me a call when you can about a different matter than any of those we have been talking about.

Thanks.

I'm also enclosing Roz's resume.

RESUME

ROSALIND AVNET LAZARUS

2706 44th Street, NW
Washington, DC 20007
(202) 333-8307 (H)
(202) 426-7410 (W)
(202) 366-9279 (W)

PRESENT POSITION:

Trial Attorney Sept. 1985-Present
Office of Assistant General Counsel for Litigation
U.S. Department of Transportation
Washington, DC 20590
Develops policy and conducts litigation before
administrative agencies, in United States District
and Appellate Courts concerning maritime regulatory
issues, aviation mergers and acquisitions, highway
and mass transit issues.

PREVIOUS POSITIONS:

Trial Attorney
Civil Division
U.S. Department of Justice
Appellate Staff 1983-85
Prepared briefs, certiorari petitions and
oppositions, memoranda to Solicitor General
evaluating appealability of lower court decisions.

Office of Consumer Litigation 1978-83
Conducted litigation in United States District Courts
of cases referred by: Food & Drug Administration
(injunction, seizure, criminal prosecution for
insanitary conditions, defense of agency
rule-making); Consumer Product Safety Commission
(civil penalty, injunction, defense of agency
rule-making); Federal Reserve Board (defense of
Truth-in-Lending regulations); and Federal Trade
Commission (civil penalty for violations of
Truth-in-Lending, Equal Credit, Fair Debt Collection;
criminal and civil contempt). Work has involved all
phases of civil practice, especially oral advocacy,
brief writing, legal research, discovery negotiation,
and some criminal practice, including Grand Jury
work.

ROSALIND AVNET LAZARUS
Page 2

Special Assistant to Assistant Secretary for Food & Consumer Services
U.S. Department of Agriculture
Responsible for policy development, liaison with Food Safety and Inspection Service and Office of General Counsel, speech and letter writing, special projects.

1977-78

Attorney
Bureau of Consumer Protection
Federal Trade Commission
Administrative litigation of cases involving unfair and deceptive acts and practices in supermarket industry, vocational schools, advertising of denture adhesives, cigarettes and alcoholic beverages.

1973-75,
1976-77

Assistant Director-Counsel
Equal Credit Opportunity Act Task Force
Division of Saver and Consumer Affairs
Federal Reserve Board
Research and drafting of Regulation Z implementing Equal Credit Opportunity Act (forbidding discrimination in granting of credit based on sex or marital status).

1975-76

Vera Institute of Justice
New York, New York
Developed and wrote for the Board of Estimate proposed standards for the awarding of cable television franchises in the outer boroughs and a recycling of paper waste project that was later implemented in Staten Island.

1970

Assistant to the Editor
Problems of Communism
U.S. Information Agency
Book review editor with responsibility for selecting books and reviewers and editing their work; other editing and writing included manuscripts, editorial boxes and short pieces; special projects included two issues devoted to Soviet dissident literature later published as a book, In Quest of Justice.

1967-69

ROSALIND AVNET LAZARUS

Page 3

EDUCATION:

J.D.	Harvard Law School Women's Law Association Chairperson; Harvard Legal Aid Bureau	1973
A.M.	Harvard Graduate School of Arts & Sciences Regional Studies -- Soviet Union	1966
A.B.	Smith College Magna Cum Laude, Phi Beta Kappa Honors in Government -- comparative government, economics, Russian	1964
General Course	London School of Economics & Political Science	1962-63

OTHER SKILLS AND ACTIVITIES:

Languages: French, Russian and Italian;
Board, Washington Area Lawyers' for the Arts;
Lawyers' Committee, Washington Opera;
Counselors Committee of Board of Trustees,
Smith College;
Board Member, Dance Arts/Moving Arts;
D.C. Bar-Consumer Affairs Committee
(past chairperson);
Tennis; Dancing

Married to Simon Lazarus, III

Three children --

Ned (13), Catherine (10) and Benjamin (5)

THE WHITE HOUSE
WASHINGTON

DATE: 4/20

NOTE FOR:

George

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

Information



Action



per our discussion

Thank you.

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

cc:

THE WHITE HOUSE
WASHINGTON

April 19, 1993

MR. PRESIDENT:

Attached is a memo from Jenny McCarthy, who is in charge of the case work office in Marsha Scott's shop. It tells the story of a nine month old little girl whose life may well have been saved by a combination of Jenny's excellent, diligent work and your Presidential Memorandum lifting the ban on fetal tissue research. **This is apparently the first fetal tissue transplant since you lifted the ban.**

 I have sent copies of Jenny's memo to George, Ricki Seidman, David Dreyer, Walter Dellinger, Melanne Verveer and Mrs. Clinton.

COPIES



THE WHITE HOUSE

WASHINGTON

53 APR 17 P3:56

April 14, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: JENNY MCCARTHY
DIRECTOR, OFFICE OF AGENCY LIAISON

THROUGH: MARSHA SCOTT
DEPUTY ASSISTANT TO THE PRESIDENT AND DIRECTOR OF
PRESIDENTIAL CORRESPONDENCE

SUBJECT: Melissa Acevedo Case -- First Fetal Tissue
Transplant Since Your Lifting of the Ban

Summary: As you know, one of your earliest actions was to lift the Bush Administration ban on fetal tissue transplants. Nine-month old Melissa Acevedo, whose story is described below, was able to obtain a fetal thymic transplant, providing her with a functioning immune system. Hers is the first fetal tissue transplant since the lifting of the ban, and it tells in human terms the impact of your action.

Background: The Bush Administration ban prevented the federal government -- namely, the National Institutes on Health (NIH) -- from funding, or in any other way promoting research on fetal tissue transplants. Supporters of the ban said that such research promoted abortion. Those who opposed the ban did so because such research held promise for some of the most withering diseases we know -- Parkinson's and juvenile diabetes, to name a few.

Because of the overwhelming role NIH plays in the country's biomedical effort, the ban inhibited U.S. research on fetal tissue transplants. Researchers were unable to secure federal funding, collaborate with other federally funded researchers, and reluctant to get involved in the highly politicized issue of abortion.

Your decision to lift the ban changed all that and enabled NIH to take an active role in helping Melissa Acevedo obtain a fetal thymic transplant.

Melissa Acevedo: Melissa is a nine-month old infant from Southern California who was born with DeGeorge syndrome, a rare birth defect that severely impairs the body's immune system. Persons with DeGeorge lack a functioning thymus, the gland that

produces the body's T-cells. Her aunt, Diane Acevedo, pleaded to you in a February 21st letter (attached) to help Melissa obtain a fetal thymic transplant. She said doctors had told her that Melissa's "time was running out". Melissa's family health insurer had agreed to cover the costs.

Todd Stern forwarded Diane's letter to you to this office. We made contact with Dr. Lance Liotta, NIH's Deputy Director of Intramural Research, who in turn worked on the case with Dr. Thomas Waldmann, a specialist in immunodeficiency diseases at the National Cancer Institute (NCI). They spoke at great length to Melissa's mother and her pediatrician.

After ruling out Melissa's participation in any of NCI's experimental protocols because of other complicating health problems, Drs. Liotta and Waldmann identified the most experienced specialist in cases like Melissa's. This process involved conferring with DiGeorge specialists from around the world (because this is a rare disease, there is a small international community who specialize in this area), and led them to Dr. Richard Hong of the University of Vermont.

Dr. Hong, who felt that Melissa was a good candidate for a fetal thymic transplant, was nevertheless concerned about the status of the ban on fetal tissue research. Dr. Liotta reassured him that you had lifted the ban.

On March 29th, Melissa received a fetal thymic transplant from Dr. Hong at the Medical Center of Vermont in Burlington. Because Melissa's family has a limited income Dr. Hong also put them up at his home. There were no complications, and Drs. Hong, Liotta, and Waldmann all feel hopeful about Melissa's prognosis. She will need to be monitored over the next two months. (I am also attaching a statement from Dr. Liotta about NIH's role in this case.)

Dear President Clinton,

Today February 21, 1993 after speaking
to you and shaking your hand among the
thousands of others in a Santa Monica
city college gym you gave me, my family,
a an 8th month old baby girl named
Melissa restored our last ray of hope.

The fact that you were born in a place
called Hope is not ironic Mr. President,
because ever since Melissa was born,
and the doctors told us that she would
die unless she received a transplant,
all we have been holding onto is hope.

The fact that you chose my brother,
Melissa's father to be one of history's first
Latino Healthcare C.E.O.s to stand next to
you and speak on your behalf in
Chicago last August was not ironic either,
but I believe God's way of giving Melissa
a chance for life, and again you became
her only hope.

11

Every day since last August we prayed that God watch over you and Hilary because we knew that unless you became President, Melissa would probably die. The financial hardships that Melissa's hospital care have brought to the family has drained us all. We are very proud people Mr. President, the grandchildren of immigrants we have never asked for a penny of help from government or anyone else. On January 20th, 1993^{when} my brother and I stood outside among thousands to watch you become the President of the United States, we knew that even though we had used our last bit of savings on airfare to make the trip, it would be worth it, because if it meant that it would bring us closer to meeting you and asking for your help in getting Melissa her transplant.

This afternoon after I walked to my car in Santa Monica I stopped to call my brother and his wife, still in tears I gave them the ~~news~~ news that you

promised to help, and my Sister-in-law went into the baby room and woke Melissa out of sleep and told her that she would be O.K. that President Clinton was going to help us all, and she smiled almost as if she knew.

On Friday January 22, 1993 I stood outside the White House and waited for the news to report that you had signed the lift on the Fetal Tissue Ban. I held onto more hope all the way back to Los Angeles because I knew that Melissa had received more hope for life. But Mr. President, we still cannot get it for her. She is still caught in the middle of what became a very political issue that has blocked the ability for her to have the procedure done.

We had lost all hope until today!

Please Mr. President, believe that I am truly sorry for causing any undue burden on you. I know that you have so much to worry about, and that our country needs a man like you so much, but you are our only chance at life for Melissa,

She is only 8 months old and cannot speak or advocate for herself. We have to fight for her chance to live.

The syndrome Melissa was stricken with is called "Di GEORGE". About one in three hundred thousand children is born with "Di GEORGE", and so for Melissa has outlived them all much to the doctors dismay. We attribute her survival to God's will. And we also know that it was God's will for you to have become President of this great country, and that you would try your best to help us through this tragic nightmare.

Mr. President, thank you for caring, may God bless you, Hilary, and Chelsea. I hope that you can respond quickly because Melissa is running out of time. I will call your assistant Wendy Smith, and hope you can somehow find a way to help us through this, and I am truly sorry to burden you. A

We can be reached at the following numbers.

James and Detecia Acaredo
mother and father
(818) 361-1591.

I can be reached at:

Diane Acaredo
(213) 264-6633.

(213) 262-6990 - FAX.

I remain, sincerely yours,

Diane Acaredo.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

National Institutes of Health
Bethesda, Maryland 20892

April 2, 1993

Ms. Jennifer McCarthy
Director, Office of Agency Liaison
Executive Office of the White House

FAX: (202) 456-2806

Dear Ms. McCarthy:

I have again talked to Dr. Waldmann and he in turn has spoken to Dr. Hong about the questions you raised in our phone conversation this morning. It is clear to me that without the action of NIH, through Dr. Waldmann, Dr. Hong would not have done the fetal tissue transplant. Dr. Hong indicated that lifting of the ban on the use of fetal tissue transplants in medical research improved the atmosphere and facilitated the availability of fetal tissues for transplant.

Sincerely yours,

Lance A. Liotta, M.D., Ph.D.
Deputy Director for Intramural Research

'Likelihood of a Disaster Is High,' Report Says Of Nuclear Arms Plants

By Thomas W. Lippman
Washington Post Staff Writer

Deteriorating equipment, worker sabotage and inept management have undermined safety at U.S. nuclear weapons factories to the point where "the likelihood of a disaster is high," according to an internal report by the Energy Department's outgoing nuclear safety director.

The FBI is investigating "multiple incidents of intentional tampering" with wires and valves that could have led to disastrous explosions, the report said, adding that Energy Department contractors "are failing to adequately protect workers, the public and the environment."

The Energy Department has long acknowledged safety and environmental problems throughout its 12-state complex of nuclear reactors, uranium plants and plutonium manufacturing facilities that produce the nation's nuclear warheads.

But the new report indicates that almost four years after former Energy secretary James D. Watkins went public with the problems and pledged to change the "culture" of the weapons plants, the system remains out of control.

Some of the accidents and equipment failures it documents were reported when they occurred, but other incidents are disclosed for the first time. In the most recent case, two workers suffered intakes of plutonium last month at the plutonium production and refining plant in Hanford, Wash.

The report was prepared by the Energy Department's Office of Nuclear Safety, which Energy Secretary Hazel R. O'Leary has announced she intends to merge into the office of an assistant secretary for environmental safety and health. The report was written in an unsuccessful attempt by the office's director, Steven M. Blush, to persuade O'Leary to change her plans.

In page after page listing safety violations and incidents of sabotage, Blush argued that these problems were discovered by his staff, and therefore his office should be preserved as a separate department. But O'Leary has said that she wants concern for safety integrated into all the department's operations, rather than delegated to a separate, understaffed unit.

O'Leary accepted Blush's resignation earlier this month, effective June 1. But yesterday, as news of his report became public, O'Leary removed him from his job.

Energy Department public affairs director Michael Gaudin described the report as "self-serving" and in places "contradictory." He pointed out that it said "the status of nuclear safety within DOE has significantly improved" in the past three years. But it also said "further improvements in nuclear safety... are urgently needed."

In the aggregate, the incidents in Blush's report indicate that the U.S. nuclear weapons complex is vulnerable to serious nuclear accidents, such as the recent one in Tomsk, Russia, when a tank of uranium waste exploded and spread radioactive contamination over a large area.

Among the most alarming recent incidents and problems the report listed:

- Valves in a hydrogen feed line at

the Los Alamos National Laboratory in New Mexico were deliberately loosened. The "potential consequences" of this 1992 incident included fires and explosions that would have released plutonium and other radioactive materials into the environment. Inadequate supervision of workers and a "degrading relationship" between divisions of the laboratory were cited as possible reasons for the sabotage.

- In January, a similar "degrading relationship" between workers and management at the Advanced Test Reactor in Idaho led to several incidents of tampering, including cutting wires and removing cable identification tags.

- Structural metal rods holding racks of highly radioactive, used nuclear fuel at the Idaho Chemical Processing plant have corroded and bent so badly that the fuel units are too close together, "increasing the potential" for what is known as a "criticality accident"—inadvertent achievement of critical mass, which could set off a nuclear chain reaction.

- In August 1992, workers in a lithium processing plant at Hanford "heard pipes banging and felt the deck they were standing on move." They fled, and "seconds later the piping system broke apart." This incident did not involve radioactive material, the report said, but is a "textbook case of how institutional failures can lead to accidents."

Blush's report said the tampering incidents and at least two cases in which records of accidents and radioactive releases were falsified have been referred to the Justice Department for possible prosecution.

Experts outside the department and members of watchdog groups said yesterday they agreed with Blush about the scope of the problem but disagreed with him on how to deal with it.

"Blush is a top-notch nuclear safety professional, but he's wrong in this case," said James D. Werner, an environmental engineer at the Natural Resources Defense Council. Blush's office "had the appearance of effectiveness because he was pumping out reports, but there is no substitute for fundamental restructuring."

Daryl Kimball, a spokesman for Physicians for Social Responsibility, said his organization found the report "shocking but not surprising." He said O'Leary's planned consolidation is "a good move, because previously the separation of oversight and safety functions within the department was not serving the interest of the public and the workers."

The Energy Department's Gaudin said Blush's report "tries to make the argument that the only way this can be handled is through a separate office with Blush at the head of it, and we don't agree with that. These incidents are of great concern and we will no doubt have them in the future. We need to get a handle on them and make safety a priority. The way to do that is through the restructuring of the department."

Gaudin distributed letters from members of Congress and nuclear safety experts written in 1989, when Watkins created Blush's office, saying the move was not a good idea and arguing that it would be preferable to beef up the office of the assistant secretary. That is what O'Leary is now doing.

THE PRESIDENT HAS SEEN
4.26.93

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Welfare Parents Aided By Job Training Plan

By Spencer Rich
Washington Post Staff Writer

California's pioneering job training and education program has had "impressive" success in raising the earnings of welfare parents, according to a study to be released today by an independent research group.

The study found that two years after entering the program—Greater Avenues for Independence (GAIN)—single welfare parents (mostly mothers) of school-age children earned about 20 percent more than a control group of similar parents who did not participate, \$4,620 compared with \$3,835.

The participating parents usually took training and other activities for several months, in some cases up to a year, and then sought jobs. Their earnings averaged \$266 (or 16 percent) more than the control group's in the first year and \$519 (24 percent) more in the second. Their welfare benefits also were \$347 less in the second year than those of the control group.

"The results are clearly encouraging, and the fact that you see bigger earnings for single parents in the second year is even more encouraging—and early indications are that results beyond two years are very good too," said Howard Rolston, an official of the U.S. Department of Health and Human Services.

Of the six counties studied, the results were by far the best for single parents in Riverside, where two-year earnings were 55 percent higher for participants than nonparticipants. This is the biggest gain from participation in any such program of the many nationwide that have been evaluated by the Manpower Demonstration Research Corp., which also evaluated the California program.

Judith Gueron, MDRC president, said results suggest that while programs like GAIN will not end poverty overnight, they can "both increase employment and reduce welfare costs." The GAIN program is the largest of its type in the nation. It uses the same approach—education and training accompanied by child-care and other social services—emphasized by the 1988 federal Family Support Act for the nation as a whole.

Paul Offner, welfare specialist for

Sen. Daniel Patrick Moynihan (D-N.Y.), who sponsored the 1988 legislation, said, "This gives us real hope the improvements we've seen in these early stages will not fade as time passes."

A second group that was studied, consisting of mainly male heads of two-parent welfare families, had earnings 15 percent higher in the first year and 12 percent higher in the second year than those in the control group. Welfare payments were smaller in the second year as well.

The results for single parents were substantial in Alameda County (26 percent two-year advantage), Butte (20 percent) and San Diego (22 percent). They were 4 percent in Los Angeles and negative in Tulare, where the control group earned 3 percent more over two years than program participants.

The report said Riverside, like all other counties, provided education and training services as well as job-search activities, but combined those activities with a "strong message encouraging participants to progress quickly toward looking for a job and not be particularly selective about the kinds of jobs and wage levels they would accept."

Riverside officials also made a strong effort to help enrollees find employers with job openings and "emphasized and enforced" the obligation to participate in GAIN or lose part of the welfare payment. Riverside also enjoyed comparatively high economic growth, but Gueron said that if that helped participants, it should also have helped the control group.

James Riccio, who directed the study for MDRC, said the results in Los Angeles might have been disappointing because Los Angeles aimed its program at long-term welfare recipients, who are more difficult to work with.

In rural Tulare County there was high unemployment and a crop-destroying freeze that had severe economic effects on the county, the study said.

GAIN started in 1986 and is in effect statewide. MDRC evaluated welfare recipients who were assigned to participate at various times from 1988 to 1990. MDRC used a sample of 33,000 people, a quarter of whom made up the control group.

THE PRESIDENT HAS SEEN
4.20.93

Chase

Administration Proposals on Forests Vex Environmentalists ✓

By Tom Kenworthy
Washington Post Staff Writer

Just two weeks after the White House sparked a fight with its allies in the environmental community over fees for use of federal lands, the Clinton administration has compounded its problems by proposing new restrictions on challenges to timber sales from U.S. national forests.

According to environmentalists, the proposed new rules published Wednesday will sharply restrict the ability of citizens to learn about and appeal proposed sales in national forests, grant the U.S. Forest Service broad authority to duck appeals altogether by declaring emergencies, and violate the intent of Congress.

"Last year the Forest Service tried to cut the public out completely and Congress stopped them," said Kevin P. Kirchner, an attorney with the Sierra Club Legal Defense Fund. "Once again the agency is ignoring Congress . . . and trying to cut the public out of the process."

On March 30, the White House abandoned a proposal to eliminate or reduce subsidies enjoyed by cat-

tle, mining and timber interests that use federal lands. At the urging of western Democratic senators, the administration dropped the resource fee provisions from its budget plan, while promising to push for separate legislative and administrative measures to accomplish the same goals.

Stung by the reaction of major environmental groups to that action, the administration moved swiftly yesterday to distance itself from the new timber sale appeal rules. The rules, proposed by the Forest Service, an agency of the Agriculture Department, were cleared by the president's Office of Management and Budget.

"These regulations were crafted under the Bush administration and we put them out there because we want the review process to start," said Marla Romash, spokeswoman for Vice President Gore and the White House's Office on Environmental Policy. Romash said the proposals "don't necessarily reflect our views" and could be changed after public comments are received.

The review of the procedures governing administrative appeals of timber sales was prompted by a Forest Service proposal last year to eliminate the right of appeal. Senior

Forest Service officials and the timber industry have long maintained that the government's ability to meet its production targets is increasingly hampered by a flood of appeals by environmental groups challenging sales they believe violate forest management and other environmental laws.

Congress blocked the Forest Service proposal to eliminate appeals,

**"Once again the
[Forest Service] is
ignoring Congress."**

—Kevin P. Kirchner,
an attorney with the Sierra Club
Legal Defense Fund

but in an appropriations bill directed the agency to streamline the process. The proposed rules published Wednesday in the Federal Register are the result of that congressional directive.

Environmentalists have expressed a number of concerns about the proposed rules, including:

- The short, 15-day period allowed for public comment on the plan. Ro-

mash said yesterday that deadline will be extended.

- A provision under which the Forest Service can block public comment and appeals entirely in "emergency" situations, such as when trees must be harvested quickly because of insect or disease damage, fires, or windstorms. "That directly contradicts the intent of Congress," said David L. Crandall, executive director of the Spokane-based Inland Empire Public Lands Council. "It's so wide open that anything is an emergency."

- A failure to meet congressional directives for notice of impending timber sales to interested individuals.

The timber industry, which President Clinton generally supported as governor of Arkansas, has endorsed the proposed changes. Anne Heisenbittel, director of forest planning and policy for the American Forest and Paper Association, said her organization is "very supportive" of the proposals and hopes "the Forest Service will get the final rule out and implement this new direction as soon as possible."

The incident underscores the difficulty the White House faces in meeting Clinton's expressed goal of

presenting a coherent, unified forest policy.

So far, other than Agriculture Secretary Mike Espy, the administration has put no new political appointees into positions with authority over the Forest Service. As a result, policy is still heavily influenced by leftover Republican appointees who the environmental community and some Democrats in Congress feel are too favorable to the timber industry.

"It sounds like some of these proposals are holdovers from the previous administration that I'm hopeful will be corrected in the final regulations," said Sen. Patrick J. Leahy (D-Vt.), chairman of the Senate Agriculture, Nutrition and Forestry Committee.

To Katie McGinty
What's the deal
on this? — BC

Robert J. Samuelson

Still No Free Lunch

One of Americans' constant complaints is that our incomes aren't growing rapidly. Between 1972 and 1990, median family income rose 8 percent compared with 89 percent between 1950 and 1970. The usual explanation for this is that the productivity slowdown has hurt wage growth. But something else has also happened. Perhaps half of normal wage growth has been absorbed by things we don't see in our paychecks: the rising costs of health care, environmental regulation and the legal system.

As a society, we have decided—though not in any conscious way—to take more of our pay in forms other than money. We have gotten more medical care, cleaner air and water and easier recourse to law for everything from divorce to product liability. There's nothing inherently wrong with this. Higher health spending has improved millions of lives. Our air and water have become cleaner. But along with the benefits, we need to be more aware of the costs. They affect our debates of everything from health care to legal reform, and yet their magnitude is not widely recognized. Let's see why.

Productivity (the economy's efficiency) is the wellspring of higher living standards. As we produce more, there's more to buy, and living standards rise. Indeed, productivity and family income increased more or less in lock step for the first 25 years after World War II. Since then, the relationship has come unstuck. Even with slower productivity growth, we should have achieved sizable income gains. Between 1972 and 1990, productivity rose 18 percent, about twice the growth of median income.

What happened? America has hordes of economists (116,000 in 1991), and yet this question—the breakdown between productivity and income growth—has been virtually ignored. But a big part of the answer is bound to be the surge of nonwage spending. The accompanying table shows how health care, environmental spending and legal costs have expanded as a share of the economy's output (gross domestic product, or GDP) since 1972.

There's been a massive spending shift of nearly 7 percent of GDP. In a \$6 trillion economy, that means we now spend about \$420 billion more annually on these activities than we would have. For all the benefits, this sort of spending erodes take-home pay in two ways.

First, companies channel more of workers' compensation into health insurance, not into paychecks. And second, companies recover higher environmental, regulatory and legal costs by raising prices. Either way, workers' incomes suffer. (A good example of the price effect is the requirement of the Clean Air Act amendments of 1990, which will force oil companies to produce a less-polluting gasoline. The added costs may raise pump prices by 5 to 10 cents a gallon in 1995.)

Suppose that none of these changes had occurred and that, as a result, family incomes had risen another 7 percent between 1972 and 1990. Then, the gain would have been 15 percent (the actual income gain of 8 percent plus 7 percent more), close to the 18 percent productivity increase. From this, I conclude that rising health, environmental and legal costs cut income gains by roughly half.

Now let me hedge a bit. This is a crude estimate. It may not be precisely

The Wage Burden

	Percent of GDP	
	1972	1990
Health Care	7.6%	12.2%
Environment	0.9%	2.1%
Legal Fees	0.9%	1.7%
TOTAL	9.4%	16.0%

right. Growing income inequality may explain some of the slow rise of median family income (half of all families are above the median, half below); high-income families have done better than average. I have also made a lot of simplifying assumptions. Some exaggerate the impact of health, legal and regulatory spending; others understate it. Finally, I ignore the effect of the growth of two-earner couples on family incomes.

But my hunch is that, if some diligent economist made all the proper adjustments, the basic conclusion wouldn't change. Maybe the wage loss would be as small as one-quarter or as large, as two-thirds. (The Congressional Budget Office estimates that rising health insurance costs alone have cut real wage gains by half since 1973.) Whatever the details, the loss of money income is a big one.

We need to acknowledge it. Instead, we deny and compartmentalize. We complain that our incomes aren't rising fast enough. Meanwhile, we want extensive health care benefits, a cleaner environment and more legal "rights" of all sorts. There's only a loose understanding that these matters are ultimately connected. There's a tendency to snicker at businesses that say they can't afford a new fringe benefit, or that they're being overregulated and swamped with paperwork. The assumption is that companies are just whining, that they can absorb the extra costs.

But in the end, the companies don't absorb the costs. We all absorb the costs, which are passed along in one way or another. The cost of any single benefit or regulation isn't typically large. But lots of small costs ultimately become big costs, and they grow over time. The lesson is especially apt now, because we're on the threshold of a major debate about health care. We need to find ways to restrain rising costs. Likewise, we need to avoid the temptation of simply imposing expansive mandates on business—whether for health care or other employee benefits.

The same lesson applies to all regulatory and legal activities. We ought to search for opportunities to make our laws work with more speed and less expense. Reform of product-liability laws (a bill has just been introduced in Congress) is long overdue. In general, we need to be more cost-conscious. The expense of perfection can be exorbitant: for example, eliminating the final ounce of pollution. "However desirable the goal, the question has to be asked: Is the last step toward achieving it worth what you're giving up?" says economist Milton Russell, director of the Joint Institute for Energy & Environment. We can disguise or ignore the costs; but we can't eliminate them. That old and clichéd axiom still applies: There's no free lunch.

THE PRESIDENT HAS SEEN

4.20.93

Laura / BJR
Lafayette / BJR
Bk

Handwritten notes and signatures, including "9304" and "95in".

George Bush's Revenge

A COUPLE OF recent polls have shown President Clinton's popularity dipping. This being April 15, an answer may be near at hand.

In an effort to boost a sluggish election-year economy last year, George Bush decided to change the Internal Revenue Service's withholding tables so taxpayers would have a tiny bit less withheld from paychecks for federal income taxes. The changes let taxpayers keep about a dollar a day—or about \$345 a year—more than they would have kept under the old tables. Multiplied over millions of taxpayers, this change, Mr. Bush hoped, would pump as much as \$25 billion of extra purchasing power into the economy.

The good news was that the recession finally ended. The bad news for Mr. Bush is that the recession didn't end fast enough to win him reelection.

And now comes the bad news for Mr. Clinton and for a lot of taxpayers. Having paid less to the government last year, many taxpayers who expected large refunds are getting smaller ones. And some who expected a refund are having to write a check to the IRS because they were under-withheld.

As of last week, according to IRS figures, the number of refunds had dropped by 6.8 percent from the comparable point last year. The IRS worries that many taxpayers who find they unexpectedly owe money they don't have may not file at all.

The IRS has waived a 5-percent-a-month "failure-to-file" penalty this year to encourage taxpayers to file for an extension even if they can't pay the government what they owe by tonight's deadline. (The extension form, 4868, is blessedly easy to fill out.) But even this IRS gesture, at once kind and practical, will go only so far in soothing taxpayers who come up short today.

If you wanted to fuel a tax revolt, you could hardly invent a better way than to cut tax refunds for many and force others to write a check to the IRS for the first time in their lives.

All this may be the result of Mr. Bush's decision, but it's Mr. Clinton who is president now. It's also Mr. Clinton who is asking Congress to approve some tax increases and who is in the middle of a fight with Senate Republicans over his spending plans. No wonder his popularity has dropped. Mr. Bush's political timing may have been off for 1992, but it should look pretty good now to Sen. Bob Dole and his colleagues. They owe Mr. Bush a thank-you note.

Europe's Choice

WESTERN EUROPE is beginning to realize, reluctantly, that its most important decision in this decade is likely to be its response to its Eastern neighbors. The pressure from them is having the same effect on Germany, France and the rest that the prospect of the free trade agreement with Mexico is having here in the United States. It is amplifying all the rich countries' doubts and anxieties about their competitiveness and their ability to maintain their high standards of living in a world in which poorer people just over the border can make many of the same goods much more cheaply. You can already hear uneasy references to the Czech Republic as the Korea of Europe.

When the Soviet empire collapsed, the people governing Western Europe saw it as their opportunity to draw the 12 countries of the European Community into a much tighter union. To that purpose they drew up the Maastricht Treaty, which since then has been going through an unexpectedly prolonged and uncertain process of ratification. As it gets closer to completion, the enthusiasm for the treaty seems to be diminishing. Rather than a common foreign policy or a common currency, the far more urgent necessity is arguably a serious effort to stabilize the countries to the east.

For many years the EC recognized a moral

responsibility to open its rich market to new democracies. That's why Greece, Spain and Portugal got membership as they emerged from right-wing autocracies. And that's the claim that Poland, Hungary, the Czech Republic, Slovakia and the others are now urging. But much of Western Europe is deep in recession, and unemployment rates there are higher than in the United States. The commodities that the Eastern countries want to export westward—especially steel, textiles and farm products—touch deep political sensitivities.

The meeting in Copenhagen this week on East-West cooperation ended with a pledge from the EC to give better access to imports from the struggling Eastern countries. That's the right sentiment—although, as the Eastern Europeans quickly pointed out, it was a general pledge containing little that was concrete or specific.

If the great economic experiments in East-Central Europe should collapse, one result would surely be a tremendous wave of desperate people moving westward. In a time of half-open borders, it would be hard to stop them. That possibility is much in the minds of the people running the EC—a reminder that if economic and political reform fails in the new democracies, the consequences will not be limited to the lands east of what used to be the Iron Curtain.

THE PRESIDENT HAS SEEN
4.20.93

4-20-93

Bony
ask the deal - we can't justify
this?

Clinton Seeking More Money for Spying, Aides Say

✓ By DOUGLAS JEHL
 Special to The New York Times

WASHINGTON, April 14 — President Clinton has asked Congress for authority to spend even more money on spy agencies, satellites and other intelligence activities in the 1994 fiscal year than it allotted for 1993, Congressional and Administration officials say.

The request is hidden in classified sections of the Defense Department budget that on the whole reflects Mr. Clinton's plans for significant cuts in military spending.

But the Administration has concluded that at least a short-term increase in the intelligence spending is needed before similar deep reductions can be

made in the budgets of the Central Intelligence Agency and other spy agencies.

The new Director of Central Intelligence, R. James Woolsey, had signaled earlier that the Administration would oppose sharp immediate cuts in intelligence spending. But the request for an increase has surprised some lawmakers because Mr. Clinton had promised to slash intelligence spending by \$7 billion over four years.

Nearly all of the new spending, Ad-

ministration officials said today, is to be devoted to launching one or more spy satellites that can take the place of several older ones, saving money in the future.

While some members of both parties have expressed support for such an effort, other lawmakers have privately voiced some distress at the proposal for an increase in the post-cold-war intelligence budget. The request is expected to be the subject of a sharp debate next week when members of the House and Senate Intelligence Committees meet behind closed doors to review the budget.

While the size of the nation's vast

Continued on Page A16, Column 4

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Clinton Seeking More Money for Spying, Aides Say

✓ Continued From Page A1

intelligence budget remains an official secret, Administration and Congressional officials disclosed today that it would total about \$28 billion if the increase requested by Mr. Clinton is approved. They said the previous estimates putting the figure at \$29 billion had been exaggerated.

Of the total, the officials said Mr. Clinton had proposed that \$17.8 billion be set aside next year for the C.I.A. and other agencies whose mission is to provide policy makers with information about the world. That request represents an increase at nearly double the rate of inflation from this year's final appropriation of about \$17.0 billion, they said.

At the same time, Congressional officials said Mr. Clinton proposed only minor cuts in the other component of the intelligence budget, the military programs intended to gather the information used in battle. They said that total remained about \$10.1 billion.

By comparison, after accounting for inflation, Mr. Clinton proposed a 5 percent reduction in overall military spending.

Administration officials have told members of Congress that the upward blip in intelligence spending will allow

agencies to consolidate programs and make deep cuts in the years ahead.

They also argue that Mr. Clinton has not violated his budget-cutting pledge because his request represents a substantial reduction from the figure President George Bush had planned to spend in 1994. Mr. Bush had set aside \$19.0 billion for the C.I.A., the National Security Agency, the National Reconnaissance Office and other national intelligence programs.

Because Congress last year authorized about \$400 million more for intelligence than it finally appropriated, an Administration official said last night, the White House intends to portray its proposal as a freeze, not an increase, once inflation is taken into account.

The new Administration hopes such arguments and party loyalty might blunt any Democratic impulse to renew battles that party members fought and won with the Bush Administration to cut intelligence spending. But some Congressional Democrats have already made clear that they intend to fight the new request, even though it comes from a Democratic President.

An influential Democratic lawmaker who spoke on condition of anonymity said in a recent interview that the request for more money for spy agencies showed that the new Administration "just doesn't get it" in terms of gauging opposition to the proposal.

"This increase is just not going to happen," the Democratic lawmaker predicted. "They're going to get cut severely."

Even Representative Dan Glickman, the Kansas Democrat who is chairman of the House Intelligence Committee, said in a recent interview that he had not yet decided whether to support the White House request. "I'm not going to be thrilled about an increase," Mr. Glickman said, "but we'll have to see where the increases are coming from."

Figuring Out the Budget

Further evidence of the proposed increases is in a public version of Mr. Clinton's 1994 Defense Department budget request.

While the unclassified document leaves blank the spending requests for specific intelligence programs, simple calculations show that a research budget includes a request for a \$150 million increase to be divided among the Defense Intelligence Agency, the National Security Agency and the new Central Imagery Office, which handles requests for spy satellite photographs.

A separate Air Force procurement budget shows a \$570 million increase for a category designated only as "selected activities," a category that experts outside government said was used to disguise money set aside for the C.I.A. and the National Reconnaissance Office, which operates spy satellites.

Bill - Is this true?

REVIEW & OUTLOOK

Clintonites Ram GM

By the government's own standards, you are no more likely to die in a General Motors pickup truck than in one built by Ford or Dodge. Yet the Clinton people are leaning on GM to recall five million trucks made in the years 1973 to 1987 and, in effect, make them even safer than their competitors. All this could cost General Motors \$1 billion at a time when the world's biggest industrial company is struggling to remake itself. Are these the "jobs" and "competitiveness" policies we were promised during the campaign? This action reflects a lack of judgment.

It's important to understand what the government is *not* saying about GM's large pickups. It's not saying that they kill more of their drivers and passengers than do comparable models built by Ford or Dodge. On the contrary, you're not significantly more likely to die in one model than the others, and you're better off in any of the three than in a light pickup or in the average passenger car. "Overall, there is no question that the trucks are safe," National Highway Traffic Safety Administration enforcement chief William A. Boshly told the Journal on Friday.

Also, the GM's gas tanks are officially safe when crashed at speeds set by the agency's rules.

So what's the beef? In a side collision, GM trucks are 2.4 times more likely to catch fire than the comparable Fords. But this doesn't mean that you're more likely to die in a side-crash in the GM truck; only that if you do die, it's more likely that fire was involved. Supposedly the reason is GM's side-mounted gas tanks, which the National Highway Transportation Safety Administration now regards as a "design defect."

Now if you're more likely to burn to death in a GM truck but no more likely to die in overall terms, this would suggest that in other ways GM actually makes a safer product. If fewer Ford and Dodge passengers are burning to death, more must be dying from crushed skulls, internal hemorrhaging and the like. Since GM's designers have found a way to minimize these other kinds of death, does this imply a design defect in its competitors' products?

Our purpose here isn't to be ghoulish. Big and heavy pieces of metal that whiz around at high rates of speed under the control of fallible humans are, from time to time, going to collide with each other or stationary objects, and people will die. Being of

somewhat different design, various models will produce a slightly different pattern of injury on the bodies that are pulled from these wrecks, even though, on average, no more bodies are pulled from one brand than another.

This administration continues to act like the man who's driving around lost but refuses to stop to ask for directions. From gays in the military to the condition of U.S. airlines, the Clintonites seem more interested in displaying their "activist" energy than bothering to figure out exactly where they're taking the rest of us.

Of course, once the policy train is moving, it has to go somewhere, and it's increasingly evident that this train's direction is largely determined by the cacophony of voices that this administration considers its "constituents." Not least are the trial lawyers who donated generously to the Clinton campaign; they surely might be expected to give an earful of their views on GM's pickups. After all, they've been suing GM for years and, with contingency-fee arrangements, see quite a pot at the end of the rainbow. That pot draws closer when the universe of potential jurors is exposed to headlines and anchorpersons proclaiming a mass recall of GM trucks.

The lawyers have their comrades in the Naderites, especially Joan Claybrook of Public Citizen (who ran NHTSA for the last liberal Democratic President, Jimmy Carter) and Clarence Ditlow of the Center for Auto Safety, who goes around calling GM trucks "rolling firebombs."

Whether the crusade of the moment concerns the environment, nutrition or consumer safety, it's really an ideological hostility to big business that drives these groups. Media eagerness helps; witness NBC's now-notorious "Dateline." Confronted with a complex economic story (which editors or news directors may bury), some reporters take refuge in the shopworn cliché of the predatory businessman—though most journalists don't go as far as deliberately torching trucks to manufacture evidence.

We don't know what possessed Transportation Secretary Federico Pena to sign off on the demand that GM "voluntarily" recall the trucks. A Beltway arriviste, Mr. Pena seems to enjoy throwing his weight around, as with his request that Northwest "voluntarily" refrain from going to the mat with upstart Reno Air. We might say the same about the President himself and his brutalization of the drug industry.

It seems the Clintonites have discovered the power to bully from the pulpit. All they need now is to figure out what purpose their bullying should serve.

What's this?
Car is in fire?

FATAL CRASHES Per 10,000 Vehicle Years	
Heavy Pickups	
Dodge	1.34
Ford	1.45
GM	1.51
Light Pick-Ups	
Toyota	2.35
All Passenger Cars	
	1.65

March

What's the deal on this - D.

THE PRESIDENT HAS SEEN
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WEDNESDAY, APRIL 14, 1993

NUMBER CRUNCHING

The White House and the conservative fiscal group Citizens for a Sound Economy analyzed White House spending for fiscal 1994, which starts Oct. 1. The advocacy group included the trade representative, the Office of Management and Budget and procurement in its totals. It also compared fiscal 1994 to 1992, while the White House compared fiscal 1994 to 1993.

FIGURES ARE IN MILLIONS, ROUNDED

	WHITE HOUSE FIGURES		CITIZENS/SOUND ECONOMY FIGURES	
	Fiscal '93 appropriation	Fiscal '94 proposed	Fiscal '92 outlays	Fiscal '94 proposed
White House Office	\$35.4	\$38.9	\$35.7	\$38.8
Administration	24.4	24.9	23.8	24.0
Executive Residence at the White House	7.6	7.9	7.5	8.4
National Security Council	6.1	6.6	5.5	6.4
National Drug Control Policy	17.3	5.8	15.8	13.2
Science and Technology Policy	6.2	5.2	5.6	5.3
Policy Development	3.8	5.1	3.5	4.7
Vice president (office, residence)	3.5	3.6	3.0	3.6
Council of Economic Advisers	3.4	3.4	3.1	3.4
Contingency	1.0	1.0		
National Critical Materials Council	0.2	0.0	0.1	0.1
National Space Council	1.6	0.0	1.4	0.2
Council on Environmental Quality	2.6	0.0	2.5	0.3
U.S. Trade Representative			18.5	20.2
Office of Management and Budget			51.3	53.4
Procurement			3.0	3.1
TOTAL	\$113.2	\$102.5 (-9.5%)	\$180.4	\$185.0 (+2.6%)

NOTES: Fiscal 1993 began Oct. 1, 1992, and includes nearly four months of the outgoing Bush administration and eight months of the Clinton administration. Fiscal 1994 begins Oct. 1 and applies solely to the Clinton White House.

SOURCES: The White House and Citizens for a Sound Economy

THE WASHINGTON POST

Defining the Quarter Among the Dollars

White House Says Pledge to Cut Staff Has Been Met; Critics Counter That Spending Will Rise

By Ann Devroy
Washington Post Staff Writer

It was one of the most straightforward of Bill Clinton's campaign promises—that he would make an example of government belt-tightening by cutting his own White House by 25 percent.

Then came the fine print. Among the details of that pledge—explained only after Clinton took office—was that the White House would redefine what offices it includes in its definition of the White House; that it would use as a base of comparison the point at which the Bush administration was at its personnel peak rather than the last full fiscal year (1992), which would be more representative; and that it would include a category of worker, detailees, not usually counted in budget calculations.

Also unmentioned was supplemental spending. While President Clinton, in his State of the Union Address, said he would save "approximately \$10 million" by cutting the White House staff, he did not say when. And he did not mention that for this year, at least, he would have to ask Congress for \$11 million more for the White House.

The fine print shows that Clinton's first full budget, submitted last week for fiscal 1994, includes a separate supplemental request for fiscal 1993 to shift \$11 million from agencies such as the Internal Revenue Service to the White House budget.

The fine print allowed the Clinton White House last week to state it had met its 25 percent cut promise in its 1994 budget submission even though the actual budget documents do not reflect it. And any voter trying to track the cut through public documents will find only half-clues.

For example, an analysis of the 1994 budget document by Citizens for a Sound Economy, a conservative fiscal group, concludes that not only has the White House not cut its budget 25 percent, it will increase its outlays. "A comparison between the net outlays for the White House under President Bush (1992) and President Clinton (FY94) shows Clinton requested \$4 million more than Bush spent in his last full year in office," the group concludes.

It also compared personnel levels in full-time equivalents and found the Clinton White House would cut personnel by 10 percent, not 25 percent, from 1992 to 1994.

But the White House dismisses the comparisons, all taken from official budget documents. Deputy White House Chief of Staff Mark Gearan said yesterday that the Clinton administration, in announcing the implementation of its cuts, had clearly stated it was "bodies not money" and that it had said from the outset it would cut 350 people and has done so.

The White House arrived at its figures by using as its baseline the 1,394 persons it says worked in the Bush White House operation at its peak on Election Day and stating that the Clinton staff on Oct. 1, 1993—the start of the new fiscal year—will be 1,044. Excluded from the staff number are the approximately 800 jobs in the Office of Management and Budget and Office of the U.S. Trade Representative, which are by law part of the Executive Office of the President. The White House has never explained why it chose to exclude those offices.

The number for both Bush and Clinton used by the Clinton team includes detailees—persons employed by other agencies who are "detailed" to work at the White House. The Clinton team argues that any number that does not in-

clude detailees underestimates how many people actually work at the White House.

The conservative fiscal group also argues that some of the actual cuts reflect funds that will be spent by another agency. The administration's decision to zero out the Council on Environmental Quality, for example, shows up as a savings in its budget. But officials have already said some of its functions will have to be performed, and mostly likely will be done by the Environmental Protection Agency, whose budget is increasing.

The \$11 million in new spending the White House is seeking this year—which does not show up in its 1993 comparison charts—is due to unanticipated costs including: legal obligations for annual leave and unemployment benefit contributions due the outgoing Bush team; legally mandated expenses to cover an expanded computer system to preserve White House documents; additional costs of mail and phone service; and mail response to citizens writing the White House.

The White House said yesterday all \$11 million is from money other agencies had not spent and will not place an additional burden on taxpayers.

13

A Welfare Compromise

LIBERALS AND conservatives narrowed their differences on welfare reform in the 1980s. More liberals came to agree that it was acceptable, even desirable, to put pressure on welfare recipients to go to work. More conservatives acknowledged that any large-scale shift from welfare to work would likely be costly in the early years as well as painfully slow. Stick and carrot both took on new legitimacy, though the exact combination continues to be the subject of debate.

The rough compromise has been carried forward on two fronts. In 1988 a Democratic Congress passed and Ronald Reagan signed a welfare reform act. The drafters included a governor called Bill Clinton and Sen. Daniel Patrick Moynihan, now chairman of the Finance Committee. Each state was required to set up a program to push and help welfare mothers leave the rolls; the feds pay part of the cost. The program collided with the recession, which expanded the welfare caseload and reduced the states' ability to finance new services. But research indicates that efforts of this kind can be modestly successful. There are always many families moving on and off welfare. These interventions tend to increase by a few percentage points the rates at which they move off.

The states have meanwhile also pursued reforms of their own. A number have sought federal permission to attach new behavioral con-

ditions to welfare benefits. A mother who sees that her child attends school regularly or who goes to school herself—or gets married or has more children while on welfare or sees that her child receives regular medical exams—is rewarded with higher benefits; a mother who fails to do such things receives less. A debate exists as to how effective such incentives are, and at what point a cut in benefits becomes punitive; there is a question as well as to whether some states are just seeking easy budget cuts. But a careful study by the respected Manpower Demonstration Research Center indicates that one such large-scale experiment in Ohio has induced more teenage welfare mothers either to stay in or to return to school. Surely that's a useful outcome.

Former governor Clinton has said he favors state experimentation—another federal waiver was granted yesterday to Vermont—and would change the federal system to allow only two years of benefits, after which at least some recipients would be required to find work or work off their benefits in public-sector jobs. The president would also increase the minimum wage and earned-income tax credit, which acts as a wage-extender for the working poor, such that no child of a parent working full-time year-round would be poor. The two-year-and-out proposal has yet to be drafted, but an increase in the earned-income tax credit is part of his budget. The welfare compromise grinds on.

THE PRESIDENT HAS SEEN
4.20.93

Claro

A Terrorist Network in America?

By Steven Emerson

WASHINGTON
F.B.I. and New York police officials say the World Trade Center bombing was not a job of professional terrorists but the work of local amateurs.

The F.B.I. has used this assessment in not classifying the bombing as terrorism. Indeed, it announced last month that it had found no evidence of any link between the "local individuals" arrested and an "international terrorist conspiracy." This apparently was intended to ease public fears.

If anything, the bombing is evidence of a more frightening development: Hundreds of radical operatives live in the U.S., making up a possible loose terrorist network that includes highly trained Islamic mercenaries. It would be reassuring to learn that, in their talks about the bombing, President Clinton and President Hosni Mubarak of Egypt have grasped this fundamen-

Steven Emerson, co-author of "Terrorist," writes frequently on the Middle East and national security.

tal change in global terrorism.

The potential terrorists are dangerous precisely because they are not hit men dispatched from the Middle East. The new breed has communal and family roots in the U.S. and elsewhere in the West. They are not full-time operatives and answer to no one but themselves. The arrest last week in the Midwest of Abu Nidal operatives on charges of plotting to kill American Jews was significant because those arrested had settled in the U.S. and established legitimate businesses.

For law enforcement and counter-terrorist officials, such a network is the worst possible nightmare. And like the Trade Center bombers, the people who might make it up are virtually impervious to pre-emptive law enforcement detection.

F.B.I., C.I.A. and State Department officials say that beyond the presence of the fundamentalist Egyptian Jihad group, there are hundreds of other Islamic radicals and members of Middle Eastern terrorist groups, including Hamas, Hezbollah, Islamic Jihad, the Algerian Islamic Front and the Jordanian Muslim Brotherhood, who use the U.S. as a base to coordinate attacks in their home countries.

In its letter to The New York

Times, the terrorist cell evidently responsible for the blast called itself the Liberation Army Fifth Battalion. The letter said the bombing was in response to "American political, economical and military support for Israel the state of terrorism and to the rest of the dictator countries."

Although the group's roots are murky, the bombing could be the result of a new joint venture between secularist and fundamentalist terrorists. Several U.S. intelligence analysts, citing the combination of demands put forth in the letter, believe the bombing may be the first time an Egyptian fundamentalist-Palestinian terrorist operation has been carried out.

Another factor is the demise of the Communist regime in Afghanistan and the pool of thousands of demobilized Islamic resistance fighters. (Mahmud Abouhalima, the alleged ringleader of the bombing, was an activist in the Afghan resistance.)

The Afghan conflict mobilized tens of thousands of recruits from the Middle East for a holy war. In Pakistan, the mujahadeen were trained in guerrilla warfare for the Afghan conflict. Their primary benefactors included the U.S., Saudi Arabia and Iran — each of which provided billions of dollars in

weapons and training. Although there is no indication that the Egyptian Jihad, headed by Sheik Omar Abdel Rahman, ever received U.S. assistance, it was one of many to fight along with mujahadeen. "I am sure that Abdel Rahman received Saudi and Iranian money," said Robert Oakley, a former ambassador to Pakistan.

Islamic operatives are taking root.

Former C.I.A. officials say these groups openly recruited Muslim students and residents in mosques and on college campuses to fight in Afghanistan. When the war was over, U.S. officials say, Iranian and other fundamentalist leaders helped redirect the rage of these warriors against the West. They "figured out that the great potential of this force would be used against Western regimes in the Middle East," said Mr. Oakley.

Though many of these Islamic Ramboes moved to the Sudan to continue the

jihad, thousands of others were dispersed, particularly to Britain, Germany, France and the U.S. In the New York-New Jersey area alone, one F.B.I. official told me, there are some 200 former Afghan activists and fighters.

The F.B.I.'s experience with these groups shows the difficulty in preventing terrorist acts by the newly transplanted groups. Although Sheik Abdel Rahman and several followers, including two arrested in the bombing, had been under surveillance for more than a year, investigators were unable to find any hint of the coming attack.

Similarly, the killings outside the C.I.A. in January appear to have been another freelance act. The gunman, who fled to Pakistan, said before the shootings that he was angered by the treatment of Muslims in Bosnia and planned to "make a big statement." F.B.I. officials still refuse to classify the killings a terrorist act.

Mr. Clinton announced yesterday that he would order a review of what U.S. intelligence knew about terrorist activities in the U.S. prior to the Trade Center attack. If his investigation is to have any meaning, it must acknowledge the emergence of the frightening new brand of terrorism growing up on U.S. soil.

*Sheik Rahman
Stewart's discuss
omitted*

THE PRESIDENT HAS
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THE PRESIDENT HAS SEEN
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Clasco
in dirt
Want to Talk Fine
Do you? —

B.

Phantom welfare reform

No provisions in the budget package

Millions of voters viewed Bill Clinton as a different kind of Democrat because of his often-repeated promise to overhaul America's welfare system.

Pledging to "end welfare as we know it," Clinton emphasized during the campaign that "those who are able must go to work." He stressed that one of his top priorities would be to eliminate the destructive cycle of welfare dependency.

So why aren't any federal funds being earmarked for welfare reform in Clinton's five-year budget package?

Administration officials are offering all kinds of feeble excuses to explain away the president's inaction.

They say he is deferring action on welfare reform in order to tackle the problem on a comprehensive scale, similar to the way he is dealing with health care. Consequently, aides say, precise cost estimates cannot be plugged into the budget until the administration's reform package has been put together.

But there appear to be several other factors contributing to the administration's delay.

For example, the Cabinet member directly responsible for handling welfare reform is lukewarm, at best, to the president's ideas. As secretary of Health and Human Services, Donna Shalala should be leading the campaign to transform welfare from a way of life, as Clinton puts it, to a second chance. But Shalala has shown no enthusiasm for im-

plementing any fundamental changes.

In fact, her tepid reaction to various reform proposals forced Clinton to reassure the National Governors' Association that he is indeed serious about changing the welfare rules.

A few weeks ago, the president reiterated his intention to place a two-year limit on welfare benefits. After that time, able-bodied recipients would be obliged to work.

Clinton also promised to name a panel to deal with the problem. At the time, a White House aide said the president's new budget would "begin to address how quickly we're going to spend" the money to implement reforms.

Yet, no panel has been named and no money has been earmarked in Clinton's budget to address welfare reform.

Clinton may be boxing himself into a political corner by refusing to deal with this issue at the outset of his administration. A president's political power is usually at its height during his first year in office. And Clinton is going to need all the political muscle he can get if he truly intends to change the welfare system from top to bottom.

According to White House officials, Clinton wants to get his budget approved in the next several weeks and then resolve the health care dilemma by year's end. That would mean deferring welfare reform until next year at the earliest. At this point, it appears the president doesn't even have a credible plan, let alone the support in Congress to enact it.

We need to move
on this ASAP if we
expect Rayburn's legs.

THE PRESIDENT HAS SEEN

4.20.93

CC: GS

Bureau/Gens/CR - we can't meet this
B.

Clinton Seeks to Close Gap In Pledge to Add Police

Funding Hasn't Matched Promise of 100,000 Officers

By Michael Isikoff
Washington Post Staff Writer

When candidate Bill Clinton was trying to impress voters with his crime-fighting credentials, he came up with a snappy soundbite that became a key campaign pledge. If elected, Clinton said, he had a "plan" to attack violent crime by putting another 100,000 police officers on the streets.

But when President Clinton's budget was released last week, the funding came up short. Tucked inside the Justice Department budget was \$50 million for "community policing" grants—just enough money, budget documents say, to pay for about 3,000 new police officers over two years, a mere 3 percent of the president's pledge.

Yesterday, Clinton sought to close the gap, advancing a slimmed-down economic stimulus package that included \$200 million in new Justice Department grants to rehire laid-off police officers. Together with local matching grants, Clinton said at a Rose Garden ceremony attended by the leaders of law enforcement organizations, "this could put as many as 10,000 police officers back on the job and back on the beat in communities all across our nation."

The president was credited by some analysts with a shrewd political maneuver, tying support for stronger law enforcement to an economic package that has been stalled in the Senate by a Republican filibuster.

But even with the promised "future funding increases" and a proposed new \$25 million Police Corps scholarship program, Clinton would not be halfway to his goal of 100,000 new officers by the end of his term, said Paul McNulty, executive director of the First Freedom Foundation, a newly formed conservative group that is lobbying for tougher law enforcement.

McNulty, who formerly served as a senior Justice Department official under President George Bush, noted that the campaign pledge was an unqualified one. "These numbers fall so far short of the mark, I would have to say the promise has been forgotten," he said.

But administration officials insisted this week that there has been no backing away from the Clinton's promise, even if they

were unable to specify how it will be reached.

"I can't give you specifics of how because it hasn't been completed yet," said Webster Hubbell, President Clinton's nominee to be associate attorney general. "But we're going to meet that goal."

According to Hubbell, the Justice Department and the White House Domestic Policy Council are studying various ideas, including expanding the Police Corps program and retraining veterans and discharged military officers to serve as local police officers.

But questions about how many military officers will be hired and how they will be paid and trained remain largely unanswered.

"They haven't got the faintest clue how to do this," said one consultant, advising the White House on law enforcement issues. "There is no plan."

In one sense, the 100,000 officer plan is only one of many Clinton campaign promises that have given way to budgetary reality. There are about 535,000 police officers nationally, experts say. They estimate the cost of each new officer at \$50,000 annually, or \$5 billion a year for a 100,000 increase.

That figure excludes accompanying costs, such as training, equipment and pensions. Nor does it cover more judges, prosecutors and guards needed to handle the additional suspects arrested. "I don't think they realized how intricate it was," said Dewey Stokes, president of the Fraternal Order of Police.

Nevertheless, there are optimists. Adam Walinsky, a former Kennedy administration official, vigorously supports the Police Corps proposal, arguing that it could furnish an army of idealistic new officers to reenergize police departments. Last fall, he provided transition officials with a proposal to meet the entire 100,000 goal through Police Corps scholarships—offering college students \$10,000 a year in educational aid in exchange for a four-year commitment.

Such a Police Corps would allow Clinton to meet his goal within "four to five years," Walinsky said, adding that it would require "an unbelievable amount of effort" as well as \$2 billion a year in funding—money that might never be available in the current economic climate.

A missed opportunity

Clinton backslides on the anti-drug front

Has President Clinton hoisted the white flag of surrender in the war on drugs?

Nearly three months after moving into the Oval Office, the president has yet to appoint someone to head the White House Office of National Drug Control Policy. When that person finally is selected, he or she will inherit an office the president has cut to the bone — from 147 staff members to 25.

President Clinton's backsliding on drugs has provoked criticism even from members of his own party. Rep. Charles Rangel, D-N.Y., complains that "there is absolutely nobody in the administration willing to accept any responsibility on any subject relating to our drug problem."

That's quite an indictment from the leader of the House Caucus on Drug Abuse. But Rep. Rangel and other lawmakers who represent districts overrun with drugs had hoped Clinton would make good on his campaign promise to bring a fresh approach to staunching illegal drug use.

The president apparently has had a change of heart. Unlike his predecessor, who used the annual presentation of the federal budget as a backdrop to call attention to the nation's drug problem, Clinton devoted a scant two pages of more than 1,300 in his budget to the administration's anti-drug program.

This sends a message to those concerned about the rash of drug-related

violence, the increasing number of crack babies and the swelling ranks of HIV-infected drug users that the president does not share their sense of urgency.

Defenders of the administration's drug policy note that the Clinton budget actually increases anti-drug funding by 7 percent, to just over \$13 billion. But that is beside the point. It matters less how much money is spent on the anti-drug effort than how the money is spent.

At present, nearly 65 percent of all federal anti-drug dollars go toward law enforcement — fighting the supply side of the problem. The remainder go toward reducing the demand for drugs.

Drug-control experts of various political stripes believe this formula needs to be changed. Less should be spent on international drug interdiction, for example, and more should be spent on treatment programs.

This makes sense. As long as Americans are willing to buy and use drugs, there will be suppliers willing to sell to them. Cut off one seller and another will emerge to take his place. But if a drug user can be successfully treated for his addiction, then that deprives a seller of a customer.

Perhaps if a drug-control director had been appointed and the White House drug-control office had not been gutted, the administration could have reshaped the government's anti-drug strategy. President Clinton should stop neglecting this critical national problem and get to work on fulfilling his campaign pledge.

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THE PRESIDENT HAS SEEN
4.20.93

HUD Seeks New Direction In Housing

Department's 1994 Budget Targets Low-Income Renters



By Ann Mariano
Washington Post Staff Writer

The Clinton administration is proposing a sharp turn in housing policy from an emphasis on homeownership for the poor to greatly increased spending for low- and moderate-income renters.

The Department of Housing and Urban Development has asked for \$26.08 billion to operate its programs in fiscal 1994, an increase of about \$200 million over the 1993 budget allocation. In 1994, more of HUD's funding would go toward rejuvenating blighted neighborhoods and providing rent supplements for poor families than in the past.

If Congress approves, HUD plans to make an additional 100,000 subsidized housing units available for poor and moderate-income families and individuals by 1998. The department estimates that more than half of them will be occupied by the end of next year, bringing the total number of apartments and homes available to poor families to 4.48 million.

Funding for Home, a block grant program that pays for much of the construction and rehabilitation of low-cost housing, would be increased to \$1.6 billion, nearly one-third more money than was appropriated last year. President Clinton's economic stimulus package, which is facing opposition in Congress, would provide \$511 million of Home program funding.

This is "an interim budget and by next year" the department will be in a better position to know what it needs and wants, said Rep. Barney Frank (D-Mass.). He lauded the proposed heavy cuts in the Homeownership Opportunities for People Everywhere (HOPE) program that would make possible the increase in funding for the Home program.

In a speech this week, HUD Secretary Henry Cisneros stressed the administration's intention to aid large cities, which got little help or money from HUD during the Republican administrations.

Home program funds were "virtually impossible to use ... because of the way the program was designed and the regulations were written," Cisneros said. Only 4 percent of the \$2.5 billion available to cities over a three-year period was used, he said.

The administration wants to sharply reduce money going into HOPE. Promoted by then-HUD Secretary Jack Kemp

See HOUSING, E8, Col. 1

HUD Changes Direction

HOUSING, From E1

as the department's most important initiative, HOPE was intended to help public housing residents buy the units in which they lived.

The Democrats asked for only \$109 million for HOPE in 1994 to implement steps already begun toward homeownership. Much of HOPE's 1993 appropriation would be transferred to new Democratic initiatives to improve seriously deteriorated public housing and put low-income youth to work at rehabilitating and building housing for poor families.

The administration is asking for \$483 million for the public housing, including \$175 million that would come from the administration's budget stimulus program.

Another new program in HUD's 1994 budget request is Community Partnerships Against Crime, to expand current efforts to eliminate illegal drugs from public housing.

HUD recommends a freeze on funding for operating public housing and for modernization and development programs. But unlike past Republican budgets, the 1994 document asks for more money to rehabilitate badly run-down public housing buildings and for crime and drug-elimination efforts.

"After years of budget tight-fistedness ... we're relieved although we could hope for better things in the future," said Gordon Cavanaugh of the Council of Large Public Housing Authorities. Public housing operators are happy to have Cisneros at HUD because they believe he is a supporter of public housing, Cavanaugh said.

One of the most serious problems HUD's new leaders face is establishing a reliable way to track billions of dollars allocated to help low-income people pay their rent. The department's inability to forecast the annual cost of renewing rental assistance contracts "has brought chaos to the budgeting process, with estimates off by as much as \$1 billion in either direction," according to a report prepared for newly appointed HUD officials.

Problems in this program have resulted in "millions of dollars of incorrect or misdirected subsidy payments

and difficulty in establishing ... funding needs," the report said.

Instead of relying on the existing system to determine its needs for fiscal 1994, the department used data collected from HUD field offices. The request is for \$5.6 billion to renew expiring rent subsidies next year, plus \$720 million included in 1993 appropriations, according to the budget request document.

By 1998 the department will need a budget of more than \$38 billion with much of the money going to pay for housing low-income people, according to department estimates.

Cisneros's 1994 budget got bipartisan praise from Congress.

Rep. Bruce F. Vento (D-Minn.) said the Democratic budget proposal is realistic, with the department putting "money back into a permanent commitment to low-income Americans, plus coming back with modernization money [for public housing] and a realistically optimistic package," he said. "HUD is facing some big problems. There are a lot more poor people than units to meet their needs."

Rep. Marge Roukema of New Jersey, the ranking Republican on the House housing and community development subcommittee, called the proposed budget "fairly well balanced" but questioned whether Congress would be able to provide the extra \$200 million HUD has asked for.

Roukema said she believes HUD "can make a difference and perhaps see some savings" in the program to upgrade "severely distressed public housing."

The change in administrations apparently changed the fortunes of two relatively small housing programs. The Neighborhood Development Program will get funds next year for the first time since legislation creating it was passed 10 years ago. Bud Kanitz, head of the National Neighborhood Coalition, said the \$5 million can be used by nonprofit organizations to aid local housing and business development.

The Fair Housing Initiatives Program, which monitors and enforces anti-discrimination laws, will get a 43 percent increase in funding, for a total of \$21.4 million.

CR / Bruce Reed

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THE WASHINGTON POST

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4.20.93

SATURDAY, APRIL 17, 1993 ... R

Energy Firm Finds Ally, Director in CFTC Ex-Chief

By Jerry Knight
Washington Post Staff Writer

Wendy L. Gramm, who as the Bush administration's top commodities market regulator began proceedings that removed a number of exotic financial transactions from federal regulation, has joined the board of a Houston company that was one of the leading advocates of that deregulation.

Gramm resigned as chairman of the Commodity Futures Trading Commission on Jan. 21. Five weeks later, she was appointed to the board of directors of Enron Corp., which has natural gas, pipeline and electric generating businesses in the United States, Europe, South America and Asia.

Enron is one of nine energy companies that asked the CFTC last November to exempt from regulation so-called energy derivative contracts, a \$5 trillion-a-year business that energy companies use to set future prices of such commodities as natural gas or heating oil.

Gramm set in motion the process that ended this week with the commission's 2 to 1 vote against regulating the business.

Energy companies strongly objected to the threat of federal oversight, saying it would add costly and cumbersome regulation to their business.

In interviews, Gramm and Enron Chairman Kenneth L. Lay said there was no connection between the CFTC decision and Gramm's appointment to Enron's board.

Lay called it "convoluted" to question the propriety of naming Gramm to the board, a part-time job that pays \$22,000 a year plus \$1,250 for each board meeting she attends.

Gramm is prohibited by federal regulations from lobbying her old agency but there are no restrictions on the employment of former commissioners. Former associates say Gramm would not be the first CFTC member to go through Washington's revolving door to work for a company that has issues before the agency.

Both Gramm and Lay said they had no dis-

cussions about Gramm becoming an Enron board member until a couple of weeks after she left the CFTC. Further, both said they never discussed Enron's interest in exempting energy futures contracts from CFTC regulation.

"Enron was one of a number of oil companies" seeking the exemption, Gramm said. Knowing she would be leaving office before a final decision was made, Gramm said she did not read the comment letters submitted in the case.

"The first discussion that I had with Wendy Gramm was in early February," said Lay.

Lay said Gramm's background makes her an asset to the company: "Her knowledge of the derivatives market is a plus for Enron. There aren't that many people who really understand that business."

The energy contract market has operated for years without government regulation. A lawsuit filed by a disgruntled investor who lost money on an energy contract two years ago raised legal questions about whether the con-

tracts should be covered by the same laws as futures markets.

The CFTC's decision not to regulate energy contracts means the federal government will have no way of monitoring these growing markets in which huge sums of dollars change hands every year.

If a big player failed to make good on a contract, the other participant might suffer such huge losses that it, too, would default on contracts, sending ripples throughout the financial system.

The exemption from commodity laws could affect the legal rights of companies involved in disputes with other firms over their dealings, because the laws help determine how differences are settled.

The exemption also affects competition between the unregulated markets and regulated futures exchanges, which fear losing business to competitors who are free from government oversight.

See GRAMM, B6, Col. 4

Gramm Joins Board of Enron Corp.

GRAMM, From B1

Enron's 1992 annual report describes the company as the "manager of the largest portfolio of fixed-price and natural-gas derivative contracts in the world." Enron's financial reports show the firm carries about \$4.5 billion in "interest-rate swaps," another variety of exotic financial instrument that was deregulated while Gramm was at the CFTC.

Enron was among the energy companies that filed a petition asking the commission to exempt the derivative contracts from regulation on Nov. 16, a week after the results of the presidential election dictated that Gramm would soon be out of a job as CFTC chairman.

Philosophically receptive to the exemption, Gramm authorized the commission staff to begin the lengthy rule-making process required when a federal agency makes a major policy decision.

Because President Clinton has yet

to appoint anyone to any positions at the CFTC, two of the five seats on the commission are vacant and the three remaining commissioners who decided the matter are Gramm allies left from the Bush administration.

The exemption from regulation was made retroactive to 1974, when the CFTC was created, to remove any potential legal challenges to past energy contracts.

Congress last year ordered the CFTC to specify the boundaries of its jurisdiction. Under the leadership of Gramm, a strong advocate of free markets, the agency narrowly interpreted its role in the growing markets—a policy decision supported by most market participants, academic experts and lawmakers involved with the issue.

In her last major policy decision before stepping down as CFTC chairman in January, Gramm and her fellow commissioners agreed to abdicate jurisdiction over so-called swap contracts, which are used by corporations to hedge against unfavorable changes in interest rates and foreign currency values, a market measured in the trillions of dollars.

Under pressure from Congress, the swaps were not exempted from the fraud provisions of federal commodity laws; but energy contracts were granted exemption from the anti-fraud rules, as well as from regulation.

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Defense conversion virus

No longer a buzz word, and certainly not the bonanza it once seemed, the peace dividend has been spent or spoken for — and the price is starting to hit home.

"The downsizing of the defense sector to meet the new realities of the post-Cold War world" is one of the reasons for a slow and fragile economic recovery, according to President Clinton's new budget.

There are coast-to-coast protests over base closings and job losses, from officials who say they don't quarrel with defense cuts but don't think the pain is being shared fairly.

"We don't understand the level of devastation that's been meted out," said Philadelphia Mayor Ed Rendell, who says his city stands to lose more jobs than proposed base closings would cost in any of 47 states.

Nationally, a Labor Department statistician says, there are 1.3 million defense-related jobs to be lost by 1997 as military spending is reduced.

The government is trying to ease the impact and find ways to put those people back to work. "Defense conversion is one of my highest priorities," Mr. Clinton said Monday.

"We simply must ease the pain while capturing the great potential that defense workers and firms offer to meet pressing national economic needs, and we have to do it quickly," the president said.

To that end, he has proposed a \$20 billion, five-year conversion plan.

In effect, the biggest public works and jobs program in American history is being phased down as defense budgets are reduced, producing the savings that add up to the peace dividend.

The shorthand came into use

Walter R. Mears is a vice president and columnist for the Associated Press.

after the collapse of the Communist bloc and of the Soviet Union itself, although defense expenditures actually had peaked earlier, in 1987.

The 1990 budget agreement included a 25 percent reduction in projected defense spending.

According to the Congressional Budget Office, former President George Bush's budget plans would have led to \$89 billion in defense spending reductions over the next five years. Mr. Clinton's proposals

Robert Kutcher of the Bureau of Labor Statistics told the panel Monday that defense-related civilian employment went down by 700,000 jobs between 1987 and 1992, and another 1.3 million will be gone by 1997.

would add \$99 billion in additional cuts in the same period, the CBO estimated.

Those are big numbers. But even at those prices, there's not enough to pay for the competing claims on the peace dividend that were posted during the latter half of the Bush administration, prompting the Republican president to warn against supplanting the Cold War with a bidding war.

In those days, one leading Democrat complained he'd received demands for six halves of the peace dividend. A Republican budget draftsman said rival claimants wanted to spend 50 times a dividend that hadn't yet been realized. And a

Republican senator said the question of what to do with the peace dividend would become the No. 1 issue of the 1990s.

Hardly.

The more compelling issue at this point is how to cope with the economic impact of defense cuts.

One forum has been the hearings of the independent commission that will decide what to do about 31 military base closings recommended by the Pentagon.

Robert Kutcher of the Bureau of Labor Statistics told that panel Monday that defense-related civilian employment went down by 700,000 jobs between 1987 and 1992, and another 1.3 million will be gone by 1997.

"These don't directly translate into unemployment because some other form of expenditure may come along and support these jobs," Mr. Kutcher said.

That's the point of the defense conversion program.

Part of it is a program in which the government will help finance efforts to advance private industry technologies. "I've given this project another name — Operation Restore Jobs — to signify its ultimate mission," Mr. Clinton said.

At the base closing hearings, even the most worried witnesses agreed the defense budget should be reduced despite the pain of base shutdowns. But Philadelphia's Mayor Rendell said, "We believe that the closings, the job losses, should be spread out more evenly."

Spreading them, of course, means moving them to other areas, which then would mount their own protests.

Harry C. McPherson Jr., a commission member and a veteran Washington hand who worked in the Johnson White House, called it an enormous conundrum.

The cuts are hitting industries as well as the areas that lose bases. It's a tough time for aerospace and shipbuilding, Mr. McPherson said, adding: "Your industries are, to use a track phrase, sucking wind."

The Washington Times

★ SATURDAY, APRIL 17, 1993

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Split Decision A1

Verdict in King Case

Owes Much to Lessons Of State-Court Trial

Federal Lawyers Were Aided By Earlier 'Rehearsal'; Result: Two Guilty Cops

Question of Double Jeopardy

By AMY STEVENS

Staff Reporter of THE WALL STREET JOURNAL
LOS ANGELES—The convictions of two of four Los Angeles police officers for violating the civil rights of a black motorist confirm what had seemed obvious in America's living rooms: Rodney King didn't deserve to be beaten senseless.

The government's victory — greeted with relief around the country — vindicated federal prosecutors' strategy of putting the defendants on trial again, and underscored the government's extraordinary record of winning such cases after local

After the Verdict

Although the verdict may have eased some tensions, the economic and social restoration of Los Angeles remains distant. The city averted widespread rioting, but police fear a deadly new potential from guns purchased by frightened citizens. Articles on page A4.

officials fail to get indictments or convictions on state-law charges. An important reason, many lawyers say, is that the federal lawyers have the luxury of reviewing any mistakes that local prosecutors may have made.

But the federal prosecution, while widely praised, also raises questions about the role of the federal government in holding people accountable a second time, essentially for the same offense.

The highly charged King case, involving white defendants, a black victim and broad issues of racial justice, was largely a repeat of the Simi Valley trial of the officers last year on state assault-related charges. In that case, a suburban jury that included no blacks acquitted three of the policemen and failed to reach a verdict on the fourth, setting off the worst urban riots of the century.

In the federal case, a Los Angeles jury, which included two blacks and a Hispanic, announced Saturday that Officer Laurence Powell, who had struck most of the blows during the March 1991 incident, was guilty of violating Mr. King's constitutional right to be free from an arrest made with "unreasonable force." Sgt. Stacey Koon, the officer in charge at the scene, was convicted of permitting the civil-rights violation to occur.

Appeal Expected

But the jury determined that the government hadn't adequately proved its charges against Timothy Wind, a rookie at the time of the incident who had been under the supervision of both the convicted defendants. Also acquitted was Theodore Briseno, who had stomped on Mr. King but had also moved to block one of Mr. Powell's blows.

Messrs. Powell and Koon, who are expected to appeal, could face as long as 10 years in prison and as much as \$250,000 in fines, although the federal sentencing guidelines would likely dictate lesser penalties for the first-time offenders. Legal experts estimate that the two would get sentences of about two to five years and minimal fines. Both men are free on \$5,000 bail until sentencing, scheduled for Aug. 4.

From the start, federal prosecutors were faced with a more difficult legal case than were their state-court predecessors. They were required to prove both that the policemen used too much force in arresting Mr. King, and that it was their conscious objective to do so. Prosecutors in the state trial couldn't prove the first element, and didn't have to prove the second.



Rodney King

But if their case was made tougher by that added "intent" requirement, U.S. prosecutors had the significant strategic edge of having seen a run-through. In particular, they benefited from knowing that the notorious 81-second videotape of Mr. King's beating had been perceived as ambiguous in places by the first jury, and that more evidence would be needed to translate into legal terms what the tape said in visceral terms. Indeed, two jurors speaking anonymously on television over the weekend said the videotape within its new context was a crucial piece of evidence.

While typically lauding the result of the retrial, some legal commentators question the fairness of giving prosecutors that second chance. "A retrial like this provides a tremendous opportunity to learn from your mistakes," says Alan Dershowitz, a Harvard law professor and criminal-defense lawyer. "There's always going to be a lingering suspicion that the prosecutors' case this time was improved by the rehearsal in the state case . . . and there's something about that that's inconsistent with the spirit of the constitutional protection against double jeopardy."

Indeed, the federal government's decision to come into the King case after the furor over the results in the state trial was

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Split Decision: Earlier Trial Aided King-Case Lawyers

Continued From First Page

hotly debated among legal scholars because of the double-jeopardy implications. Although the Constitution says that no person shall "be subject for the same offense to be twice put in jeopardy of life or limb," the Supreme Court ruled in 1959 that the federal government can try a person for conduct that didn't result in a conviction in state court. The theory was that the state and federal governments are "separate sovereigns," entitled to prosecute their own crimes in their own courts.

Crisis of Conscience

The ruling came at a time when federal criminal statutes were increasingly being used to prosecute such activities as violence connected with labor strikes, and the court cited concerns that "the efficiency of federal law enforcement would suffer" if the separate-sovereigns rule weren't adopted. In the 1960s, the ruling paved the way for federal prosecutions in race cases. It always has been controversial, especially among criminal-defense lawyers and civil-liberties groups. But the not-guilty verdicts in the first trial over the beating of Mr. King caused a crisis of conscience for some because the videotape of the incident appeared so brutal. Last summer, the American Civil Liberties Union suspended its longstanding opposition to the Supreme Court's decision allowing federal retrials. However, as the federal case drew to a close two weeks ago, the ACLU reinstated its claim that there "should be no exception to double-jeopardy principles simply because the same offense may be prosecuted by two different sovereigns."

The Justice Department's position is that the Supreme Court has answered the issue, and has repeatedly ruled that subsequent federal prosecutions don't violate the double-jeopardy prohibition.

Though federal civil-rights prosecutions are quite rare, once the U.S. government does decide to bring a case, it usually prevails. In 1991, for example, the Justice Department brought criminal civil-rights prosecutions against 129 people, including 64 police officers, and obtained 108 convictions or guilty pleas. Though both sides may benefit from reviewing an earlier case, lawyers say that the defense gains less because it doesn't have obvious mistakes to correct and may be tempted to try the case the same way again or make changes that weren't warranted.

In the King case, the federal government enlisted a series of important witnesses who weren't called to the stand last year. They included a police authority on the proper use of force and medical experts who said Mr. King's head injuries were caused by baton blows, not by a fall to the ground, as defense lawyers had claimed. In addition, civilian witnesses described the beating firsthand. And there was Mr. King himself, who quietly told jurors about the pain that was inflicted.

The government's use-of-force authority, Sgt. Mark Conta of the Los Angeles Police Department, set an important theme near the beginning of the trial: that the arrest had begun properly but then spiraled beyond the limits of police-department policy. Reviewing the video frame by frame, Mr. Conta said Mr. King appeared to have provoked Mr. Powell's first baton blow by lunging at the officer, but within 30 seconds, after the prone suspect appeared to move his arm back to be handcuffed, all baton blows and kicks by the defendants were excessive. Mr. Powell delivered most of the blows in that section.

Last year, state prosecutors didn't call a use-of-force expert in their main case but only in rebuttal, after the defense had already undermined the excessive-force argument with an effective witness, a SWAT team leader, Sgt. Charles Duke. Even then, the state government's late entry was a senior police-department official who admitted he didn't have much experience implementing the policy. The Simi Valley jury deadlocked on one count of excessive force against Mr. Powell, while acquitting the other officers.

Limited Testimony

Ira Salzman, who represented Mr. Koon in the federal case and took charge of preparing the defense case on the use-of-force issue, said the federal prosecutors knew not only that they needed a better witness of their own, but also the strengths and weaknesses of the main defense witness. The government filed a successful motion to limit Mr. Duke's testimony only to a actual police policy when discussing the video, and not a broader discussion of what police officers do in dangerous circumstances. "They did that because they knew what he said last year was damaging," Mr. Salzman said.

Prosecutors declined requests to comment on their trial strategy.

In general, observers said, prosecutors were less confident in the videotape and were willing to take a chance on evidence that might have seemed risky last year. For instance, early on, they called bystanders who had given state investigators accounts of the incident that didn't precisely match the videotape. But even though the details were attacked by defense lawyers, the observers' eyewitness testimony about the use of force was compelling. One woman, who had watched the beating from her apartment, choked up as she described officers kicking Mr. King "any way they could get a lick in."

In contrast to the government's decision to present more witnesses than prosecutors had in the state case, the defense took the opposite approach, coalescing its case around the central figure of Sgt. Koon. On the videotape, he is seen delivering only an electric shock to Mr. King with a "Taser" stun gun, which is designed to disable a person temporarily.

Missing Witnesses

As in the first case, Sgt. Koon made a cool, self-assured witness. On the issue of the use of force, he testified that Mr. King appeared to be under the influence of the drug PCP and kept defying the officers' attempts to keep him on the ground. (Blood tests showed Mr. King hadn't taken the drug.) Mr. Koon insisted it was Mr. King who called the shots by refusing to comply with orders to stay still. "Rodney King

controls the situation," the officer said. "I control the officers."

The other three officers chose not to testify in this case. Last year, all but Mr. Wind testified, and Mr. Briseno took the stand and criticized his colleagues. Some observers questioned the defense decision to change course, even considering how risky Mr. Briseno's live testimony might have been to the others. "Jurors give cops the benefit of the doubt, and when a cop doesn't testify, jurors wonder why," says Daniel Caplis, a Denver trial lawyer who watched the trial. "Policemen are expected to be professional and know how to appear on the stand. Jurors expect them to tell their side of the story. If they don't, they'll wonder why. Maybe it means they can't answer."

The new strategy backfired against Messrs. Powell and Koon. Late in the proceedings, after the defense rested, prosecutors introduced a videotape of Mr. Briseno's testimony from the state trial. The move came over vigorous defense objections and an unsuccessful emergency appeal of Judge John Davies's ruling to a higher court.

In the tape, the final piece of evidence in the trial, Officer Briseno testified that Mr. King didn't appear to be a threat during the beating. Mr. Briseno directly contradicted Sgt. Koon, claiming he never heard an order not to hit the suspect in the head, and contending that Mr. Powell hit Mr. King several times in the head or face.

Another defense effort to refine its strategy was a setback, particularly for Mr. Powell. On the day after Mr. Koon completed his testimony, Mr. Powell's lawyer, Michael Stone, called California Highway Patrol Officer Melanie Singer. In the first trial, she had been an even-tempered witness for the prosecution, describing her high-speed pursuit of Mr. King's car and his provocative behavior when first pulled over. The defense thought that her description of Mr. King's behavior actually would help its case. But in the federal trial, she burst into tears as she described seeing Mr. Powell smash Rodney King in the head.

"I'll never forget it to the day I die," she said.

Mr. King's testimony also was powerful. He provided jurors with a graphic description of how it felt to be struck with batons.

"It was like jabbing your toe on metal, every time I would get hit . . . all over my body," he said March 9, the first of his two days on the witness stand. "I kept wondering what I had done to deserve that type of pain." The Taser shocks, he said, made him feel like "my blood was boiling inside of me."

Mr. King didn't lose his temper or raise his voice in anger. He quickly and respectfully admitted that he had been drunk and speeding, helping to soften the impact of that evidence on the jury when it was later elicited by defense lawyers on cross-examination. By asking their witness to concede his own flaws early, prosecutors effectively inoculated him from defense attacks, legal experts said.

Prosecutors in the state case had chosen not to call Mr. King as a witness, reportedly because they had worried about his demeanor and feared exposing him to defense lawyers' questions about his criminal record and his behavior the night of the beating.

Mr. King stumbled on occasion. He first said he heard the officers call him "nigger," and later conceded he wasn't sure that the word had been used. He also said he was handcuffed and hog-tied during the beating, which wasn't shown by the videotape. But the image of the well-dressed, soft-spoken man on the stand contrasted sharply with the "monster-like figure" that Sgt. Koon testified he feared that night. Jurors in the state case, who hadn't seen Mr. King themselves, later said they had accepted the defendants' portrait of a threatening suspect who exhibited superhuman strength.

The additional federal requirement that wrongful intent be proved came from the Civil Rights Act of 1871, under which the federal case was brought. The statute, whose main purpose was to thwart the Ku Klux Klan's efforts to maintain a campaign of violence against newly freed slaves, makes it a federal crime for anyone acting "under color of law" to intentionally violate a person's civil rights.

Historically, proving intent has been difficult in such cases. For example, the federal government's failure to prove intent resulted in the dismissal of a 1974 case against former Ohio National Guardsmen in the Kent State University shootings in which four students were killed in 1970. Although guardsmen fired at unarmed students, that wasn't sufficient to prove that the servicemen meant to deprive the protesters of their constitutional rights. The law was applied more successfully in cases where evidence of racism was used

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to show intent, such as the prosecution of the men who killed three civil rights workers in Mississippi in 1964. More recently, it was used in Denver in 1989 to convict an avowed anti-Semite who shot radio talk show host Alan Berg, who was Jewish.

In the Los Angeles case, the usual difficulty of proving intent was exacerbated by the lack of evidence of racial motivation. Records of police computer messages from earlier on the night of the incident contained racist comments by Mr. Powell. But in the weeks before trial, Judge Davies ruled the well-publicized messages inadmissible because they didn't directly refer to the beating.

Although the graphic video of four white officers beating a black man conjured up images of past racial attacks, prosecutors had no other admissible evidence to show that the policemen might have been motivated by prejudice. Instead, to prove wrongful intent, they introduced evidence that the officers beat Mr. King to punish him for disrespect, then lied to cover up their actions. "The government presented a cogent story that these officers wanted to teach King a lesson, not simply overcome his resistance to arrest," says Peter Arenella, a professor of law at the University of California, Los Angeles.

Their theory that the officers wanted to punish Mr. King for disrespect had the benefit of turning a possible weakness of the case — Mr. King's initial behavior — to the government's advantage. "He's disrespectful, he's drunk and a wiseacre ... and they're going to teach him a lesson," said Steven Clymer, a lead prosecutor, in a

forceful closing statement.

Because prosecutors lacked direct evidence of what the officers were thinking during the beating, they were forced to use circumstantial evidence to show that the defendants knew they had done wrong. For example, the prosecutors exhibited arrest reports filed by Messrs. Powell, Wind and Koon that appeared to minimize the severity of the beating and didn't mention that Mr. King was struck while on the ground. There was also evidence that Mr. Powell was laughing at the scene and joking at the hospital where Mr. King was brought.

Throughout the King trial, the memory of last spring's riots and possibility of a deadly reprise haunted participants. Before they were chosen to serve on the panel, the jurors acknowledged they knew about the unrest but would be able to set it aside in their minds. Before handing them the case, Judge Davies gave the jury of eight men and four women an unusual instruction not to consider "any external consequences" of their verdict. But legal experts cautioned all along that knowledge of last year's events would still exert some influence.

"They're not thinking, 'Oh, my God, we'd better convict because there was a riot last time,'" speculates Richard Lempert, a professor of law at the University of Michigan who specializes in jury behavior. "But when they're evaluating the facts, they're influenced by knowledge of the events just as they're influenced by all other knowledge they bring to the jury room."

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The Trial's Outcome

The Defendants



STACEY KOON

Guilty



LAURENCE POWELL

Guilty



THEODORE BRISENO

Not Guilty



TIMOTHY WIND

Not Guilty

The Charges

COUNT ONE—Alleged that Laurence Powell, Timothy Wind and Theodore Briseno "while acting under color of the laws of the state of California, aiding and abetting each other, did willfully strike with batons, kick and stomp Rodney Glen King." By these actions, the indictment said, they willfully deprived King of the constitutional right "not to be deprived of liberty without due process of law, including the right to be secure in his person and free from the intentional use of unreasonable force by making an arrest under color of law."

COUNT TWO—Alleged that Stacey Koon, a police sergeant, "did willfully permit other Los Angeles police officers in his presence and under his supervision ... [to] unlawfully strike with batons, kick and stomp Rodney Glen King ... and did willfully fail to prevent this unlawful assault, resulting in bodily injury to Rodney Glen King." The indictment alleged this deprived King of a constitutional right "not to be deprived of liberty without due process of law, including the right to be free from harm while in official custody."

PENALTIES—Maximum possible penalties are 10 years in prison and \$250,000 in fines. Minimum penalties are subject to complicated federal guidelines.

The Jurors

Descriptions of jurors, identified only by number, who weighed the case.

1 White woman in 40s, said she was "surprised and shocked" at officers' acquittal in state court, considered Rodney King victim but believed accounts of beating were "hyped up."

2 White man in 60s, said King case "wasn't of that much interest to me." Former Marine, said never had to make a hard decision in his life.

3 Black man in 60s, cousin's son is sheriff's deputy. Lives in predominantly black Watts. Said first reaction was that state verdicts were unfair. Defense tried to remove him but challenge was denied.

4 White woman in 40s who once had romantic relationship with a sheriff's deputy. Has friends in law enforce-

ment and half sister is a public defender. Initial reaction to state verdicts was shock but suspected hadn't seen all evidence.

5 Jury foreman, white man in late 30s or early 40s, works in real estate. Said state verdict was no surprise.

6 White man in 30s whose college roommate became a California Highway Patrol officer. Stunned by first verdict and thought that jury should have had more blacks.

7 Black woman postal worker in 20s, has 4-year-old son being cared for by nanny. Didn't follow first trial closely, but verdict surprised her.

8 White woman in 50s, mother of three, teaches

marketing to insurance salesmen. Thought beating videotape was taken out of context, but "it was clear that a black man was subdued and beaten."

9 White man in 30s, worked in business where police officers were customers. Of the beating, he got impression that King "did something that caused it."

10 White man in 20s, former security guard trained in the use of baton and Mace. Disagreed with community feelings that previous verdict was unjust.

11 White man in 60s, welder. Has been juror in six previous trials. Of state verdict, he said: "I believe the jury did its job."

12 Hispanic man in 20s, retail clerk. Once tried for law-enforcement career but wasn't hired. Only juror who had not seen videotape of King's beating.