

THE WHITE HOUSE

WASHINGTON

93 MAY 6 P4:32

May 6, 1993

John:

Secretary Reich suggests that the President may be interested in reading the attached article. While too dense for me, I have no doubt that the President will find it fascinating and will probably want to read it immediately.



Christine

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SECRETARY OF LABOR
WASHINGTON

93 MAY 6 P4:32

MEMORANDUM TO THE PRESIDENT

FROM: BOB REICH

DATE: April 21, 1993

Worth reading.

The Prosperous Community

Social Capital and Public Life

Robert D. Putnam

Your corn is ripe today; mine will be so tomorrow. 'Tis profitable for us both, that I should labour with you today, and that you should aid me tomorrow. I have no kindness for you, and know you have as little for me. I will not, therefore, take any pains upon your account; and should I labour with you upon my own account, in expectation of a return, I know I should be disappointed, and that I should in vain depend upon your gratitude. Here then I leave you to labour alone; You treat me in the same manner. The seasons change; and both of us lose our harvests for want of mutual confidence and security.

—David Hume

The predicament of the farmers in Hume's parable is all too familiar in communities and nations around the world:

- Parents in communities everywhere want better educational opportunities for their children, but collaborative efforts to improve public schools falter.
- Residents of American ghettos share an interest in safer streets, but collective action to control crime fails.
- Poor farmers in the Third World need more effective irrigation and marketing schemes, but cooperation to these ends proves fragile.
- Global warming threatens livelihoods from Manhattan to Mauritius, but joint action to forestall this shared risk founders.

Failure to cooperate for mutual benefit does not necessarily signal ignorance or irrationality or even malevolence, as philosophers since Hobbes have under-

scored. Hume's farmers were not dumb, or crazy, or evil; they were trapped. Social scientists have lately analyzed this fundamental predicament in a variety of guises: the tragedy of the commons; the logic of collective action; public goods; the prisoners' dilemma. In all these situations, as in Hume's rustic anecdote, everyone would be better off if everyone could cooperate. In the absence of coordination and credible mutual commitment, however, everyone defects, ruefully but rationally, confirming one another's melancholy expectations.

How can such dilemmas of collective action be overcome, short of creating some Hobbesian Leviathan? Social scientists in several disciplines have recently suggested a novel diagnosis of this problem, a diagnosis resting on the concept of *social capital*. By analogy with notions of physical capital and human capital—tools and training that enhance individual productivity—"social capital" refers to features of social organization, such as networks, norms, and trust,

that facilitate coordination and cooperation for mutual benefit. Social capital enhances the benefits of investment in physical and human capital.

Working together is easier in a community blessed with a substantial stock of social capital. This insight turns out to have powerful practical implications for many issues on the American national agenda—for how we might overcome the poverty and violence of South Central Los Angeles, or revitalize industry in the Rust Belt, or nurture the fledgling democracies of the former Soviet empire and the erstwhile Third World. Before spelling out these implications, however, let me illustrate the importance of social capital by recounting an investigation that several colleagues and I have conducted over the last two decades on the seemingly arcane subject of regional government in Italy.

Lessons from an Italian Experiment

Beginning in 1970, Italians established a nationwide set of potentially powerful regional governments. These 20 new institutions were virtually identical in form, but the social, economic, political, and cultural contexts in which they were implanted differed dramatically, ranging from the preindustrial to the postindustrial, from the devoutly Catholic to the ardently Communist, from the inertly feudal to the frenetically modern. Just as a botanist might investigate plant development by measuring the growth of genetically identical seeds sown in different plots, we sought to understand government performance by studying how these new institutions evolved in their diverse settings.

As we expected, some of the new governments proved to be dismal failures—inefficient, lethargic, and corrupt. Others have been remarkably successful, however, creating innovative day care programs and job-training centers, promoting investment and economic development, pioneering environmental standards and family clinics—managing the public's business efficiently and satisfying their constituents.

What could account for these stark differences in quality of government? Some seemingly obvious answers turned out to be irrelevant. Government organization is too similar from region to region for that to explain the contrasts in performance. Party politics or ideology makes little difference. Affluence and prosperity have no direct effect. Social stability or political harmony or population movements are not the key. None of these factors is correlated with good government as we had anticipated. Instead, the best predictor is one that Alexis de Tocqueville might have expected. Strong traditions of civic engagement—voter turnout, newspaper readership, membership in choral societies and literary circles, Lions Clubs, and soccer clubs—are the hallmarks of a successful region.

Some regions of Italy, such as Emilia-Romagna and Tuscany, have many active community organizations. Citizens in these regions are engaged by public issues, not by patronage. They trust one another to act fairly and obey the law. Leaders in these communities are relatively honest and committed to equality. Social and political networks are organized horizontally, not hierarchically. These "civic communities" value solidarity, civic participation, and integrity. And here democracy works.

At the other pole are "uncivic" regions, like Calabria and Sicily, aptly characterized by the French term *incivisme*. The very concept of citizenship is stunted there. Engagement in social and cultural associations is meager. From the point of view of the inhabitants, public affairs is somebody else's business—*i notabili*, "the bosses," "the politicians"—but not theirs. Laws, almost everyone agrees, are made to be broken, but fearing others' lawlessness, everyone demands sterner discipline. Trapped in these interlocking vicious circles, nearly everyone feels powerless, exploited, and unhappy. It is hardly surprising that representative government here is less effective than in more civic communities.

The historical roots of the civic community are astonishingly deep. Enduring

traditions of civic involvement and social solidarity can be traced back nearly a millennium to the eleventh century, when communal republics were established in places like Florence, Bologna, and Genoa, exactly the communities that today enjoy civic engagement and successful government. At the core of this civic heritage are rich networks of organized reciprocity and civic solidarity—guilds, religious fraternities, and tower societies for self-defense in the medieval communes; cooperatives, mutual aid societies, neighborhood associations, and choral societies in the twentieth century.

These communities did not become civic simply because they were rich. The historical record strongly suggests precisely the opposite: They have become rich because they were civic. The social capital embodied in norms and networks of civic engagement seems to be a precondition for economic development, as well as for effective government. Development economists take note: Civics matters.

How does social capital undergird good government and economic progress? First, networks of civic engagement foster sturdy norms of generalized reciprocity: I'll do this for you now, in the expectation that down the road you or someone else will return the favor. "Social capital is akin to what Tom Wolfe called the 'favor bank' in his novel, *The Bonfire of the Vanities*," notes economist Robert Frank. A society that relies on generalized reciprocity is more efficient than a distrustful society, for the same reason that money is more efficient than barter. Trust lubricates social life.

Networks of civic engagement also facilitate coordination and communication and amplify information about the trustworthiness of other individuals. Students of prisoners' dilemmas and related games report that cooperation is most easily sustained through repeat play. When economic and political dealing is embedded in dense networks of social interaction, incentives for opportunism and malfeasance are reduced. This is why the

diamond trade, with its extreme possibilities for fraud, is concentrated within close-knit ethnic enclaves. Dense social ties facilitate gossip and other valuable ways of cultivating reputation—an essential foundation for trust in a complex society.

Finally, networks of civic engagement embody past success at collaboration, which can serve as a cultural template for future collaboration. The civic traditions of

Communities in north-central Italy did not become civic because they were rich. They became rich because they were civic.

north-central Italy provide a historical repertoire of forms of cooperation that, having proved their worth in the past, are available to citizens for addressing new problems of collective action.

Sociologist James Coleman concludes, "Like other forms of capital, social capital is productive, making possible the achievement of certain ends that would not be attainable in its absence. . . . In a farming community. . . where one farmer got his hay baled by another and where farm tools are extensively borrowed and lent, the social capital allows each farmer to get his work done with less physical capital in the form of tools and equipment." Social capital, in short, enables Hume's farmers to surmount their dilemma of collective action.

Stocks of social capital, such as trust, norms, and networks, tend to be self-reinforcing and cumulative. Successful collaboration in one endeavor builds connections and trust—social assets that facilitate future collaboration in other, unrelated tasks. As with conventional capital, those who have social capital tend to accumulate more—they as has, gets. Social capital is what the social philosopher Albert O. Hirschman calls a "moral resource," that is, a resource whose supply increases rather than decreases through use and which (un-

like physical capital) becomes depleted if not used.

Unlike conventional capital, social capital is a "public good," that is, it is not the private property of those who benefit from it. Like other public goods, from clean air to safe streets, social capital tends to be underprovided by private agents. This means that social capital must often be a by-product of other social activities. Social capital typically consists in ties, norms, and trust transferable from one social setting to another. Members of Florentine choral societies participate because they like to sing, not because their participation strengthens the Tuscan social fabric. But it does.

Social Capital and Economic Development

Social capital is coming to be seen as a vital ingredient in economic development around the world. Scores of studies of rural development have shown that a vigorous network of indigenous grassroots associations can be as essential to growth as physical investment, appropriate technology, or (that nostrum of neoclassical economists) "getting prices right." Political scientist Elinor Ostrom has explored why some cooperative efforts to manage common pool resources, like grazing grounds and water supplies, succeed, while others fail. Existing stocks of social capital are an important part of the story. Conversely, government interventions that neglect or undermine this social infrastructure can go seriously awry.

Studies of the rapidly growing economies of East Asia almost always emphasize the importance of dense social networks, so that these economies are sometimes said to represent a new brand of "network capitalism." These networks, often based on the extended family or on close-knit ethnic communities like the overseas Chinese, foster trust, lower transaction costs, and speed information and innovation. Social capital can be transmuted, so to speak, into financial capital: In novelist Amy Tan's *Joy Luck Club*, a group of mah-jong-playing friends evolves into a joint investment association.

China's extraordinary economic growth over the last decade has depended less on formal institutions than on *guanxi* (personal connections) to underpin contracts and to channel savings and investment.

Social capital, we are discovering, is also important in the development of advanced Western economies. Economic sociologist Mark Granovetter has pointed out that economic transactions like contracting or job searches are more efficient when they are embedded in social networks. It is no accident that one of the pervasive stratagems of ambitious yuppies is "networking." Studies of highly efficient, highly flexible "industrial districts" (a term coined by Alfred Marshall, one of the founders of modern economics) emphasize networks of collaboration among workers and small entrepreneurs. Such concentrations of social capital, far from being paleo-industrial anachronisms, fuel ultra-modern industries from the high tech of Silicon Valley to the high fashion of Benetton. Even in mainstream economics the so-called "new growth theory" pays more attention to social structure (the "externalities of human capital") than do conventional neoclassical models. Robert Lucas, a founder of "rational expectations" economics, acknowledges that "human capital accumulation is a fundamentally social activity, involving groups of people in a way that has no counterpart in the accumulation of physical capital."

The social capital approach can help us formulate new strategies for development. For example, current proposals for strengthening market economies and democratic institutions in the formerly Communist lands of Eurasia center almost exclusively on deficiencies in financial and human capital (thus calling for loans and technical assistance). However, the deficiencies in social capital in these countries are at least as alarming. Where are the efforts to encourage "social capital formation"? Exporting PTAs or Kiwanis clubs may seem a bit far-fetched, but how about patiently reconstructing those shards of indigenous civic associations that have survived decades of

totalitarian rule.

Historian S. Frederick Starr, for example, has drawn attention to important fragments of civil society—from philanthropic agencies to chess clubs—that persist from Russia's "usable past." (Such community associations provide especially valuable social capital when they cross ethnic or other cleavage lines.)

Closer to home, Bill Clinton's proposals for job-training schemes and industrial extension agencies invite attention to social capital. The objective should not be merely an assembly-line injection of booster shots of technical expertise and work-related skills into individual firms and workers. Rather, such programs could provide a matchless opportunity to create productive new linkages among community groups, schools, employers, and workers, without creating costly new bureaucracies. Why not experiment with modest subsidies for training programs that bring together firms, educational institutions, and community associations in innovative local partnerships? The latent effects of such programs on social capital accumulation could prove even more powerful than the direct effects on technical productivity.

Conversely, when considering the effects of economic reconversion on communities, we must weigh the risks of destroying social capital. Precisely because social capital is a public good, the costs of closing factories and destroying communities go beyond the personal trauma borne by individuals. Worse yet, some government programs themselves, such as urban renewal and public housing projects, have heedlessly ravaged existing social networks. The fact that these collective costs are not well measured by our current accounting schemes does not mean that they are not real. Shred enough of the social fabric and we all pay.

Social Capital and America's Ills

Fifty-one deaths and \$1 billion dollars in property damage in Los Angeles last year put urban decay back on the American

agenda. Yet if the ills are clear, the prescription is not. Even those most sympathetic to the plight of America's ghettos are not persuaded that simply reviving the social programs dismantled in the last decade or so will solve the problems. The erosion of social capital is an essential and under-appreciated part of the diagnosis.

Although most poor Americans do not reside in the inner city, there is something qualitatively different about the social and economic isolation experienced by the chronically poor blacks and Latinos who do. Joblessness, inadequate education, and poor health clearly truncate the opportunities of ghetto residents. Yet so do profound deficiencies in social capital.

Part of the problem facing blacks and Latinos in the inner city is that they lack "connections" in the most literal sense. Job-seekers in the ghetto have little access, for example, to conventional job referral networks. Labor economists Anne Case and Lawrence Katz have shown that, regardless of race, inner-city youth living in neighborhoods blessed with high levels of civic engagement are more likely to finish school, have a job, and avoid drugs and crime, controlling for the individual characteristics of the youth. That is, of two identical youths, the one unfortunate enough to live in a neighborhood whose social capital has eroded is more likely to end up hooked, booked, or dead. Several researchers seem to have found similar neighborhood effects on the incidence of teen pregnancy, among both blacks and whites, again controlling for personal characteristics. Where you live and whom you know—the social capital you can draw on—helps to define who you are and thus to determine your fate.

Racial and class inequalities in access to social capital, if properly measured, may be as great as inequalities in financial and human capital, and no less portentous. Economist Glenn Loury has used the term "social capital" to capture the fundamental fact that racial segregation, coupled with socially inherited differences in community networks and norms, means that in-

dividually targeted "equal opportunity" policies may not eliminate racial inequality, even in the long run. Research suggests that the life chances of today's generation depend not only on their parents' social resources, but also on the social resources of their parents' ethnic group. Even workplace integration and upward mobility by successful members of minority groups cannot overcome these persistent effects of inequalities in social capital. William Julius Wilson has described in tragic detail how the exodus of middle-class and working-class families from the ghetto has eroded the social capital available to those left behind. The settlement houses that nurtured sewing clubs and civic activism a century ago, embodying community as much as charity, are now mostly derelict.

It would be a dreadful mistake, of course, to overlook the repositories of social capital within America's minority communities. The neighborhood restaurant eponymously portrayed in Mitchell Duneier's recent *Slim's Table*, for example, nurtures fellowship and intercourse that enable blacks (and whites) in Chicago's South Side to sustain a modicum of collective life. Historically, the black church has been the most bounteous treasure-house of social capital for African Americans. The church provided the organizational infrastructure for political mobilization in the civil rights movement. Recent work on American political participation by political scientist Sidney Verba and his colleagues shows that the church is a uniquely powerful resource for political engagement among blacks—an arena in which to learn about public affairs and hone political skills and make connections.

In tackling the ills of America's cities, investments in physical capital, financial capital, human capital, and social capital are complementary, not competing alternatives. Investments in jobs and education, for example, will be more effective if they are coupled with reinvigoration of

community associations.

Some churches provide job banks and serve as informal credit bureaus, for example, using their reputational capital to vouch for members who may be ex-convicts, former drug addicts, or high school dropouts. In such cases the church does not merely provide referral networks. More fundamentally, wary employers and financial institutions bank on the church's ability to identify parishioners whose formal credentials understate their reliability. At the same time, because these parishioners value their standing in the church, and because the church has put its own reputation on the line, they have an additional incentive to perform. Like conventional capital for conventional borrowers, social capital serves as a kind of collateral for men and women who are excluded from ordinary credit or labor markets. In effect, the participants pledge their social connections, leveraging social capital to improve the efficiency with which markets operate.

The importance of social capital for America's domestic agenda is not limited to minority communities. Take public education, for instance. The success of private schools is attributable, according to James Coleman's massive research, not so much to what happens in the classroom nor to the endowments of individual students, but rather to the greater engagement of parents and community members in private school activities. Educational reformers like child psychologist James Comer seek to improve schooling not merely by "treating" individual children but by deliberately involving parents and others in the educational process. Educational policymakers need to move beyond debates about curriculum and governance to consider the effects of social capital. Indeed, most commonly discussed proposals for "choice" are deeply flawed by their profoundly individualist conception of education. If states and localities are to experiment with voucher systems for education or child care, why not encourage vouchers to be

spent in ways that strengthen community organization, not weaken it? Once we recognize the importance of social capital, we ought to be able to design programs that creatively combine individual choice with collective engagement.

Many people today are concerned about revitalizing American democracy. Although discussion of political reform in the United States focuses nowadays on such procedural issues as term limits and campaign financing, some of the ills that afflict the American polity reflect deeper, largely unnoticed social changes.

"Some people say that you usually can trust people. Others say that you must be wary in relations with people. Which is your view?" Responses to this question, posed repeatedly in national surveys for several decades, suggest that social trust in the United States has declined for more than a quarter century. By contrast, American politics benefited from plentiful stocks of social capital in earlier times. Recent historical work on the Progressive Era, for example, has uncovered evidence of the powerful role played by nominally non-political associations (such as women's literary societies) precisely because they provided a dense social network. Is our current predicament the result of a long-term erosion of social capital, such as community engagement and social trust?

Economist Juliet Schorr's discovery of "the unexpected decline of leisure" in America suggests that our generation is less engaged with one another outside the marketplace and thus less prepared to cooperate for shared goals. Mobile, two-career (or one-parent) families often must use the market for child care and other services formerly provided through family and neighborhood networks. Even if market-based services, considered individually, are of high quality, this deeper social trend is eroding social capital. There are more empty seats at the PTA and in church pews these days. While celebrating

the productive, liberating effects of fuller equality in the workplace, we must replace the social capital that this movement has depleted.

Our political parties, once intimately coupled to the capillaries of community life, have become evanescent confections of pollsters and media consultants and independent political entrepreneurs—the very antithesis of social capital. We have too easily accepted a conception of democracy in which public policy is not the outcome of a collective deliberation about the public interest, but rather a residue of campaign strategy. The social capital approach, focusing on the indirect effects of civic norms and networks, is a much-needed corrective to an exclusive emphasis on the formal institutions of government as an explanation for our collective discontents. If we are to make our political system more responsive, especially to those who lack connections at the top, we must nourish grass-roots organization.

Classic liberal social policy is designed to enhance the opportunities of *individuals*, but if social capital is important, this emphasis is partially misplaced. Instead we must focus on community development, allowing space for religious organizations and choral societies and Little Leagues that may seem to have little to do with politics or economics. Government policies, whatever their intended effects, should be vetted for their indirect effects on social capital. If, as some suspect, social capital is fostered more by home ownership than by public or private tenancy, then we should design housing policy accordingly. Similarly, as Theda Skocpol has suggested, the direct benefits of national service programs might be dwarfed by the indirect benefits that could flow from the creation of social networks that cross class and racial lines. In any comprehensive strategy for improving the plight of America's communities, rebuilding social capital is as important as investing in human and physical capital.

Throughout the Bush administration, community self-reliance—"a thousand

points of light"—too often served as an ideological fig leaf for an administration that used the thinness of our public wallet as an alibi for a lack of political will. Conservatives are right to emphasize the value of intermediary associations, but they misunderstand the potential synergy between private organization and the government. *Social capital is not a substitute for effective public policy but rather a prerequisite for it and, in part, a consequence of it.* Social capital, as our Italian study suggests, works through and with states and markets, not in place of them. The social capital approach is neither an argument for cultural determinism nor an excuse to blame the victim.

Wise policy can encourage social capital formation, and social capital itself enhances the effectiveness of government action. From agricultural extension services in the last century to tax exemptions for community organizations in this one, American government has often promoted investments in social capital, and it must renew that effort now. A new administration that is, at long last, more willing to use public power and the public purse for public purpose should not overlook the importance of social connectedness as a vital backdrop for effective policy.

Students of social capital have only begun to address some of the most important questions that this approach to public affairs suggests. What are the actual trends in different forms of civic engagement? Why do communities differ in their stocks of social capital? What *kinds* of civic engagement seem most likely to foster economic growth or community effectiveness? Must specific types of social capital be matched to different public problems? Most important of all, how is social capital created and destroyed? What strategies for building (or rebuilding) social capital are most promising? How can we balance the twin strategies of exploiting existing social capital and creating it afresh? The suggestions scattered throughout this essay are intended to challenge others to

even more practical methods of encouraging new social capital formation and leveraging what we have already.

We also need to ask about the negative effects of social capital, for like human and physical capital, social capital can be put to bad purposes. Liberals have often sought to destroy some forms of social capital (from medieval guilds to neighborhood schools) in the name of individual opportunity. We have not always reckoned with the indirect social costs of our policies, but we were often right to be worried about the power of private associations. Social inequalities may be embedded in social capital. Norms and networks that serve some groups may obstruct others, particularly if the norms are discriminatory or the networks socially segregated. Recognizing the importance of social capital in sustaining community life does not exempt us from the need to worry about how that community is defined—who is inside and thus benefits from social capital, and who is outside and does not. Some forms of social capital can impair individual liberties, as critics of communitarianism warn. Many of the Founders' fears about the "mischiefs of faction" apply to social capital. Before totting up the balance sheet for social capital in its various forms, we need to weigh costs as well as benefits. This challenge still awaits.

Progress on the urgent issues facing our country and our world requires ideas that bridge outdated ideological divides. Both liberals and conservatives agree on the importance of social empowerment, as E. J. Dionne recently noted ("The Quest for Community (Again)," *TAP*, Summer 1992). The social capital approach provides a deeper conceptual underpinning for this nominal convergence. Real progress requires not facile verbal agreement, but hard thought and ideas with high fiber content. The social capital approach promises to uncover new ways of combining private social infrastructure with public policies that work, and, in turn, of using wise public policies to revitalize America's stocks of social capital.

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FAX TRANSMITTAL SHEET

TO:

President Clinton - Nancy Kerrigan

FROM:

Maria Victoria Arias Rodham.

FAX #:

1-202-456-2397

DATE:

5/11/93

TIME:

NUMBER OF PAGES TO FOLLOW:

5

OUR FAX NUMBER IS:

(305) 443-3292

OUR TELEPHONE NUMBER IS:

(305) 442-3334

MESSAGE:

*I thought you should
see what was mailed to
A fellow DEMOCRAT FRIEND OF
mine.*

The information contained in this transmission is attorney privileged and confidential. It is intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of this communication is strictly prohibited.

SENATOR BOB DOLE
WASHINGTON, D.C.

Dear Friend,

Please complete the enclosed 1993 CONSERVATIVE AGENDA SURVEY and rush it back to me today.

While I can't change last fall's election results, I can make sure that the views of the 57% of voters who voted against Bill Clinton are strongly represented here in Washington.

And with your help, that is exactly what I intend to do.

Your response to the enclosed survey will help me determine how best to advance the conservative agenda and combat the liberals who control Congress. So please, take a moment right now to complete your 1993 CONSERVATIVE AGENDA SURVEY.

Don't get me wrong. Unlike the liberal Democrats did during President Bush's Administration, we're not going to attack Bill Clinton at the expense of the best interests of the nation. But we must fight the liberals night-and-day to prevent the advancement of their own radical agenda that includes:

- * new taxes on just about everyone and everything;
- * statehood for Washington, DC;
- * Government controlled and rationed health care;
- * a lifting of the ban on gays in the military;
- * massive new social welfare spending;
- * new burdensome regulations on small businesses; and more.

The liberals are already advancing this agenda on all fronts. And right now, we need to determine the best way to counter this onslaught against the Reagan Revolution.

So please, complete your 1993 CONSERVATIVE AGENDA SURVEY and rush it back to me today. Your answers will help us determine our priorities for 1993 and beyond.

I believe our ability to push back the coming liberal tidal wave depends on how successful we are in uniting the hundreds thousands of conservatives across the nation who stood together in 1980, 1984 and 1988. Republicans, Independents and "Reagan Democrats" who share our values must unite in one effort to protect the gains we have made since 1981.

That's why I am hoping we can count on you for much needed support in the difficult weeks and months ahead. Believe me, our struggle against the liberal forces now occupying Washington is going to be long and hard.

P.O. Box 96473 • WASHINGTON, D.C. 20090-6473

05-10-1993 11:07PM FROM AGENT4
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TO

4433292 P.03

Think about it: Liberals now control the White House, Congress, the federal bureaucracy, the media, Hollywood, TV and academia.

And they are moving quickly to turn their election victory into an all out attack on what's left of the Reagan Revolution. Unless we unite and act quickly, we can expect to see:

- * a massive redistribution of income from your pocket to the pockets of those who wish to turn America into one large social welfare state;
- * Governmental policies which, in fact, promote the breakdown of family and patriotic values;
- * A weak foreign policy and military that takes America back to the days when even two-bit Third World dictators laughed at the United States.

Think back to the campaign for just a minute. Bill Clinton promised and promised that no matter what he did he would not increase taxes on the middle class. Any increases, he said, would only apply to those making \$200,000 a year or more. When we looked at his numbers, we concluded that he was, in fact, planning to increase taxes not just on the "rich," but on people making less than \$36,000 a year.

His response then was clear the charge was a "Dirty Trick" and we were all lying. That was then, of course, and now he admits that under his plan the middle class will have to pay and pay heavily.

Well, I intend to do all I can to prevent this from happening.

But those of us who must fight this battle on the floor of Congress cannot win without outside help..... help from people like you and organizations like the American Conservative Union.

The ACU is America's oldest and most respected conservative public interest organization. It was founded in 1965, and since then has been on the cutting edge of every major policy battle.

The ACU has the determination and the experience necessary to be the point guard in our war against the current liberal regime.

In 1965, the ACU began building a conservative coalition which lead to the election of Ronald Reagan in 1980. In 1976, the ACU won a landmark case in the Supreme Court barring OSHA from conducting warrantless searches of small businesses. In 1983, the ACU was the leading organization opposing the national movement for a nuclear freeze.

And now, in its fourth decade, the ACU is one of the leaders in our efforts to return conservative ideologies and candidates to power within

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the next two to four years.

Again, 57% of the Americans voting last November voted against Bill Clinton. The liberals have no mandate to tax and spend the American people into oblivion. They have no mandate to dismantle the U.S. military. And they have no mandate to assault your individual rights in the name of radical environmentalism, racial quotas or any other left-wing pipe dream.

But they have control of the House and Senate, a sympathetic media and the full support of Hollywood and America's left-wing intellectual elite. That's why you and I have our work cut out for us, and why I hope I can count on you to join me as a full partner in the American Conservative Union.

Just as I need your help, the ACU needs your support. By including a donation of \$25, \$50, \$100 or more to the ACU along with your completed 1993 CONSERVATIVE AGENDA SURVEY, the ACU will be able to help me take the battle to the liberals.

Together we can win. With your help, the ACU will:

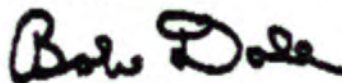
- * build public support against higher taxes on working Americans;
- * form a "Truth Squad" to inform the American people each time the Clinton Administration breaks a campaign promise;
- * reunite the political coalition that resulted in three consecutive conservative Presidential landslides;
- * recruit millions of Americans horrified by the liberal left-wing agenda to our conservative army.

These are just some of the steps we must take to prevent the breakdown of America's economic, military, and social fabric during the next four years of liberal occupation. Your completed survey and generous gift are needed to help us get started.

Let's show Bill Clinton and his people in the media that conservatives are not divided; that our movement is not dead.

Together, we can move forward with confidence and courage. We can prove that we stand united and ready to fight the liberals and take back control of the Congress and the White House. Please join me and the ACU in our struggle to keep America strong, free and proud.

Sincerely,



Bob Dole

CONSERVATIVE AGENDA REPLY

Dear Senator Dole,

I'm returning my completed survey and a contribution to allow the American Conservative Union to help lead a large grass roots advertising and lobby campaign against the Clinton Administration efforts to socialize America.

I realize all who oppose Bill and Hillary Clinton's tax, spend and burdensome regulations and red tape policies must unite together if we are to be effective in stopping them.

From: **Ms. Arlene Kambour**
4830 San Amaro Dr.
Coral Gables FL 33146-1537
BA5

☐ \$10 ☐ \$15 ☐ \$25 ☐ \$50
☐ \$100 ☐ \$250 ☐ Other \$ _____

Please make your check payable to:

AMERICAN CONSERVATIVE UNION • P.O. Box 96473 • Washington, D.C. 20090-6473

Contributions are not tax deductible for federal income tax purposes because of our active lobbying on behalf of Americans like you.

1993 CONSERVATIVE AGENDA SURVEY

1. Do you consider yourself a:

☐ Conservative

☐ Moderate

☐ Liberal

3. If I were in Congress here is how I would vote on the following issues.

I vote YES

I vote NO

☐
☐
☐

☐
☐
☐

Clinton's new taxes on fuel, gas, and heating oil.

Clinton's 70% Social Security tax increase.

Clinton's government controlled national health care.

I vote YES

I vote NO

☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Lifting the ban on gays in the military.

Increased welfare spending.

New regulations on business.

Statehood for Washington, D.C.

Lifting of the ban on Haitians coming into the country.

Major reductions in government spending.

Cut or abolish capital gains tax.

Changes in laws to allow unions officials to greatly increase their power.

Term limitations for Members of Congress.

President Clinton's \$316 Billion tax increase plan.

President Clinton's \$276.9 Billion in defense spending.

President Clinton's \$107.7 Billion in new mostly welfare spending.

☐☐☐☐☐☐☐☐☐☐☐☐☐☐

5. My opinion of President Bill Clinton is

☐ Favorable

☐ Unfavorable

☐ Undecided or neutral

☐☐☐

7. Do you believe President Bill Clinton will generally move the country in the right or wrong direction?

☐ Right direction

☐ Wrong direction

☐ Undecided

THE WHITE HOUSE
WASHINGTON

May 14, 1993

MR. PRESIDENT:

OMB and Congressional just decided that Senators Mitchell and Byrd should receive identical versions of the letters going to Foley and Natcher on your supplemental request. I have attached such letters for your signature.

TDS
Todd Stern



THE WHITE HOUSE

WASHINGTON

May 14, 1993

Dear Mr. Chairman:

On February 22, 1993, eighty-one days ago, I sent Congress legislation that would have provided immediate jobs for the American people, accelerated and sustained the current economic recovery, and provided critical investments in the nation's long-term economic growth.

As you know, that measure, with your strong backing, had the support of a solid majority of the Senate. Unfortunately, a minority in the Senate employed a filibuster to defy the will of the majority -- not only a majority of the Senate but a majority of the American people. The filibuster enabled those 43 Senators to prevent the Senate from even voting on the jobs bill.

When it was clear that a minority was intent on continuing the gridlock that has afflicted Washington for so long, I offered a pared-down jobs bill, in the spirit of compromise, seeking to achieve some of the goals of the original bill while meeting the concerns raised by its opponents. Nevertheless, gridlock prevailed.

It is obvious that any new effort to enact a jobs bill will not succeed. Therefore, today, in an effort to provide a down payment on my long-term investment program, I am proposing a new package of key, targeted investments. This supplemental appropriations measure would create additional jobs in the summer jobs program, put new police on the streets of America's towns and cities, and invest in construction of wastewater treatment facilities for many of our communities.

The cost of the proposal, \$920 million, is fully offset by reductions in the current fiscal year.

I urge you to consider this new proposal. Its elements are as follows:

- \$320,000,000 to create summer jobs for young people. We are also asking for waiver authority so that governors can seek to create jobs for youth and young adults up to the age of 29;
- \$400,000,000 for construction of wastewater treatment facilities;

- \$200,000,000 for Justice Department grants, primarily to local governments, to hire police and promote community-oriented policing. These funds will help fight crime and offset layoffs resulting from fiscal restraints on local governments.
- In order to fully offset the \$920 million in discretionary budget authority in this proposal, a .45 percent across-the-board reduction of FY 1993 domestic discretionary budget authority is proposed (excluding those programs receiving the \$920 million). This reduction will insure that no sequestration will result from enactment of this proposal.

The mandate the American people gave to all of us in November was to promote change and move this Nation forward. I believe this proposal will help us to fulfill that mandate.

As always, thank you for your continuing advice and counsel.

Sincerely,

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

THE WHITE HOUSE

WASHINGTON

May 14, 1993

Dear Mr. Leader:

On February 22, 1993, eighty-one days ago, I sent Congress legislation that would have provided immediate jobs for the American people, accelerated and sustained the current economic recovery, and provided critical investments in the nation's long-term economic growth.

As you know, that measure, with your strong backing, had the support of a solid majority of the Senate. Unfortunately, a minority in the Senate employed a filibuster to defy the will of the majority -- not only a majority of the Senate but a majority of the American people. The filibuster enabled those 43 Senators to prevent the Senate from even voting on the jobs bill.

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The mandate the American people gave to all of us in November was to promote change and move this Nation forward. I believe this proposal will help us to fulfill that mandate.

As always, thank you for your continuing advice and counsel.

Sincerely,

The Honorable George Mitchell
Majority Leader
United States Senate
Washington, D.C. 20510



THE DIRECTOR

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

May 14, 1993

The President

The White House

Submitted for your consideration are several recommendations that, taken together, would implement your highest priorities for FY 1993 supplemental appropriations. Included are three formal supplemental requests, adding to or amending your original proposals, and a proposed appropriations language general provision that would effect an across-the-board reduction in FY 1993 domestic discretionary funding to offset the supplemental proposals.

These supplemental requests include:

- o A new FY 1993 supplemental for the Justice Assistance program in the Department of Justice. This request would provide an additional \$200 million to eligible communities and States for community police services.
- o A proposed change to the amounts and to the appropriations language of your pending supplemental request for summer youth employment. This proposal would allow the flexibility to serve youth and young adults up to the age of 30 in the year-round jobs program.
- o A proposed change to the amount requested for the construction of wastewater facilities.

In order to fund these programs under the spending limits established by the Budget Enforcement Act, appropriations language is proposed that would provide for an across-the-board reduction of 0.45 percent in FY 1993 domestic discretionary budget authority.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected agencies in recommending that this package be transmitted to the Congress so that your priorities for FY 1993 supplemental action can be considered as soon as possible.

Sincerely,

A large, stylized handwritten signature in black ink, likely belonging to Leon E. Panetta, is written over the typed name and title.

Leon E. Panetta
Director

Enclosures

THE WHITE HOUSE

WASHINGTON

May 14, 1993

Dear Mr. Speaker:

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The mandate the American people gave to all of us in November was to promote change and move this Nation forward. I believe this proposal will help us to fulfill that mandate.

As always, thank you for your continuing advice and counsel.

Sincerely,

The Honorable William H. Natcher
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

May 14, 1993

Dear Mr. Chairman:

On February 22, 1993, eighty-one days ago, I sent Congress legislation that would have provided immediate jobs for the American people, accelerated and sustained the current economic recovery, and provided critical investments in the nation's long-term economic growth.

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The mandate the American people gave to all of us in November was to promote change and move this Nation forward. I believe this proposal will help us to fulfill that mandate.

As always, thank you for your continuing advice and counsel.

Sincerely,

The Honorable Thomas S. Foley
 Speaker of the House of
 Representatives
 Washington, D.C. 20515

THE WHITE HOUSE
WASHINGTON

The Speaker of the
House of Representatives

Sir:

I ask Congress to consider expeditiously the enclosed requests. Enactment of these requests will implement my Administration's highest priorities for FY 1993 supplemental appropriations. The additional spending associated with these requests would be offset by an across-the-board reduction in FY 1993 domestic discretionary budget authority.

The details of this package are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with the Director's comments and recommendations.

Sincerely,

Enclosure

DEPARTMENT OF JUSTICE
OFFICE OF JUSTICE PROGRAMS
Justice Assistance

In addition, \$200,000,000, to remain available until September 30, 1995, for grants authorized by chapter A of subpart 2 of part E of title I of the Omnibus Crime Control and Safe Streets Act of 1968, as amended, to enhance public safety and the quality of life and to promote the interaction of law enforcement officers with citizens, notwithstanding the limitations of Section 511 of said Act.

The supplemental request would provide an additional \$200 million for discretionary grants in the Byrne Anti-Drug Abuse Program to provide assistance to States, localities, and other local entities to enhance public safety and the quality of life by promoting and enhancing law enforcement interaction with citizens. The additional funding would be used to increase the number of sworn officers directly interacting with the public and to promote community-oriented policing practices at the State and local level. This proposal would increase FY 1993 outlays by \$44 million.

DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION

1994 Budget Appendix Page	Heading	1993 Supplemental Request Pending	1993 Proposed Amendment	1993 Revised Request
A-1189	Training and employ- ment service	\$1,000,000,000	-\$680,000,000	\$320,000,000

(In place of the appropriations language under the above heading, insert the following:)

For an additional amount for "Training and Employment Services," \$320,000,000, to be available upon enactment of this Act, to carry into effect the Job Training Partnership Act, of which \$5,500,000 is for activities under part D of title IV of such Act, of which up to \$1,500,000 may be transferred to the Program Administration account: and \$314,500,000 for activities under part B of title II of such Act: Provided, That of the funds provided herein for Part B of Title II, 30 percent shall be used for academic enrichment, as defined by the Secretary: Provided further, That funds used for academic enrichment shall not be used to supplant other Federal funds for existing academic services or activities, and services shall be maintained at least at the level of funding used for these purposes during the summer of 1992: Provided further, That of the funds provided herein for part B of title II, except for

DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION

1994 Budget Appendix Page	Heading	1993 Supplemental Request Pending	1993 Proposed Amendment	1993 Revised Request
	<u>the 30 percent expressly used for academic enrichment activities, and notwithstanding the limitations of section 256 of the Act, service delivery areas may transfer up to 30 percent to the program under part C of title II of the Act, if such transfer is approved by the Governor: Provided further, That up to 3 percent of each State's allotment used for academic enrichment may, at the Governor's discretion, be reserved for State administration, oversight, and technical assistance and training: Provided further, That service delivery areas may, upon approval by the Secretary, use funds transferred to Part C of Title II of the Act to serve individuals age 16 through 29, notwithstanding the limitations of section 263(c)(1) of the Act.</u> <u>Funds provided in Public Law 102-394 for part B of title III of such Act shall be available upon enactment of this Act.</u>			

This proposal would reduce the amount of the pending supplemental request for summer jobs for youth and, among other things, require that 30 percent of the amount requested be used for academic enrichment, and authorize local programs to serve individuals between the ages of 16 and 30 in the year-round youth training program with resources transferred to that program from the summer jobs program under certain circumstances.

ENVIRONMENTAL PROTECTION AGENCY

1994 Budget Appendix Page	Heading	1993 Supplemental Request Pending	1993 Proposed Amendment	1993 Revised Request
A-1196	State revolving funds/ construction grants (Water infrastructure financing)	\$845,300,000	-\$445,300,000	\$400,000,000

This proposal would reduce the amount of the pending supplemental request for capitalization grants for waste water State Revolving funds.

GENERAL PROVISION

Notwithstanding any other provision of law, domestic discretionary budget authority, as defined by the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, made available by annual appropriations acts for fiscal year 1993 is reduced by 0.45 percent: Provided, That this section shall not apply to programs for which funding is provided in this Act: Provided further, That the head of each agency may adjust the amount of the reduction to any account of such agency, but such adjustment may not alter the total reduction for the agency, nor shall any adjustment decrease any account by more than 2.0 percent: Provided further, That no program, project, or activity shall be terminated as a result of such reduction: Provided further, That no later than 30 days after the enactment of this Act, the head of each agency shall provide a listing showing the amount of the reduction for each account to the Office of Management and Budget and the Department of the Treasury: Provided further, That no later than 20 days thereafter, the Office of Management and Budget shall provide a compiled listing of all reductions by the agencies to the House and Senate Committees on Appropriations.

This proposed language would provide for an across-the-board 0.45 percent reduction in FY 1993 domestic discretionary budget authority. This reduction would finance the President's FY 1993 supplemental appropriations proposals targeted to job creation. Programs receiving such supplemental appropriations would be exempt from this reduction.

PRESS RELEASE

President Clinton today proposed a new package of targeted investments which he said would provide a down payment on his long-term plan for investments in the American people and in the well-being of the nation's communities.

The proposal would create additional jobs in the summer jobs program, put new police on the streets of America's towns and cities, and invest in construction of wastewater treatment facilities for a number of communities.

"It is obvious that any new effort to enact a jobs bill will not succeed," the President wrote in a letter to the Speaker of the House. "Therefore, today, in an effort to provide a down payment on my long-term investment program, I am proposing a new package of key, targeted investments."

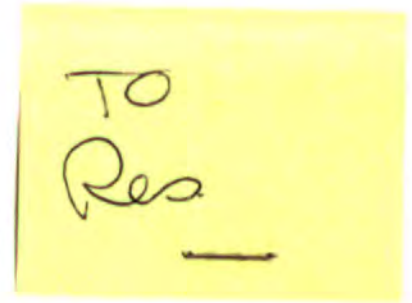
The cost of the President's proposal, \$920 million, would be fully offset by spending reductions in the current fiscal year.

The plan provides the following:

- o \$320,000,000 to create summer jobs for young people;
- o \$400,000,000 for construction of wastewater treatment facilities; and
- o \$200,000,000 for Justice Department grants, primarily to local governments, to hire police and promote community-oriented policing.



THE WHITE HOUSE
WASHINGTON



May 14, 1993

arm. I
nd last

Rev. Jesse Jackson
National Rainbow Coalition
1700 K Street, NW
Suite 800
Washington, DC 20006

Dear Jesse:

I hope you are feeling better since you got
out of the hospital.

Take care of your arm.

Sincerely,

[Handwritten signature]

018370

THE WHITE HOUSE

WASHINGTON

May 14, 1993

83 MAY 14 P7:42

MEMORANDUM FOR THE PRESIDENT

FROM: RAHM EMANUEL

SUBJECT: WEEKLY REPORT

For your information, I have attached my weekly report to the political staff.

May 14, 1993

MEMORANDUM FOR POLITICAL STAFF

FROM: RAHM

SUBJECT: WEEKLY REPORT

I. SPECIAL ELECTIONS:

Wisconsin: I have been in touch with Brady Williamson, the Barca campaign's attorney, regarding the Wisconsin recount. He is very confident that the recount will confirm Barca's victory. Half of the questionable ballots have been counted, and Barca has only lost approximately 50 votes. This means he still retains a 690 vote advantage. Unless something dramatic happens, Barca will be officially declared the winner.

Los Angeles: This morning, James, David, Emerson, Tom, and I met with Bill Knapp from the Woo campaign to review their strategy. Bill is handling the media for the campaign.

We are trying to get them to focus on a strategy that will maximize minority turn-out while simultaneously persuading Jewish liberal constituents to vote for Woo. James emphasized that Woo should push Riordan's connection to the religious right in the Republican Party. The Moral Majority/Christian Right have been helping his campaign.

James thought we should frame the campaign in terms of a "going backwards or moving ahead and facing our problems" message.

II. PRESIDENTIAL TRIPS:

This week's trips have worked in presenting the President out among the people campaigning for his Economic Plan. It has also been successful in hitting on the theme of defending the national interest against special interests.

This coming week, we will be hitting the road again to campaign on the economy, with the emphasis on the national interest vs. the special interest. We will highlight how the economic plan balances the attack on both the two deficits -- budget and investment.

In addition to the trips, we have scheduled a CEO-Labor Luncheon for Wednesday. The purpose of this lunch is to have the President get a first-hand report from business and labor leaders on the economy.

I have recommended that every Wednesday the President have lunch with CEO's from a particular industry (i.e. high-tech, automotive, agriculture.) This would demonstrate that the President is paying close attention to the economy and is in close contact with those people who make the economy tick, so to speak. In addition, these luncheons could serve as the President's own signature event.

If the radio address was Reagan's signature event, I think the CEO lunch (a picture of the President involved in the economy and business) can become the signature of the Clinton Administration.

I have sent a copy of my recommendation to George, Marcia, and Alexis. The Office of Public Liaison will become responsible for the lunch.

III. CRIME:

During the 1993 election cycle, we have a number of gubernatorial races (VA and NJ) and mayoral elections (NY and LA). Crime will play a big role in each of these elections.

The crime issue is of major concern in the country. Currently, the Democratic Party and this administration has a 15% advantage over the GOP on the issue, despite the historic characterization of Democrats as soft on crime. We should capitalize on this advantage. The crime initiative can round out our image on the liberal elite agenda.

I do not think the issue is a panacea, but it serves the administration, the party, and its '93 candidates well if we pursue the issue with vigor.

I have been pushing this issue and I hope to convene a meeting with Howard, Mark, George, and Marcia to resolve timing.

IV. OLD GROWTH FOREST:

I have met with a number of people, and have been called by a number of Congressmen, all of who express the same concern. The Board feels that what the scientists are talking about is too small. The number they are discussing as viable is about 2 vs 1.5. We risk Mike Draper walking from the agreement.

V. INTERIOR LUNCH:

On Tuesday, I was the guest speaker at the Department of Interior's "brown bag lunch" series. In short, I talked about the importance of pursuing a Western strategy when looking ahead to '96.

Many of the issues that involve/concern the Rocky Mountain States and the West Coast are issues that fall on Interior's plate, such as grazing, mining, and forest management. In my remarks, I stressed the importance of weaving together environmental and economic efforts, and the importance of Interior integrating its efforts with the WH's economic efforts. In essence, what Interior does will greatly affect '96, and therefore the Department is a surrogate for the campaign.

THE WHITE HOUSE

WASHINGTON

93 MAY 15 P1:37

May 15, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Susan Brophy *SB*
SUBJECT: Weekly Congressional Report (May 10 - 14)

I. SUMMARY

The Administration's economic plan passed a sizeable hurdle after approval by the Ways and Means Committee on a 24-14 party-line vote. All relevant House committees met the reconciliation target date of May 14. The committee reports now go back to the Budget Committee which expects to have the legislation to the Rules Committee on Wednesday, May 19. The vote for final passage of the House reconciliation bill is Thursday, May 27.

The Senate Finance Committee will begin reconciliation mark-up on June 8, following Memorial Day recess. Chairman Moynihan moved the date up a week at the urging of the Administration.

II. DISCUSSION

Senate - The Senate passed the conference report on Motor Voter on Tuesday, May 11 by a vote of 62-36, after a cloture vote of 63-37. Republicans voting for cloture were: Cohen, Domenici, Durenberger, Hatfield, Jeffords and Specter. The bill signing is scheduled for Thursday, May 20.

On May 13, the Senate passed the RTC funding bill by a 61-35 vote. This was a bipartisan effort, with substantial assistance from Senators D'Amato and Dole. Thirty-six Democrats and 25 Republicans supported the bill, 19 Democrats and 16 Republicans opposed. The bill set funding levels at \$18.3 billion for the RTC, \$8.5 billion for the Savings Association Insurance Fund (SAIF), the fund scheduled to take over responsibility for protecting deposits after the RTC is shut down, and authorizes an additional \$7.5 billion for SAIF.

Next week the Senate is scheduled to take up Campaign Finance Reform legislation. The Rules Committee is holding a hearing on Wednesday, May 19, which Ross Perot is tentatively schedule to attend. The bill is expected to go to the floor later in the week. Republican amendments are expected on PACs, spending limits and public financing.

The Senate Judiciary Committee is scheduled to hold confirmation hearings on Philip Heymann, Webb Hubbell and Drew Days. The full Senate is also expected to take up many confirmations, including Roberta Achtenberg to be Assistant Secretary of HUD for Fair Housing and Equal Opportunity.

House - The House had light floor action this week as most of the activity took place in the committees.

The House considered many bills on suspension, among them a religious freedom measure designed to prevent states from infringing on certain religious practices. The bill effectively overturns a 1990 Supreme Court decision that allowed states to enact laws that incidentally prohibit religious practices as long as the state had a valid purpose.

The House also began consideration of a bill to foster U.S. technology competitiveness in global marketplaces. The bill would authorize \$541 million for FY 94 and \$1 billion for FY 95 for grants and loans to businesses to develop new manufacturing technologies. Final passage is expected next Wednesday, May 18.

Next week the House will also consider an \$1.8 billion supplemental spending bill that includes money for U.S. peacekeeping operations in Somalia and covers funding shortfalls in a number of programs, including: Pell Grants, the SBA, a vaccine compensation program, White House staff and technology.

018372

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

93 MAY 14 P7:29

May 14, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ALAN BLINDER *AB*
SUBJECT: Interest Rates, Stock Market, and Money Supply,
Week Ending Friday, May 14, 1993

Bond yields increased substantially this week, presumably because of the larger-than-expected increases in both the Producer Price Index and the Consumer Price Index. Changes in Treasury borrowing rates over the week were as follows:

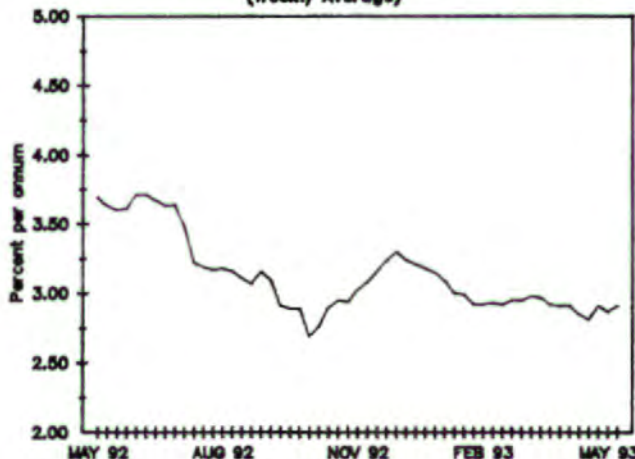
	Close 5/7/93	Close 5/14/93	Change
3-month bills	2.93	3.03	0.10
10-year bonds	5.92	6.03	0.11
30-year bonds	6.85	6.95	0.10

The stock market closed slightly lower for the week. The S&P index closed Friday (May 14) at 439.56, down 0.6 percent from the preceding Friday's close. But the Dow Jones Industrial Average (all blue-chip stocks) increased 0.2 percent over the week, closing at 3443. It hit a new record high on Wednesday of 3482.

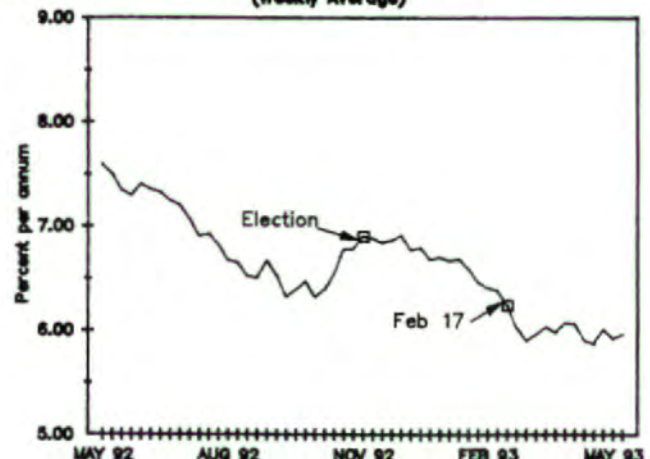
This week the Fed announced the average level of the money stocks for the week ending May 3. All three money measures rose. Since April of last year, growth rates of the various M's have been:

M1: +10.8%
M2: +0.2%
M3: -1.0%

3-Month Treasury Bill Rate
(Weekly Average)



10-Year Treasury Note Yield
(Weekly Average)



018371

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

May 14, 1993

93 MAY 14 P7:29

MEMORANDUM FOR THE PRESIDENT

FROM: ALAN BLINDER *AB*
SUBJECT: Foreign Economic Developments

Exchange Rates: The dollar rose significantly relative to both the yen and the deutschemark this week (see table). In other developments, the Spanish peseta (by 8 percent) and the Portuguese escudo (by 6.5 percent) were devalued in the European Community's Exchange Rate Mechanism. This is the third time the peseta has been devalued since the turmoil in the ERM began last September, resulting in around a 20 percent devaluation since last fall.

Week Ending 5/7/93	Week Ending 5/14/93	Percent Change
\$1 = 1.58 DM	\$1 = 1.61 DM	1.9%
1\$ = 110 Yen	\$1 = 111 Yen	0.9%

Japan: The Diet passed the supplementary budget needed to implement the fiscal package announced in mid-April.

Pay increases in major Japanese companies averaged 3.9 percent this year, the smallest increase in 6 years.

Government funded construction starts were up 8.2 percent in March on a year-over-year basis, but private civil engineering project starts fell 5.4 percent.

Europe: The overall EC unemployment rose to 10.2 percent in March from 10.1 percent in February.

Germany continues to lower its repo rate, its main money market rate, by a few basis points every week; it currently stands at 7.6 percent. West German retail sales were up just 1 percent in March on a year-over-year basis.

Italian industrial production fell 5.7 percent in March on a year-over-year basis.

French consumer prices rose 2.1 - 2.2 percent in the year ending in April.

Other Countries: Canada's index of leading indicators rose a sharp 1.4 percent in April after a 0.5 percent drop in March. Housing starts rose 15.1 percent in April (monthly basis).

Australia's unemployment rate fell to 10.7 percent in April from 10.9 percent in March.

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

017481

83-10

P7:19

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT REICH *BR*

SUBJECT: Summer Jobs

You have proposed a new kind of youth summer jobs program that is both expanded in scope and enriched in educational content. The Department of Labor is working with States, local governments, and the private sector to deliver on the commitment to a bigger and better summer jobs effort. But several matters merit your attention:

- We are rapidly approaching the practical deadline for either locking up the summer program or else re-setting our own expectations, and the public's.
- A campaign to ally private-sector summer hiring with the public summer jobs program is progressing well.
- You have been asked to consider adding young adults to the existing summer program, or creating a year-round program for jobless young adults. I have serious reservations about tying such initiatives to the summer jobs campaign, but there may be another way to deal with Rep. Waters' concerns.

Timeline for Summer Jobs

Your summer jobs proposal differs from others--and particularly from last year's effort--in scale, in its academic enrichment component, and especially in the care taken to give local program operators plenty of lead time to put together high-quality operations. Delays with the supplemental appropriation are eroding that advantage day by day. We are front-loading planning and logistical arrangements in anticipation of funding, but local program operators cannot finalize teacher and supervisor hires without the assurance that the money will be available. Already, some of our ablest teachers--the top candidates for staffing summer programs--have accepted other summer positions because of the inability of local officials to make firm job offers.

We probably have a three-week window left for delivering the kind of summer jobs program we've promised. Any delay beyond Memorial Day means a serious reduction in local capacity to mount a major expansion in job slots or develop a quality educational component. In that event--rather than risking what looks to the public like a repeat of last year's performance--we may want to revisit our summer jobs strategy.

Private Sector Campaign

Another distinguishing feature of your summer jobs program is thematically linking public jobs for income-eligible youth with an orchestrated campaign of private-sector hiring for all youth. The private sector's response so far has been encouraging. Your speech at the April 14 kickoff event has received good reviews from most business groups. We are putting the final touches on a public service announcement campaign, and expect to have advertisements running in a few weeks. I have met with groups of CEO's in Seattle and New York, urging them to organize their counterparts to boost summer hiring, and have a similar session scheduled in Boston next week. The Labor Department has established ongoing efforts to publicize the campaign and encourage participation through the National Association of Manufacturers, Businesses for Social Responsibility, the National Alliance of Business, the U.S. Chamber of Commerce, and other business groups. We also are working on the local level in key cities to monitor private-sector hiring campaigns. Progress looks good in Philadelphia, New York, Milwaukee, Boston, Kansas City, and most of the other large cities.

Summer Program Age Limit and Public Jobs

I recommend that we not add young adults to the summer jobs program.

Any such expansion of eligibility would dilute the program's effects. About 5 million disadvantaged young people ages 14 through 21 are eligible for the current summer jobs program. Our public jobs program (assuming a \$600 million supplemental) would reach around 900,000 of them. Adding disadvantaged 22- through 25-year-olds would expand the eligible pool to a total 8 million; and adding disadvantaged young adults up to age 30 would create an overall pool of 11.5 million. This would far exceed our available resources, and short-change the young people that you have already committed to help. Moreover, it would not make much of a dent in the problem of year-round urban joblessness that Rep. Waters hopes to address.

At the same time, I have serious concerns about launching a new year-round public service employment program for young adults. We need to carefully weigh the costs of such a new program, its potential benefits, and its relationship to other workforce efforts. Creating 100,000 year-round government jobs would cost about \$2 billion a year. Such a program would lower the unemployment rate, at best, by one-tenth of one percent. Public employment is an extremely expensive approach to the urban joblessness problem.

We have been down this road before. Most recently, the Comprehensive Employment and Training Act featured a major public-sector employment component. Even CETA advocates would agree that relying on public jobs to remedy unemployment was expensive, and there is no clear evidence that it increased the long-term employability of participating individuals. Public employee unions are likely to have significant objections to a program that may affect the wages and opportunities of State and local government workers. And we must be careful not to confuse the public or complicate logistics through the proliferation of public jobs programs (e.g. National Service Corps, or your future welfare reform jobs program.)

We could run a small young-adult pilot program in Los Angeles, using unspent LA summer money and some additional demonstration funds. But a full-scale, nationwide effort raises fundamental questions of mission and means.

cc: Robert Rubin
Leon Panetta

ROUTING SLIP

FROM: Mack McLarty
Chief of Staff

93 MAY 11 P 6:28
DATE: 5/11

TO:

The President _____
Sandy Berger _____
Rahm Emanuel _____
Marcia Hale _____
Alexis Herman _____
Nancy Hernreich _____
Anthony Lake _____
Bruce Lindsey _____
Regina Montoya _____
Roy Neel _____
Bernie Nussbaum _____

Vice President Gore _____
Howard Paster _____
John Podesta ✓ _____
Carol Rasco _____
Bob Rubin _____
Eli Segal _____
George Stephanopoulos _____
Christine Varney _____
David Watkins _____
Maggie Williams _____
OTHER _____

FOR YOUR:

Action _____

Information _____

See me _____

✱ For the President

017820



CHIEF OF STAFF TO THE PRESIDENT

May 11/93

Mr. President:

Per our discussion, we decided to simply not deliver the Washington Times. Upon reflection, I felt to cancel would simply create a "blip" (disturbance) we don't need.

Mac

cc: Watkins

THE WHITE HOUSE

5-11-93

Mack -

Effective Wed.
morning at 5:00 A.M.
the following newspapers
will be the only ones
delivered to the
Executive Residence:

Wash. Post
NY Times
Wall St. Journal
USA TODAY
Boston Globe

(4 copies of each
are delivered)

Mac

THE WHITE HOUSE
WASHINGTON

May 12, 1993

017881
93 MAY 12 AIO: 23

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE
HOWARD PASTER

SUBJECT: Response to Representative LaRocco Regarding
Assistance Burden Sharing

Purpose

To respond to a letter from Representative Larry LaRocco regarding assistance to Russia.

Background

Representative Larry LaRocco wrote a letter to you (Tab B) urging that the burden of assistance to Russia be adequately shared by our allies. We have drafted a response that emphasizes our work within the G-7 and among our allies to share the burden among the Western nations.

RECOMMENDATION

That you sign the response at Tab A.

Attachments

Tab A Response
Tab B Incoming

cc: Vice President
Chief of Staff

THE WHITE HOUSE

WASHINGTON

Dear Larry:

Thank you very much for your letter regarding assistance to Russia. I appreciate your support for my policy to assist President Yeltsin and the reformers of Russia. We must do all we can to ensure that democratic and market reforms continue in Russia.

I strongly concur with your view that the financial burden for assistance to Russia must be adequately shared among our allies. We have been operating on this premise from the outset. I have conducted an extensive dialogue on this subject with all the G-7 leaders and I can assure you that each one agrees on the importance of providing prompt assistance to Russia.

I sent Secretary Christopher and Secretary Bentsen to the G-7 meeting in Tokyo in April with a goal of securing substantial contributions from our partners in this effort. I believe we achieved that goal. In all, the G-7 nations agreed on \$28 billion in IMF, World Bank and EBRD programs for Russia. We will be working to ensure that those pledges are followed by commensurate actions.

I appreciate your comments on this crucial issue.

Sincerely,

The Honorable Larry LaRocco
House of Representatives
Washington, D.C. 20515

LARRY LAROCCO

1ST DISTRICT, IDAHO

COMMITTEE ON NATURAL RESOURCES

COMMITTEE ON BANKING,
FINANCE AND URBAN AFFAIRS

AT-LARGE WHIP



Congress of the United States
House of Representatives
Washington, DC 20515

April 2, 1993

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

Dear Mr. President:

I would like to express my appreciation and approval of the way in which you have handled the recent developments in Russia. As you are well aware, during these trying economic times for the United States, there is often minimal public approval of American foreign policy. Thus I applaud your commitment to justice worldwide.

While I recognize the importance of assisting Russia in its march towards democratization, I would argue that the financial burden must be shared by all of the nations with a strategic or economic interest in its survival.

In your April 1 speech to the American Society of Newspaper Editors you said, "Emphatically, the international community cannot seek to heal every domestic dispute or resolve every ethnic conflict. But within practical bounds, and with a sense of strategic priorities, we must do what we can to promote the democratic spirit and economic reforms that can tip the balance for progress in the next century."

I could not agree more. That is why I am committed to assuring our assistance for Russia and the new independent states is an internationally collaborative effort. The United States is not the only world power who stands to lose if Russia fails in its reforms. The consequences are far-reaching in terms of both international security and economic stability.

Thus, I see no reason why the burden of Russia's economic future should not be shared in much the same way the allies collectively paid for Operation Desert Shield - Desert Storm. The United States has neither the resources nor the obligation to assume full responsibility for Russia's survival.

I commend you for your commitment to President Yeltsin, the true democratically elected leader of Russia, during these difficult times. And I am hopeful that you will urge our allies to share the financial burdens associated with this important march towards democracy.

2410

011505

1117 LONGWORTH BUILDING
WASHINGTON, DC 20515-1201
(202) 225-6611

DISTRICT OFFICES

304 N. 8TH STREET
BOISE, ID 83702
(208) 343-4211

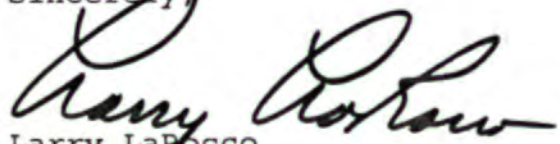
109 S. KIMBALL AVENUE
P.O. BOX 67
CALDWELL, ID 83606
(208) 459-2362

621 MAIN STREET
LEWISTON, ID 83501
(208) 746-6694

408 SHERMAN AVENUE
COEUR D'ALENE, ID 83814
(208) 667-2110

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry LaBocco". The signature is fluid and cursive, with the first name "Larry" being more prominent than the last name "LaBocco".

Larry LaBocco
Member of Congress

LARRY LAROCCO

1ST DISTRICT, IDAHO

COMMITTEE ON NATURAL RESOURCES

COMMITTEE ON BANKING,
FINANCE AND URBAN AFFAIRS

AT-LARGE WHIP



Congress of the United States
House of Representatives
Washington, DC 20515

April 2, 1993

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2410

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

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I commend you for your commitment to President Yeltsin, the true democratically elected leader of Russia, during these difficult times. And I am hopeful that you will urge our allies to share the financial burdens associated with this important march towards democracy.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry LaBocco". The signature is fluid and cursive, with a large initial "L" and a long, sweeping tail.

Larry LaBocco
Member of Congress

2410

ID# 011505

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

INCOMING

CC139

DATE RECEIVED: APRIL 07, 1993

NAME OF CORRESPONDENT: THE HONORABLE LARRY LAROCCO

SUBJECT: CONCERNS REGARDING THE UNITED STATES ASSUMING
ALL FINANCIAL BURDEN OF RUSSIA ECONOMIC
FUTURE AND HOPE THE PRESIDENT URGE OUR ALLIES
TO SHARE THE FINANCIAL BURDEN ASSOCIATED WITH

ROUTE TO:		ACTION		DISPOSITION	
OFFICE/AGENCY	(STAFF NAME)	ACT CODE	DATE YY/MM/DD	TYPE RESP	C COMPLETED D YY/MM/DD
HOWARD PASTER		ORG	93/04/07	NAN	C 93/04/07
NSC	REFERRAL NOTE:				
	REFERRAL NOTE: atten: WILCO		93/04/09		
	REFERRAL NOTE:				
	REFERRAL NOTE:				
	REFERRAL NOTE:				
	REFERRAL NOTE:				

COMMENTS: THIS IMPORTANT MARCH TOWARDS RUSSIA DEMOCRACY

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: 1230 _____
MAIL USER CODES: (A) D ID (B) _____ (C) _____

*ACTION CODES: *DISPOSITION *OUTGOING *
* * *CORRESPONDENCE: *
*A-APPROPRIATE ACTION *A-ANSWERED *TYPE RESP=INITIALS *
*C-COMMENT/RECOM *B-NON-SPEC-REFERRAL * OF SIGNER *
*D-DRAFT RESPONSE *C-COMPLETED * CODE = A *
*F-FURNISH FACT SHEET *S-SUSPENDED *COMPLETED = DATE OF *
I-INFO COPY/NO ACT NEC * OUTGOING *
*R-DIRECT REPLY W/COPY * *
*S-FOR-SIGNATURE * *
*X-INTERIM REPLY * *

REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE
(ROOM 75, OEOB) EXT-2590
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING
LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS
MANAGEMENT.

ROUTING SLIP

FROM: Mack McLarty
Chief of Staff

DATE: 93 MAY 12 5/12 P7:35

TO:

The President _____
Sandy Berger _____
Rahm Emanuel _____
Marcia Hale _____
Alexis Herman _____
Nancy Hernreich _____
Anthony Lake _____
Bruce Lindsey _____
Regina Montoya _____
Roy Neel _____
Bernie Nussbaum _____

Vice President Gore _____
Howard Paster _____
John Podesta ✓ _____
Carol Rasco _____
Bob Rubin _____
Eli Segal _____
George Stephanopoulos _____
Christine Varney _____
David Watkins _____
Maggie Williams _____
OTHER _____

FOR YOUR:

Action _____

Information ✓ _____

See me _____

✗ _____ For the President

018078

US Political Leaders Must Back Clinton on Bosnia

By Dave McCurdy

WE have now entered a defining moment in American foreign policy. The administration has made its decision on Bosnia, and at the core of the new policy is the threat of military action against Serb forces. Finally, what so many observers have demanded for so long has come to pass: The United States will become fully engaged in the Balkans war.

As with our response to Saddam Hussein in August 1990, much more is at stake than the US reply to an individual aggression. The eyes of the world, and of our own citizens, are upon us. Our actions in Bosnia will be viewed as a test-case of American leadership in a new era and a new administration.

I come to this issue with the strong belief that military action is an appropriate element of US foreign policy. I endorsed the intervention in Panama and was one of the original sponsors of the legislation granting President Bush approval for Operation Desert Storm. It is a great irony that many who opposed those operations now demand action in Bosnia and rely for success on the military credibility we have built over the past decade. But this conflict shares little in common with those actions; air strikes could easily prove counterproductive.

Nonetheless, the president has made his decision. It is now incumbent upon all of us, even those with concerns about the wisdom of military intervention, to support the new policy and demonstrate that Americans are united behind the president. We must pull together in the hope that military strikes will not be required, that the threat of active US involvement will spur a diplomatic solution. Such a threat will only be credible if the president's policy obtains broad support.

US political leaders must, therefore, help the president to articulate his new objectives to the American people. Congress should have an opportunity to vote on the policy. Then, if Serbian forces continue or escalate their attacks, President Clinton will have a mandate to act rapidly and decisively, with military force if necessary.

This new policy is banking on the idea that the Serbs will find the Vance-Owen plan more palatable than US smart bombs.

Vance-Owen, after all, would ratify Serb control of some 40 percent of Bosnia-Herzegovina - less than the 70 percent they control now, but perhaps more than they would end up with after a clash with US and allied military units. And once Vance-Owen is in place, Serbia can get out from under the crushing international embargo that is strangling its

economy. This was a tempting deal for Serbia even before the threat of air strikes, a threat that may well tip the balance.

At the same time, we must keep in mind the dangers to abandoning the neutral United Nations process and taking sides in Bosnia. We could alienate the Europeans and Russians, accelerate the Serb offensive, and create sparks in the true Balkan tinderboxes of Croatia, Macedonia, and Kosovo.

We should, therefore, not rush into strikes. Instead we should allow the threat of military action to work on the negotiating process for days and weeks. The threat of some undefined application of force may accomplish far more than actual air strikes.

In this operation, we are betting that our success in those instances where we had clear military objectives - Panama, Desert Storm - will bring about a political outcome in an area where there are no such objectives. I think the threat will work, that a political solution will emerge in coming days and weeks. But if it does not, we must be prepared for a long commitment.

Meanwhile, the American people and their political leaders should take to heart the true lesson of the Bosnia case: In future crises, the US must be prepared to act much more rapidly. At the outset of the Balkans war, the threat of immediate military action against the Serbs might have prevented much of the subsequent blood bath, and I called for such action in May 1992. Instead, the West wasted a year and acquiesced to Serb aggression.

Advocates of action by the European Community or the UN need to face the sobering reality that the decisive choices were once again left to the US. Recognizing this fact, US political leaders should be prepared to move more quickly next time, secure in the knowledge that waiting will probably produce no alternative to US action.

More than a week ago, Zbigniew Brzezinski speculated on "Meet the Press" about the consequences of inaction in Bosnia. If the West did not move boldly, he said, "the international order will be gradually attrited, and the Clinton administration will be marginalized."

On the same program, Sen. Joseph Biden Jr. (D) of Delaware, was more blunt: "If we don't act, you're going to see more Bosnias than you've ever contemplated."

At the time, I disagreed. Now the die has been cast. The world is watching. If inaction held its risks, the consequences of failure - of American arms, of American nerve, of American presidential leadership - would be far worse.

The president has made his choice, and we must ensure that he succeeds.

Rep. Dave McCurdy (D) of Oklahoma is a member of the Armed Services Committee.



Dave -
The right for
piece - as
usual - and
suppliment as
usual. usual
cc: The
President
File

March 6 1993

018077

Charlie -
President's response to
your letter is a strong and
positive one. Haiti situation is
moving in the right direction. But we
must not lose sight of the fact
that your support and friendship are so
important to the
regard.

On the
Subject, your
kind words at
the Democratic
Dinner Tuesday
night were noted
and appreciated.
They mean a
great deal to me
as does your
support and friendship.
Persuading -
Wend

THE WHITE HOUSE

WASHINGTON

Dear Charlie:

Thank you for your letters regarding United States policy toward Haiti and, in particular, your support for our intense diplomatic efforts to return democracy and President Aristide to Haiti. As I mentioned to President Aristide on March 16, I remain fully committed to the quickest possible achievement of these objectives.

The negotiations are complex, but they continue to move forward. I am very hopeful that they will succeed. I can assure you that we will not tolerate dilatory tactics from any side, and we will continue our strong diplomatic support for UN/OAS negotiator Mr. Caputo. Ambassador Pezzullo, our Special Advisor for Haiti, is very actively engaged in ensuring that Caputo receives the strongest possible backing by us and the international community.

While these diplomatic efforts continue, we are working closely with the UN, the OAS and the International Financial Institutions to rapidly put together multilateral assistance programs to support the Haitian economy, promote democratic institution-building, convert the Haitian military into an apolitical, professional force under civilian control and to create a separate police force, also civilian-controlled. We will need the support of Congress on these programs and will consult closely with you as we move forward with these initiatives.

I support in principle your idea of organizing a special Peace Corps effort for Haiti, drawing on skills in the Haitian-American community. My staff has been in touch with the Acting Director

of the Peace Corps who would be happy to discuss this proposal further with you and to be of assistance concerning training and placement of potential volunteers in Haiti.

You also raised the issue of the New York District Court's interim order regarding some fifty Haitians who have suffered serious deterioration of their immune systems. As you know, and consistent with your recommendation, the Attorney General abided by the Court's order and all of the Haitians in the identified class have now entered the United States. Several voluntary agencies are actively assisting in the resettlement of this population.

I appreciate hearing your comments on different aspects of the Haiti situation and look forward to working closely on it with you and others in Congress.

Sincerely,

The Honorable Charles B. Rangel
House of Representatives
Washington, D.C. 20515



018076

THE WHITE HOUSE

WASHINGTON

5/4

Dear Pug -

Great letter. Great advice.
If I try to take it and keep
it coming.

Sincerely
Bin

Maui

Fylr - good letter -

Be a bit
of a reality
check - indeed.
Good Advice re:

the press

in my
opinion,

Maui

FROM
THE WHITE HOUSE
WASHINGTON, D.C.

Charles D. Ravenel
123 Meeting Street
Charleston, S.C. 29401

CAPITAL SOUTH

4/27/93

Dear Mr. President Bill,

I fear you see none of my letters, but you said "please write", so I will.

From out here in the grass roots:

1. Bomb the Serbs. Though peace and resolution are unlikely results, doing nothing bold or strong in protest is far worse than trying and failing.
2. Forget the stimulus plan. Not worth the fight. AT 19 or 16 Billion, largely symbolic anyway. Lose this little one to win the big budget package. History will forget the little loss.
3. Forget Perot. Ignore him. Any other strategy is less effective. "Silence is the perfect expression of scorn". G.B. Shaw. You are the President, do your thing, not his.

Quote

4. Hard as it is, never complain about the press. You can't win that fight.

Loyally, Pug

018075



Democratic National Committee

April 29, 1993

Mr. Thomas F. McLarty
Chief of Staff
The White House
1600 Pennsylvania Avenue N.W.
Washington, D.C. 20500

Dear Mack:

Thank you for your kind letter. Also, I want to thank you for taking time out of your busy schedule to meet with the Business Leadership Forum. Just between us, you were the hit of the show! Everyone was impressed with your remarks and presentation. The BLF members particularly enjoyed hearing the remarks of a true businessman like you.

You will be happy to know that the BLF has nearly doubled its membership in the last eight weeks. I am particularly happy to report that of the 50 new BLF members who attended our event on April 15, 43 had never contributed to the Party prior to joining the BLF. In fact, one of the new members is the former wife of the Finance Chairman of the Republic National Committee. This support of the DNC is a true testament to the great work all of you in the Administration are doing.

I look forward to seeing you again in the near future. In the meantime, please let me know if there is ever anything I might be able to do for you.

Sincerely,


Terence R. McAuliffe
Chairman
Business Leadership Forum

Mr. President -
A bit self-
serving, but
suggests DNC
support can be
held and built.

At least, I'm
o.k. re: a smile
and a shoe-shine.

WW-SARA?

Waf

ROUTING SLIP

93 MAY 12 P7:45

FROM: Mack McLarty
Chief of Staff

DATE: 5/11

TO:

The President _____
Sandy Berger _____
Rahm Emanuel _____
Marcia Hale _____
Alexis Herman _____
Nancy Hernreich _____
Anthony Lake _____
Bruce Lindsey _____
Regina Montoya _____
Roy Neel _____
Bernie Nussbaum _____

Vice President Gore _____
Howard Paster _____
John Podesta ☒ _____
Carol Rasco _____
Bob Rubin _____
Eli Segal _____
George Stephanopoulos _____
Christine Varney _____
David Watkins _____
Maggie Williams _____
OTHER _____

FOR YOUR:

Action _____

Information _____

See me _____

☒ For the President

018074

May 8, 1993

MEMORANDUM FOR MACK McLARTY
MARK GEARAN
ROY NEEL
GEORGE STEPHANOPOULOS
RAHM EMANUEL

FROM: Howard Paster *HP*
SUBJECT: Attached article

I thought that you might find the attached article forwarded by Senator Riegle of interest.

Don -

*Your support is noted and
deeply appreciated.*

U.S.D.

*The President
Cc Howard
Roy W*

05/07/93 09:18 3132283188

RIEGLE - DETROIT +++ CLIPS DC

001

FAXED FROM: MONROE EVENING NEWS SUNDAY, MAY 2, 1993 PAGE NO. 1A

Riegle gives Clinton high marks

■ The senator told local supporters Saturday night that he will run again and that he will be part of drafting legislation for a national health care plan.

By JOHN ALISTERBERRY
Evening News staff writer

U.S. Sen. Donald Riegle did some cheerleading for the quarterback of the Democratic team Saturday night during a speech at the annual Unity Dinner of the Monroe County Democratic Party.

"I'm supportive of (President Bill) Clinton on every major issue," he told the crowd of about 200 party loyalists.



U.S. SEN.
DONALD RIEGLE

is to our job base," he said.
The "big times" U.S. automakers already

The three-term senator from Flint said he stands squarely behind the president on health care reform and the troubled economic stimulus package.

But he added that he disagrees with President Clinton on the pending free trade agreement with Mexico. "On this issue, I think it's critical we understand what the threat

have built 70 plants in Mexico, without the tariff benefits of the free trade pact. Sen. Riegle said more favorable trade terms for Mexico will encourage the auto companies accelerate their investment in Mexican plants.

But he said on other issues, the president has shown commitment and courage. The senator borrowed from the "Wizard of Oz" to praise President Clinton.

"You need one (a leader) with heart, you need one with good brains and you need one with guts," he said. "And we've got a president with all three."

Sen. Riegle scolded Senate Republicans for blocking the president's stimulus package with a filibuster. "I've not seen

See RIEGLE, Page 10A

Riegle (cont.)

another time, when the party other than that of the president said right off the bat, we're going to stymie them."

He said the GOP blockage of the package is "loaded with politics." He noted that Republican Sen. Robert Dole of Kansas made a two-day trip to New Hampshire as soon as the filibuster derailed that package. And Sen. Phil Gramm, R-Texas, spent the following two days there.

"New Hampshire is not a garden spot this time of year," he said. "They were there for one reason. That's the first big primary state."

He said the Republicans wanted to block the stimulus package so they could "throw a little raw meat to the hard-core Republicans up in New Hampshire" and begin positioning themselves for the 1996 presidential election.

He called the tactic "narrow and partisan and selfish."

Despite the GOP opposition, Sen. Riegle said he believes Congress will adopt some stimulus package this year.

It will include at least four key components, he said. Those are the summer jobs programs, community block grants to fund local building projects, highway construction and additional funding for Head Start.

Sen. Riegle predicted that Congress would adopt a national health care reform package this year, despite GOP pronouncements that the issue is dead for

"We've waited long enough; it's an urgent problem," he said. But the scope and timetable might be scaled back some from original predictions.

"How much they're going to do over what time has not been set," Sen. Riegle said. He said he should play a key role in answering those questions as chairman of the Senate finance subcommittee that will study the proposals and draft bills to implement them.

While Sen. Riegle hasn't formally announced that he will seek re-election next year, he said before the speech that he is planning to run. And in his remarks to the local Democrats, he hinted that his position on influential committees will be a central theme in his re-election bid.

"I've spent a long time developing the seniority in the Senate to get on committees that really matter," he said. He is chairman of the banking, housing and urban affairs committee and sits on the budget and finance committees.

"If and when I go, we're not going to get another seat at that table," he said.

And he linked the success of President Clinton's agenda and Michigan's fortunes to his own political future. "A lot needs to be done for this state," he said. "And not only that, this president needs a lot of help."

MEMORANDUM FOR THE PRESIDENT

93 MAY 12 All : 30

EVENT: CAR RIDE WITH GOVERNOR MARIO CUOMO
DATE: May 12, 1993
FROM: John P. Hart

You should be aware that we have targeted New York State, and Governor Cuomo in particular, to play a key role in our health reform efforts, and we have paid particular attention to Governor Cuomo's plan for health care reform in his state. Michael Dowling, the Governor's lead health care person, has come to the White House with other New York State health officials for individual meetings with members of the working groups, in an effort to incorporate Governor Cuomo's views into our reform efforts.

Governor Cuomo was invited to the April 28 NGA meeting in the State Dining Room (but could not attend).

New York's plan will generally work within a network-framework similar to our "alliances."

NOTE: We have also paid special attention to New York City and have invited New York City health officials to the White House for a series of individual meetings to discuss public health and Medicaid issues unique to the City. FYI: New York City ranks fourth among states in Medicaid contributions.

We recommend that you mention to Governor Cuomo the special efforts that the White House has made to incorporate his views into our health care reform policy. We will be looking to him to play a key role in supporting our plan; he holds considerable sway over the New York Congressional delegation and can play an important role as a surrogate for the Administration's health care reform package.

Attached is biographical information on Governor Cuomo, as well as background material on his health care plan for New York State.

Governor Mario M. Cuomo (D - New York)
(spouse = Matilda Raffa Cuomo)

A. Background

Governor Cuomo was born in Queens, New York in 1932. He graduated with highest honors from St. John's University and played professional baseball before entering St. John University's School of Law, where he tied for first in his 1956 graduating class. He served as confidential legal assistant to Judge Adrian P. Burke of the New York Court of Appeals, and entered private practice in 1958, while also teaching at St. John's School of Law for more than ten years.

Governor Cuomo first came to public attention in 1972 when he resolved the Forest Hills housing controversy at the request of Mayor John Lindsey. He became New York's Secretary of State in 1975, and was elected lieutenant governor in 1978. He won his first bid for Governor in 1982 and pursued a "progressive pragmatic" philosophy centered on programs to create economic opportunity, expand justice, strengthen public safety, and protect the environment. In 1986 he was reelected with the highest percentage vote and the largest margin of victory in New York history, and he was again reelected in 1992. New York State does not have term limitations for governors, and Governor Cuomo will be up for reelection in 1996.

Noted for his keynote address at the 1984 Democratic National Convention and his statement at the University of Notre Dame on church-state relations, he is also the author of three books.

B. Health Care

On April 22, 1993 Governor Cuomo unveiled a detailed plan, in the form of a 365-page bill, that will purportedly overhaul New York State's health care system. The plan would cut up to \$800 million from hospital spending over the next three years, while putting millions more into programs that encourage preventive and family medicine, and it would shift health care responsibility away from hospitals and toward family practitioners and clinics.

Much of the change would be achieved by rearranging the formula by which the state sets hospital rates, and by diverting money from the hospitals, which currently receive about \$20 billion a year from payers like the state, the federal government, and commercial insurance companies. The plan proposes to cut the state's health care bill by \$444 million over

three years by allowing the state to limit, for the first time, the amount that can be charged for surgery that does not require an overnight stay in the hospital.

Governor Cuomo's plan seeks to provide incentives for a doctor to practice general medicine outside of a hospital. In some cases, the state would almost quadruple the average Medicaid payment for a visit to a clinic or to a doctor's private office, to \$42 from \$12. The plan would encourage more doctors to go into family practice by forgiving loans of up to \$90,000 for doctors who go into such practices in underserved areas. It would also give \$15 million to New York State medical schools that steer 50 percent of their graduates into primary care; the average is now 13 to 15 percent among the state's 13 medical schools.

May 12, 1993

MEMORANDUM FOR RAHM EMANUEL

FROM: TOM EPSTEIN 

SUBJECT: L.A. MAYOR'S RACE

23 MAY 12 9:19



Update

The L.A. Times released a poll today showing Riordan with a 7-point lead among most likely voters, with 18 percent undecided. Among all registered voters, Woo has a six-point edge.

On Friday, Riordan contributed \$3 million to his campaign, triggering a provision that allows Woo to receive extra matching funds and triple the amount of money he can receive from each contributor. Woo claims to have about \$500,000 on hand and another half a million in the pipeline (he has a big dinner scheduled for Monday). His budget is \$2.5 million. The state Democratic Party is planning a \$200-400,000 independent expenditure campaign on his behalf.

Woo has had a good week in the press. A long Saturday L.A. Times story detailed Riordan's record as a leveraged buyout artist, concluding he made \$74 million but created only 14 jobs (net). It also quoted a 1988 article from L.A. Business magazine in which Riordan acknowledged "greed" as a motivation for his business dealings and observed that, "I'm taking lessons in learning how to wave to the poor people." An article today inspired by a Woo press conference reported that Riordan earned over \$2 million from government contracts after contributing tens of thousands of dollars to the decision-makers. He charged as much as \$315/hour, earned \$3.4 million on a quick-turnaround real estate deal with a city agency, and has a significant interest in a company that could benefit from his plan to lease the city airport.

Woo is on the air with spots attacking Riordan for closing two Mattel factories and shipping the 1000 jobs to Mexico. Riordan is hitting Woo for the sorry state of Woo's Hollywood City Council District.

A recent Woo poll showed swing voters are very receptive to attacks on Riordan's business dealings and support for anti-abortion groups. While somewhat weaker than Riordan on crime and the economy, Woo enjoyed a huge advantage on "do more to help middle class families." The poll, which was used to test advertising themes against Riordan, did not explore Riordan's potential attacks on Woo.

On the endorsement front, last week Riordan was endorsed by Stan Sanders, a long-time Riordan associate and African-American who received 7 percent in the primary election. Woo was endorsed by Gloria Molina today, and has the support of Barbara Boxer, Kathleen Brown, John Garamendi, Henry Waxman, David Roberti, and many of the city's black and Latino elected officials. Earlier, he was endorsed by the California Democratic Party and organized labor.

Analysis

This is a toss-up race and the President's endorsement or lack thereof could very well affect the outcome. The President's endorsement would help Woo raise money, secure the endorsement of recalcitrant Democrats (including Dianne Feinstein), and motivate generally loyal Democratic voters to stick with their candidate. Woo's polling shows the President is very popular with their most targeted swing voters.

Among the reasons to endorse Woo are:

- * He was an early Clinton supporter (before New Hampshire), while Riordan contributed at least \$45,000 to Bush and his affiliated committees.

- * He agrees with the President on policy and would be a loyal advocate for the President's agenda.

- * As the first Asian-American mayor of a major city, he would be a valuable asset (and fundraiser) with those communities nationwide; conversely, a failure to endorse would greatly disappoint Asian-American Democrats.

- * Riordan ran in the primary as a Reagan Republican. He is endorsed by Jack Kemp and Pete Wilson, and Wilson is actively involved in the campaign. Mayor Riordan would undoubtedly support Wilson against Kathleen Brown.

- * A Riordan victory would propel him to immediate national prominence. He could become a valuable vice presidential nominee in 1996.

- * The press would evaluate the race as a rebuke to the President if Riordan wins whether or not the President endorses Woo.

- * All of the Democratic Party's core constituencies are supporting Woo: labor, women, blacks, environmentalists, gays, Latinos.

The reasons not to endorse are:

- * Riordan has a good chance of winning. If the President stays out, perhaps Riordan would not oppose the President in 1996.

- * Riordan appeals to conservative white voters that the President needs. Creating an enemy of Mayor Riordan could be harmful.

- * Bill Wardlaw is Riordan's campaign chair and other former Clinton staffers have been hired by the Riordan campaign.

- * If Woo wins without the President's endorsement, he will come around and still be helpful to the President in 1996.

In my opinion, endorsing Mike Woo is the right thing to do.

Levels of Involvement

If the President endorses Woo, a continuum of involvement in the campaign is:

LOW INVOLVEMENT

- * Woo campaign announces the endorsement without an administration representative
- * Allow use of name in mail and television advertising
- * No campaign appearances by administration officials
- * No fundraising assistance

MEDIUM INVOLVEMENT

- * Announce endorsement with Cabinet official
- * One or more cabinet members participate in fundraising events
- * DNC raises some money (\$30-50,000)
- * President tapes radio spot and phone GOTV message

HIGH INVOLVEMENT

- * President announces endorsement in press event
- * Vice President appears at Woo fundraiser
- * DNC raises significant sums (over \$100,000)
- * Multiple cabinet officers scheduled for free media and fundraising events
- * President tapes television spot

The Mayor of Los Angeles is by far the dominant political media figure in the market that serves 45% of the state. He has significant influence over the spending of billions of dollars and appoints over 1000 individuals to boards and commissions. In the past six months, two major California cities (San Diego and Fresno) have elected Republican mayors to replace Democratic mayors. The state, and especially Los Angeles, are experiencing a deep economic and social crisis. It really matters who wins this election. I recommend a medium-high strategy, following the high involvement scenario except without the President's personal involvement in press events and television spots.

THE TIMES POLL

Riordan Leads Woo Among Likely Voters

By FRANK CLIFFORD
TIMES STAFF WRITER

With less than a month left in the campaign for mayor of Los Angeles, businessman Richard Riordan leads City Councilman Michael Woo 44% to 37%, according to a Times poll of voters most likely to turn out on Election Day.

However, the poll gives Woo a six-point lead among all registered voters, strongly suggesting that the fate of the election could depend on the size and nature of the turnout on June 8.

By either measure, the race appears to be in flux. Neither candidate has a majority. Thirty-six percent of all voters polled said they are weakly committed to one of the candidates or are undecided. More than half of those who are committed said both choices are distasteful.

One of those polled, Albert Temmins of Brentwood, sized up the election as an unpleasant choice between Riordan as "a Reaganite" and Woo as someone who has not leveled with voters.

"It's really a Hobson's choice between the two, and it'll finally boil down to the lesser of two evils," said Temmins, who is undecided.

The poll reinforces the notion of the campaign as a tale of two electorates. Among the larger group, the registered voters, Woo is either ahead or holding his own with people of all ages. He has an edge or is close to Riordan in most parts of town. And he is battling for an equal share of middle-of-the-road voters, a group that may hold the key to victory in a contest that caused liberals and conservatives to square off months ago.

But only 35% of the registered voters turned out for the April primary.

When the electorate is pared

Turnout Is Crucial

The Times poll conducted Saturday through Monday, in Los Angeles shows Michael Woo leading Richard Riordan among all registered voters interviewed. But Riordan is ahead among the smaller group of voters most likely to turn out, indicating that Woo faces the challenge of getting his backers to the polls.

All Registered Voters



Among Likely Voters



Source: Times Poll
PATRICIA MITCHELL, Los Angeles Times

down to likely voters—those with a consistent record of voting and a strong interest in the race—the arithmetic changes. Woo's level of support erodes broadly. Among 18- to 44-year-old voters, for example, a 9-point Woo leads turns into an 8-point Riordan advantage. A virtual tie between Woo and Riordan

Please see POLL, A8

POLL: Turnout May Decide Race for Mayor of Los Angeles

Continued from A1

among moderate voters becomes a 13-point Riordan advantage. Similarly, when the poll focuses just on likely voters, a Woo-Riordan tie on the Westside gives way to a substantial Riordan advantage.

Riordan's edge is based on his appeal to people who tend to vote more regularly in local elections. His backers include conservatives and white moderates, wealthy people, homeowners and residents of the San Fernando Valley, where about 40% of the city's voters live. He also has a slight lead among Jewish voters. And the poll found Riordan's supporters to be slightly more enthusiastic about their candidate and much more interested in the mayor's race than Woo's backers.

Fifty-three percent of voters who preferred Riordan said they were very interested in the mayor's race, but just 38% of Woo's supporters indicated a similar degree of interest.

Seventy-six percent of Anglo voters—a group that makes up most of the electorate and tends to prefer Riordan—said they intended to vote in the mayor's election. By contrast, 66% of black voters said they planned to vote. Woo has campaigned heavily in the black community, and the poll shows he is the favorite of black voters. But they must be motivated to go to the polls in large numbers for Woo to profit from their support.

"For Woo, generating enthusiasm is the big struggle. He has to convince his backers that it's worth going to the polls, either by making them like him more or by making them hate Riordan more," said John Brennan, director of the Times Poll.

Conducted May 8, 9 and 10, the poll interviewed 1,048 registered voters and has a margin of error of plus or minus three percentage points. The interviews included 409 likely voters and, in their case, has a margin of error of plus or minus six points.

So far, neither candidate has captured the public's imagination. Among likely voters, 47% have an unfavorable impression of Woo compared to 42% who have a positive view of him. Riordan fared better, but 35% of the likely voters had an unfavorable impression of

him. Fifty percent expressed a favorable view.

Many voters are clearly struggling with the choice they face on Election Day.

"It's a young-blood versus old-guard type of thing [Woo is 41 and Riordan 63.] And I haven't made up my mind about what's better for our city," said poll respondent Joel Hagler, 62, of West Los Angeles.

Like many voters polled, Richard Kukowski, 45, a former labor union official from North Hills, finds things to dislike in both candidates. His dilemma also has a racial aspect.

"I ended up voting for Riordan in the primary because of white backlash, I'd call it," Kukowski said. "There's so much crime, and a shift toward protecting minority rights so much that everything is so liberal here that I said, 'We need to work on jobs rather than minority rights.'"

"But I have mixed emotions about voting for Republicans." Another of those polled, 35-year-old Matthew Herzer of North Hollywood, said he is so turned off by both candidates that he may vote for "none of the above."

"I basically don't like either of them," Herzer said. "I think both of them are big business, and they won't change much about what's wrong with the city, and they're getting mixed in slinging mud at each other."

Others with unfavorable impressions of the candidates offered a variety of explanations. In Riordan's case, much of the criticism had to do with his reputation as a wealthy businessman who has contributed \$6 million to his own campaign. He was criticized for laying off local employees during a reorganization of Mattel Inc., the toy company he took credit for saving in campaign ads touting his leadership ability. Riordan's role with Mattel has been a frequent target of his opponent, with Woo seeking to portray Riordan as an enemy of working people.

Of those people with a poor impression of Riordan, 20% cited Riordan's management of Mattel, 14% said he is too rich or that he is an elitist, 13% said he is using his money to buy the election, and 11% said his business practices are questionable.

THE TIMES POLL

Swing Voters in the Mayor's Race

With one month to go until the mayoral runoff, 36% of registered voters are either undecided or only weakly committed to Michael Woo or Richard Riordan. These swing voters are the ones that both men need to attract in order to win on June 8. Here is a look at how they feel on some potentially important issues:



Their top priorities for the next mayor
Unemployment/economy (63%)
Crime and gangs (39%)
Education (15%)



On gun control
A 76% majority say California's gun control laws should be stricter.



On LAPD behavior
Half (50%) worry the greater danger for the city is that LAPD is too reluctant to use force; just 28% are concerned that the police are too prone to use force.



On privatizing city services
A total of 47% support privatizing city services as a way of generating more revenues; 36% oppose that idea.



On growth limits
They are divided in their preferences for more growth (44%) or limits to growth (42%).



On immigration
Two-thirds (68%) favor allowing the LAPD to work with the Immigration and Naturalization Service to identify illegal immigrants.

Source: Times poll of 1,048 registered Los Angeles city voters conducted May 8 to 10



On spending and taxes
Swing voters are virtually evenly divided (46% to 43%) on the question of whether higher taxes or cuts in government services are a bigger threat to Los Angeles.



On business and city government
Two in five (39%) think city government is too anti-business, compared with 18% who feel it is excessively pro-business.



On inner-city problems
One in three say they are problems of personal responsibility; 41%, problems of racism and economic injustice, and 17% blame both factors equally.



On abortion and school prayer
They are strongly in favor of abortion rights (75% favor the Roe vs. Wade decision that legalized abortion nationwide). A majority also favor prayer in public schools, but by a narrower margin of 53% to 39%.



On government attention to minorities
A 55% majority think that city government is not paying enough attention to minorities; just 13% think such attention is overdone.

Los Angeles Times

the two biggest problems that voters see facing the city—crime and the economy.

Forty-six percent said that Riordan could restore prosperity, compared to 35% who gave Woo the same vote of confidence. On the issue of reducing crime, 41% said Riordan would do a better job; 31% favored Woo. But 59% said that Woo would be fairer to all segments of the city, compared to 23% who thought the same of Riordan.

Among the registered voters, the poll found a substantial gender gap, with 48% of men preferring Riordan compared to 40% for Woo. Among women voters, 48% chose Woo as opposed to 32% for Riordan. When the poll looked just at likely voters, Riordan did better among both men and women, although Woo maintained his advantage with women voters.

In an officially nonpartisan race in which both candidates have played to the partisan feelings of voters, the poll found Riordan, the Republican, doing better among Democrats than Woo does among Republicans. A quarter of the Democrats said they were for Riordan and 17% of Republicans chose Democrat Woo.

Although issues of party affiliation and abortion rights have figured prominently in campaign rhetoric, voters surveyed did not regard them as especially important. Just 6% said they liked Woo specifically because he is a Democrat and 7% said they opposed Riordan because he is a Republican. Only 2% said they are opposed to Riordan because they believe he is against abortion rights. In fact, though Woo has made much of Riordan's contributions to anti-abortion groups, Riordan has said he strongly favors a woman's right to have an abortion.

Even though Woo finished behind Riordan in the primary, he has picked up more support than Riordan from voters who backed other candidates in that contest. Though Woo is also faring better among Latino voters, Riordan is making a strong challenge, and has 38% Latino support to Woo's 45%.

Assistant Times Poll Director Susan Pinkus and Times staff writer Shawn Hubler contributed to this story.

his opponent.

Woo was also seen by a number of people polled as a "panderer" who sought to curry favor with a variety of interest groups and as a politician with a tendency to "waffle" on important issues.

Thirty-three percent of voters who dislike Woo said he has done a bad job as a Hollywood councilman; 15% said he panders; 13% said he changes his mind on the issues; 10% indicate he is too liberal; and 9% say he is too much of a City Hall insider.

The poll results show that people with positive views of Woo tend to

focus on his reputation as a mediator between hostile factions in the city and as a candidate who can fairly represent the city's many cultures.

Twenty-nine percent said he has good ideas, 17% said he understands the multicultural nature of Los Angeles, and 16% said he can bring people together.

Assessing the candidates' personal characteristics, 53% of the voters said Woo had the honesty and integrity to serve as mayor; 44% had the same view of Riordan.

On the other hand, more people rated Riordan capable of handling

NATION

Molina Endorsement Gives Woo an Ally With Key Bloc

■ Mayor's race: Supervisor could sway Latinos, women. But observers say she won't dent Riordan's backing.

By RICHARD SIMON
and JAMES RAINEY
TIMES STAFF WRITERS

Los Angeles mayoral candidate Michael Woo on Tuesday won the endorsement of popular County Supervisor Gloria Molina, an important ally as he strives to attract voters in what promises to be a down-to-the-wire race with Richard Riordan.

The question, however, is whether Molina can transfer some of her own considerable charisma to City Councilman Woo, many of whose supporters seem at this point to be less than passionate about the candidate.

Molina, a liberal populist who

was a favorite to win the mayor's race had she chosen to run, was aggressively courted by both candidates because she appeals to swing voters, especially Latinos, women and reform-minded West-siders.

Molina's appeal extends beyond her obvious base in the Latino and Eastside communities, said political consultant Richard Lichtenstein, who is not working for either side.

"It was a great victory for Mike in showing that he can move ahead with coalition politics in Los Angeles," Lichtenstein said. "She has great appeal with women in our city. She is very key in making sure that women do not stray."

But the endorsement does little

Please see WOO, A8

WOO: County Supervisor Molina Backs Councilman

Continued from A1

to erode Riordan's base of more conservative, suburban voters, Lichtenstein and others said. Woo's challenge remains to inspire minority and low-income voters, who traditionally are less likely to vote than typical Riordan supporters.

"Mike has got to make it in places that aren't likely to turn out," Lichtenstein said. "Mike Woo can't just rely on high propensity voters. That is much tougher to do."

To solidify his base in the black community, Woo has won the endorsements of other prominent officeholders, including City Councilman Mark Ridley-Thomas, state Sen. Diane Watson (D-Los Angeles) and state Assembly Democrats Marguerite Archie-Hudson, Gwen Moore and Curtis Tucker Jr.

But another influential figure, Rep. Maxine Waters (D-Los Angeles), has not yet made her intentions clear.

An endorsement by Waters could be crucial to Woo in the black community, said Rick Taylor, a veteran political consultant.

"She is the difference in motivating additional African-American turnout," Taylor said. "To me she is the consciousness of the African-American community and really is the African-American leader in this city and even in this country."

Woo campaign spokesman Garry South said that many more endorsements will be announced soon and that pundits who focus on those who have not yet backed Woo miss the point.

"By the time June 8 rolls around it is going to be very clear that Mike Woo has the vast majority of the endorsements in this race," South said. "The endorsements of people who can really move blocs of votes."

The Riordan camp disputed that statement. In a brief statement on the Molina endorsement, Riordan said:

"Gloria Molina would have been a formidable candidate for mayor. I respect her decision to endorse my opponent, but I ran first in 10 of the 15 council districts in the primary and was very competitive among Latino voters. My message of safety, jobs and education continues to resonate with voters citywide."

Woo won Molina's endorsement despite his controversial call for deporting illegal immigrants who are charged with serious crimes. Molina said Tuesday that she disagreed with her former City Council colleague on that issue, but said, "I understand Mike Woo's interest in



KEN LUBAS / Los Angeles Times

Nick Patsouras, left, gives Richard Riordan his endorsement.

the issue of public safety." Still, she said she will try to persuade him to change his position, which has alienated many Latinos.

Harry Pachon of the National Assn. of Latino Elected and Appointed Officials said studies have shown that many Latinos are swayed by the views of their elected officials. "People might not know Mr. Woo's record, but they know Gloria's record," Pachon said. "I think this sends a very clear message to the community."

But Molina's endorsement is not a guaranteed lock on the Latino vote, which was estimated at 8% during last month's primary. City Councilman Richard Alatorre, for instance, has not yet made an endorsement and is said to be considering both candidates. Alatorre and Molina endorsed opposing candidates in seven Assembly and congressional races last year—with Alatorre's choices winning five of the seven.

Molina promised to mobilize her powerful grass-roots organization to get out the vote for Woo. She

mailers—most likely targeted to Latinos and women—and in TV ads.

"Mine is not just an endorsement," she said. "Mine is a commitment to getting Mike Woo elected. . . . I will be trying to recruit as many of our grass-roots folks to make sure we get out a strong vote on Election Day."

"Her folks get in the field and do work," said Peter Taylor, a Democratic Party activist who recently ran Assemblyman Richard Katz's unsuccessful campaign for mayor. "There are very few politicians who have an organization that will get out there and work hard. . . . I have no doubt that it's going to translate into hard votes on Election Day."

Molina's ability to draw a crowd was evident at Tuesday's news conference, attended by dozens of reporters and 13 TV news crews.

In contrast, Riordan made a smaller media splash at a news conference to trumpet his endorsement Tuesday by county Transportation Commissioner Nick Pat-



SUZANNE STATES / For The Times

Los Angeles County Supervisor Gloria Molina throws her support behind candidate Michael Woo.

mayoral primary with about 1% of the vote.

Political experts say that although Los Angeles is a heavily minority, Democratic city, Republican Riordan finished ahead of Democrat Woo in the primary race because he did a better job of turning out conservative, Anglo San Fernando Valley voters, who are his core supporters.

Woo is seeking to change that in the June 8 runoff. He hopes that endorsements by Molina, organized labor and the Democratic Party will help motivate his voters to go to the polls. And he is trying to get President Clinton to campaign on his behalf, even though the race is officially nonpartisan.

Political analysts view Molina's support of Woo as a potent response to Riordan's endorsement by Stan Sanders, the most successful black candidate in last month's primary.

Both endorsements are expected to have broad appeal. Among Anglo moderate Democrats, Sanders

argument that Riordan is the choice of conservative whites and a throwback to Reaganomics.

Yet Molina is a far better known and more popular politician than Sanders. Her brand of populism has built her a constituency that extends well beyond her Latino base. Her attacks on government perks, her support for political reform and her efforts to steer more government contracts to women and minorities have earned her fans among liberals and conservatives.

In endorsing Woo, Molina was joined by City Controller Rick Tuttle, a mainstream Democrat who has made his mark as a watchdog on city finances. The focus of the press conference, however, was on Molina, who said she decided to back Woo because of his support for ethics reform and open government at City Hall.

She said that Woo, as a city councilman for eight years, has been tested in the public arena. Riordan, on the other hand, is largely a "public enigma" accountable to no one.

Riordan, she said, "We've been told his business experience is a plus. . . . We've been told that wheeling and dealing in the back room is strength in corporate America. But in the public arena, it's this skill that so often undermines good policy decisions."

"We are looking for someone who is going to reform government . . . who is going to be open in government, not doing back-room deals. I think Mike Woo has demonstrated the leadership in a public setting that Richard Riordan has not."

She also complained that Riordan, by giving \$6 million of his own money to his campaign, has made a mockery of the city's campaign reform law.

Molina also said that she was troubled by Riordan's comments in a 1988 interview. "I'm taking lessons in learning how to wave to poor people," he was quoted as saying. Riordan said recently that he regrets the remark.

Times staff writer Faye Fiore con-

017280

THE WHITE HOUSE
WASHINGTON

May 7, 1993

MR. PRESIDENT:

I talked to Bob about the attached. He wanted other key advisors to see this, but was concerned about leaks. After talking with Bob, I provided copies only to the Vice President, Mack, and Bob Rubin.

John Podesta



May 7

To: BC
From: BR

I wanted you to see graphically (a starkly) where we may be headed on investment — particularly if the appropriations committees don't make major spending shifts. (I haven't shared this memo with anyone — you have the only copy.)

BSB

U.S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY
WASHINGTON, D.C.
20210

MAY - 7 1993

93 MAY 7 PM 2:47

MEMORANDUM FOR THE PRESIDENT

FROM : ROBERT B. REICH *RR*
SUBJECT: Investment Package

You should know how your investment package stacks up against those of previous administrations.

--Domestic federal core investment--defined as outlays for infrastructure (non-defense physical capital), R&D (non-defense), and education and training--ranged between 12 and 14 percent of total federal outlays through most of the 1960's and 1970's. It dropped from around 12 percent of total federal outlays in FY 1980 to around 8 percent for most of the Reagan and Bush years.

--As the defense share of spending fell, domestic investment reached 8.2 percent of outlays in FY 1992, and was estimated at 8.6 percent in the last Bush budget. Had we received the full 1993 jobs package, the core investment share would have edged up to 8.7 percent.

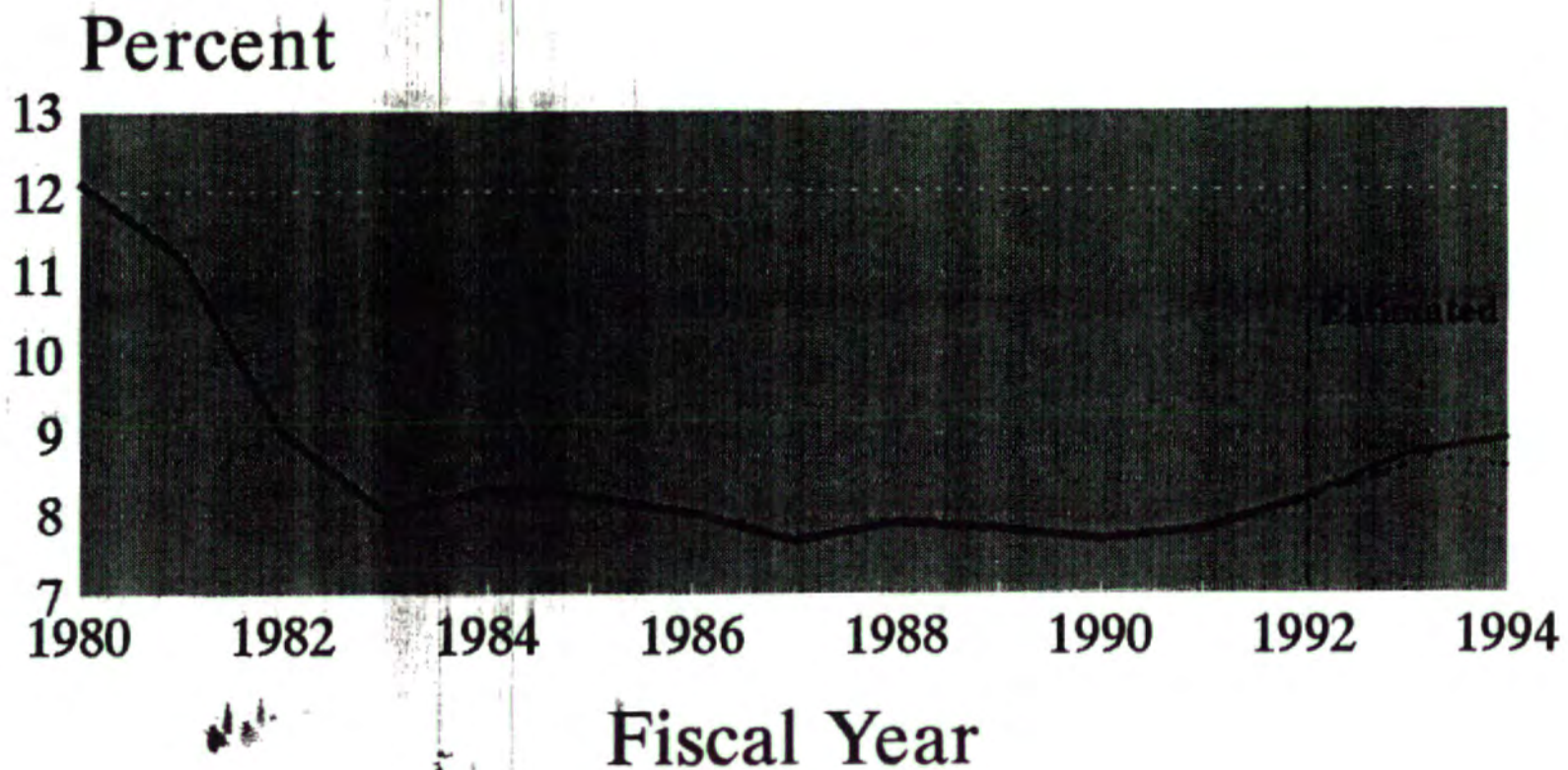
--The real recovery in core investment is slated to start in FY 1994, if we succeed. In your 1994 budget as proposed, domestic core investment claims 8.9 percent of outlays.

--But assuming that the Budget Enforcement Act (BEA) caps constraining discretionary outlays remain in place, and that the appropriations committees don't reallocate resources to investment from other programs, actual core investment will fall from FY 1993 to FY 1994, to the same 8.6 percent. In other words, the investment share of the first Clinton budget would be no higher than in the last Bush budget. (See attached chart.)

--Under the same assumptions, the FY 1995 investment picture may be even worse. While your proposed investment levels climb sharply, they collide with a projected budget shortfall nearly three times as large as that of FY 1994.

Attachments

Federal Domestic Investment As a Percentage of Total Outlays



— Actual Invest/Outlays - - - BEA Caps (CBO est.)
— Clinton Proposals - - Bush Budget

Federal Government Investment

Fiscal Year	Federal Non-Defense Public Physical Capital Investment And Grants (\$ Billions) {1}	Federal Outlays For Non-Defense R&D (\$ Billions) {2}	Federal Outlays For Education & Training (\$ Billions) {3}
1980	30.5	15.6	25.6
1981	30.9	17.2	27.9
1982	28.6	14.9	23.9
1983	28.5	13.6	23.0
1984	32.5	15.2	23.1
1985	36.6	16.9	24.5
1986	37.4	16.5	25.6
1987	36.3	16.2	24.7
1988	39.3	18.1	26.8
1989	39.1	20.4	30.0
1990	42.1	22.7	31.6
1991	44.4	24.3	34.6
1992	50.2	26.3	36.8
1993 {4}	55.7	28.0	43.1
1993 {5}	56.4	27.5	44.4
1994 {5}	61.6	28.5	45.3

Notes:

- {1} Budget Baselines, Historical Data and Alternatives for the Future, Tables 9.1 and 9.5
Budget of the United States Government, Fiscal Year 1994, pg.73.
- {2} Budget Baselines Table 10.1 and FY 1994 Budget page 73
- {3} Budget Baselines Table 10.3 and FY 1994 Budget page 73
- {4} Bush Estimates
- {5} Clinton Proposal

Federal Investment as a Percent of Outlays

Fiscal Year	Unified Budget Federal Outlays (\$ Billions) {6}	Total Domestic Investment (\$ Billions)	Domestic Investment As a Percent of Total Outlays
1980	590.9	71.7	12.1%
1981	678.2	76.0	11.2%
1982	745.8	67.3	9.0%
1983	808.4	65.1	8.1%
1984	851.8	70.8	8.3%
1985	946.4	78.0	8.2%
1986	990.3	79.5	8.0%
1987	1003.9	77.1	7.7%
1988	1064.1	84.2	7.9%
1989	1143.2	89.5	7.8%
1990	1252.7	96.4	7.7%
1991	1323.0	103.4	7.8%
1992	1380.9	113.2	8.2%
1993 {4}	1474.9	126.8	8.6%
1993 {5}	1467.6	128.2	8.7%
1994 {5}	1515.3	135.3	8.9%
1994 {7,8}	1509.9	129.9	8.6%
1994 {9}	1508.5	129.6	8.6%

Notes Continued:

{6} Budget Baselines Table 8.1 and FY 1994 Budget Page 89

{7} Clinton Proposal under BEA Caps

{8} \$5.415 Billion reduction in both discretionary investment and outlays.

{9} Clinton Proposal under CBO Reestimate of the Budget Resolution.

Outlays reduced by \$6.8 Billion. All \$5.773 Billion discretionary investment cut.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 5/7/93 ACTION/CONCURRENCE/COMMENT DUE BY: --

SUBJECT: SUMMARY OF SECRETARY BROWN'S TRIP TO JAPAN, APRIL 22-25

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☒	PASTER	☐	☒
McLARTY	☐	☒	RASCO	☐	☐
GEARAN	☐	☒	RUBIN	☐	☒
PANETTA	☐	☐	SEGAL	☐	☐
EMANUEL	☐	☐	STEPHANOPOULOS	☐	☒
GIBBONS	☐	☐	VARNEY	☐	☐
HALE	☐	☐	WATKINS	☐	☐
HERMAN	☐	☒	WILLIAMS	☐	☒
LAKE	☐	☒	NEEL	☐	☒
LINDSEY	☐	☒		☐	☐
MONTOYA	☐	☐		☐	☐
NUSSBAUM	☐	☐		☐	☐

REMARKS:

The attached has been forwarded to the President.

RESPONSE:

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
Ext. 2702

THE SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

April 30, 1993

93 MAY 6 P4:29

MEMORANDUM FOR THE PRESIDENT

FROM: Ronald H. Brown
Secretary of Commerce

Subject: Trip to Japan, April 22-25

I. SUMMARY

I visited Japan April 22-25 to hold bilateral talks with my Japanese counterparts, building on your recent discussions with Prime Minister Miyazawa, and to attend the 2nd West-East Conference of Ministers of Economy, Industry and Trade focussing on the business community's role in fostering reform in Eastern Europe and the Newly Independent States. In addition, I had the opportunity to participate in productive bilateral discussions with my counterparts from the United Kingdom, France, Russia, Poland, Hungary, Germany, Canada, and the Ukraine.

II. DISCUSSION

My Japanese bilateral agenda included an address on U.S./Japan trade relations to the American Chamber of Commerce in Japan (ACCJ); a visit to an American success story, Apple Japan, Inc.; various press events; and meetings with leading Japanese businessmen, the Prime Minister, MITI Minister Mori and Foreign Minister Muto.

I used my address to the ACCJ to set the tone for my mission and to highlight our Administration's efforts to assure sustained economic growth and the concomitant creation of high-wage, high-quality jobs for our people, our strategy to facilitate technology commercialization, the link between technology and trade, and the need to ensure open markets for our exports. I particularly emphasized the need for a new approach to our trade problems with Japan focused on results, not process. I reiterated these themes in all of my public statements and meetings with the press throughout my visit.

Many of the questions from the press and the Japanese business community reflected a near obsession with your statement during the Prime Minister's visit regarding the yen/dollar relationship. I put your statement in its original context, noting that the exchange rate is one of the many factors which may influence the size of the trade deficit.

The second clear focus was on our call for measurable results, with concerns raised about "managed trade" and the abandonment of free market principles. While reaffirming our commitment to free trade, I gently pointed out the seemingly disingenuous nature of the expression of such concern by a nation which has so successfully "managed trade" through its MITI. I added that our failure to address the trade imbalance with Japan in fact might well endanger our ability to move forward with trade liberalization. I stressed our need for results on every occasion.

In my almost hour long meeting with the Prime Minister, I continued the candid and frank dialogue you began in Washington. I reiterated why we need to focus on a results-oriented policy now, explaining to the Prime Minister how a \$50 billion bilateral trade imbalance, in addition to being unacceptable, creates attitudes in the U.S. which impede our ability to move towards an environment of global free trade.

I believe the Prime Minister has received your message on the seriousness of the problem. Noting his involvement in trade issues dating back to his service as MITI minister in 1970, Miyazawa acknowledged the various efforts at trade liberalization we have undertaken over the past 20 years. Despite these efforts, he admitted that Japan's trade surplus is an "embarrassment" and that something must be done to address it. I told him that is precisely why we need a new approach, and elaborated on our need for a two-pronged initiative focussing on structural issues and strategic export sectors. The Prime Minister said he had instructed MITI and the Foreign Ministry to prepare for the framework negotiations over the next three months.

Getting the Japanese system to deliver on the Prime Minister's commitment to you will be difficult. While he argued that our proposed framework should be consistent with "free trade" and "market principles," he did not in our meeting specifically reject a results-oriented approach. By the time our meeting was reported in the press, however, the Prime Minister's tone was given a much harder edge by the Japanese spokespersons, with much of the press citing a rejection of any measurable target oriented approach.

The hard line was picked up by Foreign Minister Muto, who indicated that arrangements along the lines of the semiconductor agreement were "foolish" and that Japan would reject a managed trade approach. When my staff had discussions with Deputy-level officials in MITI, we heard that even the framework would not go forward should we insist on market-share targets.

I advised Minister Muto that from the U.S. perspective, the semiconductor agreement was a success because it yielded results. I added that the semiconductor model is not the only way to measure progress. Other measures of progress might include, for example, the number of design-in contracts, the number of joint ventures, and absolute increases in exports. When I elaborated on these other indicators to Muto and others, there seemed to be a bit more flexibility on the Japanese part. This may be crucial to the success of our negotiations. I cautioned Muto against drawing lines in the sand, emphasizing the need to move forward to establish the agreed framework called for by you and Prime Minister Miyazawa. My constant refrain was that since we agreed that the present trade imbalance was bad for both the U.S. and Japan and since innumerable approaches to tackle the problem had not met with success, new approaches (measurable targets) clearly needed to be tried.

While MITI Minister Mori avoided any direct discussion of these issues, concentrating instead on electoral politics, our joint agreement to establish a Trade Promotion Cooperative Program and the West-East Conference, MITI staff also exhibited a hard-line attitude. Clearly, our Deputies have their work cut out for them as we move to establish our framework by July.

On a less contentious note, the West-East Conference brought together trade ministers and businesspeople from the G-7, Eastern Europe, Russia and the NIS to discuss the microeconomic, pragmatic aspects of removing obstacles to East-West trade and investment. It is particularly significant that Japan hosted the conference. This marks a major step in Japan's gradual movement to join the other G-7 countries in taking initiatives toward the East.

Prime Minister Miyazawa addressed the conference, which was chaired by MITI Minister Mori. Miyazawa emphasized the importance of the conference's role in strengthening business ties between East and West.

To reinforce the idea that America and Japan could work together to bring private investment to Russia, I invited Bob Howson, CEO of McDermott International -- a leading oil equipment firm -- to be the U.S. business representative. McDermott and Marathon Oil are in a joint venture with Mitsui and Mitsubishi in a multi-billion dollar effort to develop Russia's Sakhalin energy resources. Over a half billion dollars of U.S. oil equipment exports could result.

Russia and the other Eastern participants agreed to try to implement Western country suggestions on how to improve their investment environments. The Eastern countries also asked Western countries -- particularly the European Community -- to do more to open their markets to Eastern exports.

Poland offered to host a third conference of West-East business leaders and trade and industry ministers -- to be held next year in Warsaw. This is a positive step that points to a further development of communication between government and business in developing East-West commerce. The unique public-

private participation in these conferences is a model which should be expanded into other areas, as it builds on our public/private partnership strategy to foster economic growth.

We sometimes tend to be blase about these formal international meetings. I must admit, however, that after sitting in a room where formerly communist countries ranging from Russia to Kazakhstan -- some of which didn't even exist two years ago -- were seeking ways to speed progress toward market economies, I realized that exciting and challenging nature of the changing world which we now lead.

A handwritten signature in black ink, appearing to be 'RH' with a large, sweeping flourish above it.

Ronald H. Brown

THE WHITE HOUSE

WASHINGTON

93 MAY 6 P4: 29

May 6, 1993

John:

The following is a background memo from Secretary Brown summarizing his trip to Japan for the President.

Q

Christine

THE WHITE HOUSE

WASHINGTON

93 MAY 5 AIO: 40

May 3, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: RAHM EMANUEL *RE*

SUBJECT: THEMATIC CONSISTENCY

Although we have just experienced a difficult two weeks, we should not lose sight of the support your Presidency enjoys from the public. The Washington Post, Terrance-Lake, and our own polling show support and hope for this administration.

The public, in general, holds great hope for the administration. However, the leaks on the VAT and the loss on the stimulus have taken their toll. Furthermore, people are beginning to have serious reservations about our basic orientation.

You have received a wide range of advice on how to rectify this problem. Some recommend you return to the DLC New Democrat message, while others suggest you keep it simple and focus solely on the economy. These recommendations may not be inconsistent. You tied them together during the campaign, and you can do so again.

As you said in your Inaugural Address, "There is nothing wrong with America that cannot be fixed by what is right with American." The American people are fundamentally hopeful and positive. Your youth, energy, optimism, and strength all communicated that change is possible.

You have presented yourself as an agent of change, both from the last 12 years of waste and inequity and also from the tax-and-spend liberalism that has plagued the Democratic Party over the years. Hope is the umbrella under which you combined these two messages of change, incorporating the New Democrat theme with the break from trickle-down economics. In essence, you offered the American people an alternative, which was hope.

By defining your Presidency, we implicitly define the opposition. The Clinton Presidency is optimistic, affirmative, possible, renewed, strong, etc... The GOP, therefore, is, in contrast, pessimistic, negative, old, tired. Furthermore, we must be consistent with these messages and images.

For example, when we discuss cutting the deficit, or any other policy, it must be harnessed to one of these themes of change. We cut the deficit because it was a weight from the last twelve years which was holding back America's leadership, and American prosperity.

The deficit, like any other policy, must be put in a context which defines both you and your opponent(s). All of your discussions on any policy must consistently reflect the hopeful themes and deride the abuse of the last twelve years. Every policy statement, every action the administration takes, must represent a step toward the future and a direct break from the last twelve years.

In the meeting last week, you said we agree upon the themes for which you were elected. I think that is true. I am not so sure that there is agreement about why they worked and how they work now. I feel it is important that:

- o all policy be harnessed to a theme of a hopeful, optimistic, renewed America.
- o repeat these themes in each speech, public statement, administrative action.
- o set up the context of each goal as preparing America for a better future attacking the inertia and mistakes of the past 12 years.

The attack on the last 12 years is an effort in which the Cabinet can and should play a key role. Each Secretary should explain their reform as rectifying the inequity of the past. Below are examples of how this can be done with specific Cabinet members.

- o Secretary Bentsen -- G-7 Success
- o Secretary Aspin -- sacking of the C-17 officer
- o Secretary Babbitt -- grazing fee hearings

All of the Cabinet changes are thematically consistent if presented within context. The Cabinet Secretaries should become voices added to the administration's chorus. They should become a drum beat attacking the inequity of the past, and promoting the need to change.

A strong and active Cabinet will enable you to be a positive voice, and it pulls the spotlight off you when necessary.

It is incumbent upon myself, Dee Dee, and David Dreyer to work with the Cabinet on their message and thematic role. We need to re-double our efforts.

To return to the original purpose of this memo: the message of change. We all need to do a better job of being disciplined. Each statement, action, photo, etc... must signify hopeful

change. Even your visits with foreign dignitaries can take on this look of a new, stronger America.

We must avoid slipping around between foreign and domestic messages with each event becoming a policy statement rather than an expression of the larger theme: hope, strength, and the future.

In this way, you emerge as a national voice which is consistent with the Office of the Presidency. The Cabinet becomes a lightning rod, exposing the inequities, abuse and mismanagement of the past.

C.C. The Vice President
Mack
George

THE WHITE HOUSE

WASHINGTON

93 MAY 6 P4:19

May 6, 1993

John:

You may want to run the attached by Bill Galston before forwarding it to the President. However, it appears that the President specifically asked Riley for his views on the topic.



Christine

017173

THE WHITE HOUSE

WASHINGTON

93 MAY 6 P4:19

May 6, 1993

MEMORANDUM FOR THE PRESIDENT

FROM:

CHRISTINE A. VARNEY *CV*
Secretary to the Cabinet

Secretary Riley has forwarded the attached memorandum on GOALS--
2000 Legislation and the treatment of Opportunity-to-Learn
Standards. Apparently, you requested this memo when you were
with him Friday in New Orleans.



UNITED STATES DEPARTMENT OF EDUCATION
THE SECRETARY

May 5, 1993

MEMORANDUM TO THE PRESIDENT

FROM: Richard W. Riley
SUBJECT: GOALS 2000 Legislation and Opportunity-to-Learn Standards

I. Introduction

As we discussed en route to New Orleans on Friday, the treatment of opportunity-to-learn standards is one of the most controversial aspects of the Goals 2000 bill. The purpose of this memo is to brief you on the way opportunity-to-learn standards are treated in the Administration's GOALS 2000 legislation.

II. Background

In the past decade and a half, efforts at education reform have focused separately on inputs and outcomes. In the 60's and 70's, "accreditation" and school finance equalization were the driving forces, and they were based on input standards. In the early 80's, education reforms – especially those in Arkansas and South Carolina – addressed both inputs (through more stringent school standards and increased spending) and outcomes (through minimum competency testing and school accountability). However, the two were often not generally very closely related. While results have been mixed, it is clear that those states which had a "comprehensive approach" were the most successful.

III. Opportunity-to-Learn Standards

A. Two Opposing Views

1. Civil rights activists and liberal members of the House Education and Labor Committee prefer a much stronger federal role, by:
(1) making the opportunity-to-learn standards mandatory; (2) requiring states to provide the funds to meet the national standards and to achieve greater finance equity; (3) discouraging or prohibiting states from holding students accountable for their performance until the standards are met.

2. Most state leaders, many business leaders and most conservatives are apprehensive about delivery standards or opportunity-to-learn standards that include all financial resources that schools might need.

B. Where We Are

1. Description

Each state which receives funds for the development of action plans in GOALS 2000 must develop comprehensive action plans based on challenging standards including its own opportunity-to-learn standards. States are not required to use the national standards, though they can, if they choose, seek certification that their own standards are consistent with the national standards. This same opportunity for certification is also available to states with respect to content standards and assessments.

Our approach clearly falls short of the expectations of the major proponents of a strong federal role to promote greater equity. Yet we have made clear that we have gone as far as we are prepared to on this issue. And this has been far enough for a majority of the House subcommittee members to cosponsor the bill.

At the same time, we have earned the support of most of the major business organizations, many of the governors (except, for example, Governor Campbell), and all of the state-based education organizations. Moderate Republicans, such as Bill Goodling in the House and Jim Jeffords in the Senate, are very close to supporting the bill. They have not opposed the existence of opportunity-to-learn standards, nor, for the most part, how they are treated in the bill. Yet, they may try to water them down.

2. Rationale

We built **GOALS 2000** with the view that inputs, defined more narrowly as the quality of teaching and learning opportunities, and a focus on results, are both necessary -- and that world-class content standards should drive the process. This approach builds upon what each of us did in the early 80's. It also incorporates the reform strategies in the NGA report prepared under your leadership, recommending strategies for states to use to achieve the National Education Goals.

For example, junior high school students won't learn algebra unless they have a teacher who knows algebra and whose curriculum covers algebra. I believe we have taken the right approach in terms of policy and politics because the opportunity-to-learn standards include only those factors that directly affect student learning (see Attachment "A").

We have enough experience to know that equalizing financial resources is primarily a state issue as seen by litigation in almost half the states.

States may seek national certification separately for content standards, assessments, and opportunity-to-learn standards. Some want them linked which is much more intrusive.

IV. Summary

Our approach has satisfied most of those that are most concerned that opportunity-to-learn standards might slow the pace of reform, including Roy Romer and other state officials, Al Shanker, most business organizations, and others. Not surprisingly, it has left us vulnerable to the charge from the other end of the political spectrum, that we are inconsistent in our approach and favor the rights of states over the opportunities of disadvantaged youngsters.

With your active support, we stand a good chance of preventing amendments which will strengthen the opportunity-to-learn provisions. A greater emphasis on opportunity-to-learn standards will diminish the overall chances of bipartisan support and ultimate passage. Weakening the opportunity-to-learn provisions may cause some Democrats to fall off the bill.

Attachment "A"**Opportunity-to-Learn Standards in
GOALS 2000: EDUCATE AMERICA ACT**

- The extent to which students have access to curriculum, instructional materials and technologies which reflect the content standards they are expected to meet;
- The extent to which their teachers have the subject matter and pedagogical expertise to teach them the content;
- The extent to which teachers and building administrators have access to appropriate and ongoing professional development and other assistance so they can improve their capacity to help students meet the content standards;
- The extent to which the tests used to judge student performance are aligned with the content standards and the curriculum to which students are exposed;
- Other factors the Council deems appropriate.



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

017181

C.C. The Vice President
Mack
Rubin
PASTER
Jelp

33 MAY 6 15:14

May 6, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Leon E. Panetta 
SUBJECT: OMB Activities

This is your weekly memorandum to summarize OMB's activities and provide a running overview of progress on the administration's major policy initiatives.

Legislation reviewed and sent to the Congress includes National Service, student direct lending, and empowerment zones.

Investments: I have met with Chairman Natcher and all of the Subcommittee Chairmen of the House Appropriations Committee to begin the process of funding the Administration's investment priorities. I communicated the priority programs that you chose, totalling \$3.5 billion for FY 1994; after the \$0.5 billion by which the non-investment recommendations fall below the spending cap, these priorities will require \$3.0 billion of additional discretionary cuts. I informed the Committee and Subcommittee Chairmen that the Administration stood ready to provide specific recommendations as to where savings could be found to finance the investments, or that we would work with them to make those choices, at their option. I delivered the same message to Chairman Byrd. The agreement with both Chairmen is that we will work with them and the key subcommittee Chairmen to make room for the prioritized investments. We expect that the Administration must follow the appropriations process on a Subcommittee-by-Subcommittee basis for the duration to achieve our investment objectives. One complication in this process is that seven investment programs require new authorizing language; if funds are appropriated to other programs before those authorizations are passed, it will be very difficult to reclaim those funds for use in the new investments. As you know, other investments in the revenue and entitlement areas (such as immunizations, food stamps and a portion of empowerment zones) will be addressed in the reconciliation process.

Jobs supplemental: We continue to work on formulating a jobs supplemental package to replace the stimulus supplemental. The new package probably will not require legislative drafting by the Administration; rather, a letter from you to the Appropriations Committees making reference to the existing

supplemental language and specifying your current priorities should suffice. Our recommendation is that Governors be allowed to ask for waivers on behalf of cities to extend upward the maximum age for youth summer jobs, to address the issue of unemployed young men raised by Rep. Maxine Waters. We anticipate that the package will be largely paid for through across-the-board reductions of FY 1993 discretionary programs, with discretion for each agency to achieve the savings. This letter must be sent early next week.

Deficit reduction fund: OMB has drafted legislative language to implement the budget process reforms that you recommended in the February 17 proposal. These include extension of the discretionary caps through 1998 to accommodate investments for 1996, 1997 and 1998; a sequester mechanism without the maximum deficit amount (MDA) sequester that was counterproductive under Gramm-Rudman; a ten-year pay-as-you-go scoring requirement, to head off out-year budget time bombs like George Bush's proposed capital gains tax cuts; and a deficit reduction fund. This last item will take pay-as-you-go savings from reconciliation and any other bills that are so designated in the future, and remove them from the pay-as-you-go scorecard -- so that they cannot be spent in subsequent legislation. We believe that this trust fund will make apparent to the American people the deficit reduction that your plan achieves. We plan to have this legislation with an announcement letter for your signature next week.

Reconciliation Update: Generally the House committees are moving positively toward the May 14 deadline for submission of reconciliation legislation. The following is a brief summary of activities this week.

Agriculture

- o The Committee is likely to reach its reconciliation targets with a combination of spending reduction proposals, including reductions through triple basing and a freeze in the market promotion program. It is likely that the committee will not eliminate the subsidy to honey producers.

- o **update:** The Committee has been walking through options this week.

Armed Services

- o Instead of reducing COLAs for retirees under 62 (not in the administration's budget, but proposed by the Congress), the Committee may propose providing COLAs every fifteen months, instead of every twelve months, for all military retirees.

o update: The Senate Armed Services Committee is having a hearing on the pay issue on May 11. The House Armed Services Committee is planning to mark-up on the 12th, after the hearing. A variety of alternatives to the Administration's pay and retirement proposals are being considered.

Banking

o To achieve the required level of deficit reduction the Committee was asked by the budget resolution to consider various bank fee proposals, GNMA reforms and an IRS income verification proposal related to Federal housing programs.

o update: Alternatives to the bank fees proposed by the administration are being considered.

Education and Labor

o The direct student loan proposal is being criticized on many fronts and attempts may be made to alter it during committee consideration. We will have to watch the deliberations on this issue carefully.

o update: Contact must be made with Rep. Gordon, who has a proposal which substantially alters the direct student loan initiative.

Energy and Commerce

o The budget resolution assumed the committee would adopt a spectrum auction proposal and a variety of specific Medicaid and Medicare spending cut proposals.

o update: The health subcommittee continues to mark-up Medicare and Medicaid proposals, and it is certain that it will approve a scaled-down immunization program. Mark-up on the spectrum auction proposal is expected today.

Foreign Affairs

o The Committee is looking at options for achieving savings in the retirement programs for Foreign Service employees.

Judiciary

o update: Subcommittee mark-up on extension of the patent and trademark fee was completed Wednesday.

Merchant Marine and Fisheries

- o The Committee will likely extend the tonnage fees, a proposal assumed in the administration's budget.

Natural Resources

- o A variety of fee increases for programs administered by the Agriculture and Interior Departments and the Corps of Engineers are expected to be adopted by the committee to fulfill their reconciliation requirements.
- o **update: We have checked with the staff director and while not all the administration proposals will be adopted the committee will meet its targets with a variety of fees and collections.**

Post Office and Civil Service

- o There are a number of controversial proposals being considered by the Committee related to Federal pay and retirement benefits. We have been working with the Committee to ensure that the deficit reduction levels are achieved, although there may be some changes to proposals made in the administration's budget.
- o **update: The personnel subcommittee plans to push additional FTE reductions and administrative cuts instead of the pay proposals advanced by the administration. It is unlikely that the full committee will endorse these ideas.**

Public Works and Transportation

- o The Committee is likely to approve the aviation fees proposed in the administration's budget.

Veterans Affairs

- o While there may be some changes in our budget's specific proposals we expect the Committee to fully comply with their reconciliation directive.

Ways and Means

- o The Health Subcommittee marked up its reconciliation legislation last week and met its targets through freezes in various payments to providers. In the Human Resources Subcommittee the Family Preservation bill was adopted along with various savings proposals, and an extension of GATT fast track authority was reported by the Trade Subcommittee.

o update: the full Committee completed a relatively trouble free "walk through" of health, trade and human resources issues on Tuesday and Wednesday. Today they are reviewing tax proposals.

017189

THE WHITE HOUSE
WASHINGTON

93 MAY 6 P6:10

May 6, 1993

RECOMMENDED TELEPHONE CALL

TO: Alabama State Representative June Bugg.

DATE AND TIME: As soon as possible.

RECOMMENDED BY: Alexis Herman
Assistant to the President for Public
Liaison

PURPOSE: To congratulate Representative Bugg on
her career and dedication to the
Democratic Party.

BACKGROUND: Representative June Bugg is one of only
six women in the 105 member Alabama
House of Representatives. Elected in
1982, she is from the 29th District.
and is very active in the areas of
education and health issues.

Representative Bugg is terminally ill
with a malignant brain tumor. One of
her last wishes is to receive a
telephone call from the President. She
has left the hospital because there is
nothing else they can do for her and she
is permanently bedridden. She cannot
read but does have someone read the
newspaper to her every day and can talk
on the phone. She has assistance 24
hours a day.

Representative Bugg was also an English
Teacher at Gasden State Community
College.

The request for this call comes from
Alabama Representatives Yvonne Kennedy
and Lois Rockhold.

Her home is in Gasden which is in Etowah
County, northern Alabama.

TOPICS OF DISCUSSION: 1. In the request for this phone call it was asked that no mention be made of her illness. You should mention that you have heard from some of her colleagues about the wonderful job she has done during her time in the state house offer your congratulations.

TELEPHONE NUMBER: 205-547-7809

DATE OF SUBMISSION: May 6, 1993

ACTION: _____

THE WHITE HOUSE
WASHINGTON

May 6, 1993

MR. PRESIDENT:

Attached -- in anticipation of your meeting this afternoon with Bob Rubin - is a memo from Bob on alternative ways to use funds that would be freed up if the ITC were not pursued. A second memo, from Gene Sperling, should be ready soon and we will send that up as soon as it comes in.

TDS
Todd Stern

THE WHITE HOUSE

WASHINGTON

May 6, 1993

33 MAY 6 12:56 PM '93

MEMORANDUM FOR THE PRESIDENT

FROM:

ROBERT E. RUBIN *for*

SUBJECT:

Possible Uses of Investment Tax Credit Funds

Attached is a Treasury memorandum that outlines the choices between staying with 36 percent on the corporate rate, or lowering it to 35 percent. Obviously, you could rearrange either menu as you see fit.

Gene Sperling is preparing a memorandum which will discuss certain additional options, including the possibility of using part of the ITC saving (without regard to your decision on the 36 percent) to create room under the caps by converting Social Security administrative or unemployment administrative expenses from discretionary to mandatory. This memorandum will follow.

I can probably respond to any questions you may have. Also, in the next day or two, we will be ready to discuss the contentious issue of the collection point for natural gas under the BTU tax.

Attachment

May 6, 1993

MEMORANDUM FOR ROBERT E. RUBIN

FROM: LESLIE SAMUELS

SUBJECT: Possible Uses of Investment Tax Credits Funds

Attached are estimates for two options for the possible uses of Investment Tax Credits Funds.

Attachment

POSSIBLE USES OF INVESTMENT TAX CREDITS FUNDS

	<u>Cost (billions)</u>
Investment Tax Credits	\$30.4*
Less:	
Shortfall of JCT re-estimate	\$4.5*
Royalties	<u>2.8*</u>
	<u>7.3</u>
Balance Available	\$23.1

Option #1

	<u>Cost (billions)</u>
Increase small business expensing to \$25k	\$ 8.3
Treat hedging transactions as ordinary	4.5
64% R&E allocation for foreign tax credit purposes	3.6
Enhanced AMT (shorter-lived property, including semi-conductors) (total AMT relief would be \$10.0)	2.0
Family Preservation	1.7
Trade Adjustment Assistance	.7
Generalized System of Preferences (includes Russia)	.8
Reduce Inland Waterway Fees	.4
Campaign Finance Reform Funding	<u>.4</u>
TOTAL	<u>\$22.4</u>

Notes:

1. Does not include any amount for revision of Section 936 or meals and entertainment.
2. Does not include option which would free up between \$0 and \$12.5 billion under discretionary cap for Presidential investments by converting from discretionary to mandatory spending either Social Security Administrative costs (up to \$12.5 over five years) or Unemployment Administrative costs (up to \$12.5 over five years).

* JCT May 4, 1993, Revised Revenue Estimates.

POSSIBLE USES OF INVESTMENT TAX CREDITS FUNDS

		<u>Cost (billions)</u>
Investment Tax Credits		\$30.4*
Less:		
Shortfall of JCT re-estimate	\$4.5*	
Royalties	<u>2.8*</u>	<u>7.3</u>
Balance Available		\$23.1

Option #2

	<u>Cost (billions)</u>
Cut corporate tax rate 1%	\$15.8
Increase small business expensing to \$20k	6.0
Generalized System of Preferences (includes Russia)	.8
Reduce Inland Waterway Fees	.4
Campaign Finance Reform	<u>.4</u>
TOTAL	<u>\$23.4</u>

Notes:

1. Does not include any amount for revision of Section 936 or meals and entertainment.
2. Does not include option which would free up between \$0 and \$12.5 billion under discretionary cap for Presidential investments by converting from discretionary to mandatory spending either Social Security Administrative costs (up to \$12.5 over five years) or Unemployment Administrative costs (up to \$12.5 over five years).

* JCT May 4, 1993, Revised Revenue Estimates.

Tax Treatment of Business Hedges

Most businesses enter into hedging transactions in one form or another. For example, wheat farmers hedge against falling prices by selling wheat futures contracts, airlines hedge against rising jet fuel prices by entering into forward contracts to purchase jet fuel, and large corporations with fixed-rate borrowings hedge against the risk of falling interest rates by buying Treasury futures.

A 1988 Supreme Court opinion (Arkansas Best v. Commissioner) has had the unintended consequence of casting doubt on the deductibility of losses from hedging transactions. Broad language in the opinion ran counter to the well-accepted understanding of the tax law on which numerous transactions had been based. As a result, the IRS has proposed substantial tax deficiencies for many businesses caught unaware, including Fannie Mae which is litigating in Tax Court on its interest rate hedging activity. The broad language of the case has also forced businesses to choose between: (i) exposing themselves to the tax risk that hedging losses will not be deductible, or (ii) exposing themselves to economic risk by not entering into economically desirable hedges. As a result, both large and small businesses are irate and financial markets are being disrupted. We are under growing pressure from agriculture (including letters from the Agriculture Committees) to provide a solution. Also, Chairman Rostenkowski has a strong interest in the problem, since it affects the commodities exchanges.

The tax treatment of hedging following the 1988 decision makes no sense from an economic or tax policy perspective. Without legislation, however, it is extremely difficult to override the Supreme Court. Legislative correction of the case will receive support from big business and agriculture. The total cost would be \$4.5 billion (\$2.0 billion for prospective relief and \$2.5 billion for outstanding cases).

Research Expense Allocation

The expenses of U.S. multinationals are allocated under complex rules between U.S. and foreign income. Multinationals strongly prefer expenses to be allocated to U.S. income because this allocation allows them to use more foreign tax credits against U.S. tax.

Regulations issued by the Treasury in 1977 allocated research expenses between U.S. and foreign income for this purpose. These regulations (which allocated 30% of research expenses performed in the U.S. to U.S. income) have been overridden legislatively on numerous occasions since then to provide more favorable results to taxpayers (greater allocation to U.S. income). The last such legislative override, which allocates 64% of research expenses performed in the U.S. to U.S. income, expired in mid-1992. At that time, the Treasury announced that it would continue to apply the statutory override until the end of 1993 while it studied the allocation issue. In 1994, the old 1977 regulations that had been superseded would come into effect, but the multinationals have not yet focused on this point since they have apparently been preoccupied with the royalties proposal.

To extend this "64% solution" permanently would cost about \$3.6 billion over the budget window. It has been argued that this rule encourages the performance of research in the U.S. This proposal would be popular with high-tech multinational companies.

Note that the royalties proposal in the Administration's current revenue proposal is paired with a rule that allocates 100% of U.S. research expenses to U.S. income. This package raises a net

\$3.1 billion (\$2.8 billion Joint Tax's re-estimate). One possibility would be to modify the package (both the royalties proposal and the allocation rule) so that the package nets out at zero, although this would obviously be less popular with the high-tech community. In any event, it is important to note that if the royalties proposal is dropped and the research expense allocation issue is not dealt with in the legislation, there will be great pressure on the Administration to solve the problem through regulations. The legal authority to do this is doubtful at best, however, and this approach is questionable from a fiscal policy standpoint since it would effectively mean that the revenue loss would not have to be offset, thus adding to the deficit.

016990

THE WHITE HOUSE

WASHINGTON

May 5, 1993

93 MAY 5 P3:18
P4:31

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: Jeff Eller
Media Affairs Staff

SUBJECT: Regional Press and Enterprise Zone Conference Call

1. SUMMARY

Even with short notice, there were several good stories that resulted from your conference call on enterprise zones with mayors and others. Of particular note was the radio and television coverage in those cities.

2. DISCUSSION

In Los Angeles, four television stations covered the call as well as two all-news radio stations. In Chicago, three television stations played the story well along with substantial coverage on radio. In Baltimore, all television stations carried the story with reports from the Park Sausage Company. Radio coverage was equally as good. All television stations from Lexington and Louisville, Kentucky carried the Governor's participation along with the statewide radio network and all major statewide papers. York Pennsylvania was very similar with television from Harrisburg and local radio. New York had good radio coverage. Television was mixed. In at least two of the cities, the story lead the noon television news. The financial press coverage was very good. Business magazines in those cities are planning significant stories in their next editions including Crain's Detroit Business and the Indiana Business Magazine.

I've attached a sampling of clips. There continues to be significant local and regional press opportunities that lend themselves to moving the economic message.

Clinton unveils \$8.1 billion plan to help cities

110 neighborhoods,
'zones' to be targeted

By David Conn
Staff Writer

President Clinton introduced an \$8 billion plan yesterday that represents his first major attempt to help America's beleaguered cities, fulfilling a campaign pledge he made to the nation's mayors.

In a morning conference call to a handful of city and state politicians, including Baltimore Mayor Kurt L. Schmoke, Mr. Clinton outlined his proposed Economic Empowerment Act that he said would "result in new economic growth, opportunity and hope in areas long denied their piece of the American Dream."

The centerpiece of the program, which would expire after 10 years, is a package of tax breaks, housing credits, job training incentives and community banks, schools and policing programs worth \$8.1 billion, half of it new funding that is subject to the approval of Congress. The programs would focus on 110 areas around the country: 100 "enterprise neighborhoods" and 10 "empowerment zones." The latter would be eligible for a higher level of aid.

The zones and neighborhoods would be selected by an interagency Enterprise Board that would evaluate proposals submitted by the communities themselves, Mr. Clinton said.

Mr. Schmoke said he has at least five sites in mind to apply for the

program: Port Covington in South Baltimore, the former Esskay plant in East Baltimore, the Sandtown-Winchester neighborhood, the East Monument Street area near the Johns Hopkins Medical Institutions and the Cherry Hill neighborhood.

But despite his close relationship with the president, Mr. Schmoke warned that Baltimore was by no means assured of a spot on the list of 110.

"The fix is not in," he said at a news conference, held at the Parks Sausage Co. in Northwest Baltimore, Parkville, which moved to the Park Cir-

*"Under our program,
not a single dollar will
go out without a
coordinated strategy
developed at the
grass-roots level."*

PRESIDENT CLINTON

cle Industrial Park two years ago, was the largest recipient of state and city money at the site after it was declared a state enterprise zone in 1982.

The Economic Empowerment Act "is a fundamental departure" from both traditional Democratic programs and from the enterprise zones legislation offered by President Bush last year, Mr. Clinton said during the conference call. That bill passed Congress, but Mr. Bush vetoed it because Congress added several provi-

sions he opposed.

Also joining Mr. Schmoke in the telephone audience were the mayors of New York, Los Angeles and York, Pa.; the governor of Kentucky and a Chicago city commissioner.

According to the president, the \$8.1 billion proposal would include:

□ Tax breaks. The president's 1994-1998 budget includes \$4.1 billion in tax incentives, three-fourths of it in employment and training wage tax credits for zone residents, rather than tax breaks for the businesses in the zones. Most of those breaks would go to the 10 empowerment zones.

□ Targeted grants. About \$500 million in already budgeted enterprise grants would be allocated to the zones and neighborhoods, and another \$500 million would go to beef up police presence in the communities, "a substantial amount" of which would be targeted to the designated enterprise areas.

□ Additional targeted spending. At least \$3 billion in existing funds from various Cabinet departments would be spent in the selected communities.

One major difference from previous enterprise zone proposals, Mr. Clinton said, would be the communities' involvement in planning the programs.

"Under our program, not a single dollar will go out without a coordinated strategy developed at the grass-roots level," he said.

Baltimore Sun
5/5

The communities would have to show how they plan to coordinate all the money they might receive from city, state and federal programs, and how they plan to attract private sector support.

A benefit of the community-developed plan, Mr. Clinton said, is that it will force the myriad federal and state programs, with their crazy quilt of regulations, to work together toward an overall economic development strategy within a community.

Finally, the designated communities would be able to petition the Interagency Enterprise Board for a waiver of various federal regulations within their zones, which wasn't a part of previous plans.

"I think it will meet with a lot of support out in the country among Republicans and Democrats, and I hope we'll get that kind of bipartisan support here in the Congress," the president said.

Stuart Butler, director of domestic and economic policy studies at the conservative Heritage Foundation, praised the emphasis the program places on competition among the communities.

But, he said, Mr. Clinton's plan represented a reversal of the original idea behind enterprise zones, which "was to clear away government from these areas, deregulate, reduce taxes and let private individuals" invest and develop the areas.

"Instead, he's almost got a rerun of the Model Cities program under [President Lyndon B.] Johnson, where he's trying to cram as many programs into these neighborhoods as possible," said Mr. Butler, who wrote the first paper on enterprise zones in the United States in 1979.

Clinton phones many to empower just a few

By Robert Davis

President Clinton runs together some of the nation's top mayors and their surrogates on a national party line Tuesday, asking them to support his plan to set up a series of "empowerment zones" to revitalize American cities.

What the Democratic mayors got from the hour-long party line call was, well, primarily the party line. But, for the most part, they praised Clinton for paying attention to the urban centers, which have complained of 12 years of federal neglect from Republican administrations.

Representing Chicago was Valerie Jarrett, the city's planning and development commissioner, perhaps indicating why the city is confident it will be chosen as the site of at least one of the 10 zones Clinton envisions.

While the mayors of Los Angeles, New York City and York, Pa., were on the telephone with the president, Chicago's Richard Daley was on an airplane headed for Washington, where he was scheduled to negotiate with Democratic and Republican officials.

Although Clinton's pitch was long on hope and short on specifics, it brought enthusiastic responses from the urban leaders.

In effect, the plan would create designated areas targeted for federal funding from a variety of agencies, with a general goal of making them laboratories for development and rehabilitation.

"Instead of forcing communities to take on the impossible task of tailoring real needs to the requirements of these inflexible federal regulations, you are offering communities the flexibility to use federal dollars creatively and holistically to maximize the chances of a successful and sustainable community," said Jarrett, in the few minutes she had during the conference to express Chicago's hopes.

In fact, Jarrett said, Clinton's plan mirrors what the Daley administration has tried to do in the last couple of years, merging the Departments of Planning, Economic Development and Urban Renewal, cutting out the levels of bureaucracy that often stifled development.

By creating a type of "one-stop shopping" at the federal level, Jarrett said, cities could get federal

money quicker and avoid duplication in various agencies.

"We have strong community-based plans that would create jobs and stabilized communities," Jarrett said.

"These plans are collapsing under the weight of government regulations and red tape."

But, after the conference call, in which reporters were invited to eavesdrop in all of the seven cities involved, it seemed clear that the empowerment zone plan to cut red tape still has a lot of red tape to cut through before it becomes reality.

Jarrett said later that the first obstacle is to get congressional approval of that portion of Clinton's economic stimulus plan when it is finally fine-tuned and introduced.

And then, she conceded, the cities themselves will have to find ways to convince the Clinton administration that out of the thousands of expected applications, they are the 10 most worthy.

Holding out a little hope, Clinton also said he plans to propose establishment of about 100 "enterprise zones," which would have the same goals but on a smaller and less ambitious level.

In all, the Clinton call to the big-city mayors was a sermon to the converted, with little substance and no promises. Still, the White House paid for the call, so from a federal aid standpoint, that was a start.

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CHICAGO TRIBUNE

President not shy about asking for pork – from Parks Sausage

By David Conn
Staff Writer

President Clinton's ears perked up yesterday when he heard that Raymond V. Haysbert Sr., chairman of the Parks Sausage Co., was in the room with Baltimore Mayor Kurt L. Schmoke.

"Are you really at the Parks Sausage Co.?" Mr. Clinton asked. "I want you to send me some. I admit that I am hereby asking for my own pork."

It was the promise of a different kind of largess that drew the black-owned company to the Park Circle Industrial Park from its former location near the Camden Yards ballpark site two years ago.

The park received its first boost from then-President Ronald Reagan, who visited the location in 1982 "and said what a great place for an enterprise zone," Mr. Schmoke remarked yesterday before a conference call Mr. Clinton organized to announce a new economic development program.

"Well, they didn't put much money in, but the state did," Mr. Schmoke recalled.

It never was declared a federal enterprise zone, but Park Circle became one of 17 state zones, urban and rural, that state officials estimate have generated more than \$200 million in investments in the past decade.

At Park Circle, about 60 businesses employ 1,400 people.



MARK BUGNASKI/STAFF PHOTO

Taking part in President Clinton's conference call are (from left) Parks Sausage Co. Chairman Raymond V. Haysbert Sr., Mayor Kurt L. Schmoke and Park Heights Barbershop owner John Clinton.

The Municipal Market

By Patrick M. Fitzgibbons

Prices Stable, Market Players Wait on Deals, Treasury Plans

Municipal prices were little changed yesterday and action was muted ahead of Friday's April jobs report and today's announcement of details of the Treasury's quarterly financing.

Overall, prices were anywhere from $\frac{1}{4}$ to $\frac{1}{2}$ point higher in some spots, with higher-grade issues also up $\frac{1}{4}$ to $\frac{1}{2}$ point in quiet trading.

The tone of the market was firm to start the session, and prices remained in a fairly narrow range throughout the session.

Several traders said the market appeared "distracted" by upcoming deals and economic indicators and consequently not much got

Enterprise Zone Proposal Unveiled; Would Allow Less Use of New Bonds

By Lyna Stevens Hume

WASHINGTON — President Clinton unveiled a long-awaited enterprise zone plan yesterday that would increase the number of zones but allow less use of tax-exempt bonds than under an earlier plan drafted by the Treasury.

The President's plan, which was sent to Congress shortly after it was unveiled, calls for the creation of 110 zones, 10 of which would be designated as "empowerment zones" and 100 of which would be designated as "enterprise communities." The Treasury draft plan, leaked to the public last February, called for the creation of only 50 zones.

Please turn to ZONES Page 32

Federal Investigation Of Turnpike Widens: First Boston Corp. Is Issued Subpoena

By Steven Dickson and Aaron Pressman

A federal probe into charges of political influence peddling widened yesterday, as officials at First Boston Corp. confirmed they have been subpoenaed for information related to the case.

First Boston said it is turning over documents and other materials detailing its role in underwriting a portion of the New Jersey Turnpike Authority's 1991 and 1992 refunding, a deal at the center of an investigation by the U.S. Attorney's office in Manhattan.

Separately, Merrill Lynch & Co. said Edward Sheridan, a managing director in public finance, will over-

Please turn to FIRST BOSTON Page 3

SEC May Allow Firms to Count Derivatives In Capital Holdings Reported to Agency

By Vicky Stamas

WASHINGTON — The Securities and Exchange Commission took preliminary steps yesterday toward allowing securities firms to factor their holdings in derivative products in their calculations of their

in part to avoid regulation by the commission, which only regulates broker-dealers.

Under SEC regulations, broker-dealers must maintain minimum levels of net capital to remain in op-

N.J. Governor Bans Negotiated Underwriting At State Level

By Steven Dickson

New Jersey Gov. Jim Florio has effectively banned negotiated underwriting by the state or its agencies, except under special circumstances.

In an executive order signed yesterday, Florio directed the state and all state authorities to use only competitive bidding for bond underwritings. He also said all bond counsel selections must now be made through "a process of professional evaluation and bidding."

According to the executive order, which does not apply to local issuers, state-level issuers must select underwriters "on the basis solely of price, as determined by sealed bids submitted after public notification."

A spokesman for the governor said the reforms are not in response to a current federal probe into a state authority's bond deals and its underwriters. He also said the announcement of the changes was not speeded up to blunt criticism of the administration resulting from the charges raised by the investigation.

The reforms could dramatically alter underwriting in New Jersey,

Zones

Continued from front page

The President's plan still calls for the creation of a new category of tax-exempt private-activity bonds, but allows those bonds to be used only in the 110 designated zones.

The draft plan would have allowed the new category of bonds to be used in both formally designated zones and any areas that were certified for zone status but not formally designated.

The only other change in the President's plan would be an increase in the exemption from state volume limits for certain enterprise zone bonds. The proposal would exempt 75% of bond issues used to finance businesses that are more than 50% owned by residents of an empowerment zone.

Administration officials said yesterday that they decided to create two tiers of enterprise areas to ensure that the first-tier empowerment zones would receive major tax and spending benefits. The second-tier enterprise communities would qualify for a lesser amount of benefits.

But the tax-exempt bond incentives could be used for the most part in any of these 110 areas designated as either empowerment zones or enterprise communities, they said.

The Clinton proposal, like the Treasury draft plan, would create a new category of tax-exempt private-activity bonds called enterprise zone facility bonds. These bonds could be used to finance land and other property for businesses in the 110 areas.

The bonds would be bank eligible, regardless of the size of the issuer. In addition, 50% of each issue would be exempt from the state volume caps on private-activity bonds.

The proposal contains a new incentive for bond issues used to finance businesses that are more than 50% owned by residents of an empowerment zone. For these bond issues, 75% would be excluded from state volume caps.

Also, as in the draft plan, the amount of enterprise zone facility bonds that could be used would be capped at \$3 million per business for each zone or community and at \$20 million for each organization or company using them in more than one such area.

The tax-exempt financing incentives are a very small component of the proposal, which includes a total of about \$5 billion in new spending

and about \$4.1 billion in tax incentives and credits over a five-year period, Department of Housing and Urban Development officials said.

The biggest tax incentive in the proposal, Treasury officials said, is a wage credit that would give employers an income tax credit of up to \$5,000 for each employee who lives and works in the zone.

One of the biggest spending initiatives is for the Department of Housing and Urban Development to raise \$100 million from private entities to help fund community development banks in these areas, HUD officials said.

The proposal also calls for the creation of an interagency enterprise board to designate the zones and communities and to provide waivers of federal programs and regulations that could inhibit development in these areas.

Most of the zones and communities would be in urban areas, but some of them would be in rural areas and on Indian reservations. For the 10 empowerment zones, six would be reserved for urban areas, three for rural areas, and one for an Indian reservation. For the 100 enterprise communities, 65 would be in urban areas, 30 in rural areas, and five on Indian reservations.

President Clinton unveiled the proposal yesterday in a telephone conference call with Los Angeles Mayor Bill Bradley, Baltimore Mayor Kurt Schmoke, New York Mayor David Dinkins, and several other local officials.

The President called the proposal "a fundamental departure" from previous programs and plans, saying it will provide "targeted investment dollars" to needy areas, but allow local officials to best decide how the money is to be spent.

"Building these things from the grass-roots level is the only way to get anything done. You've got to help people help themselves," Clinton told the local officials.

The President also said, "The government needs to take the lead in offering some significant tax incentives to people who will take an additional risk to try to give people a chance who haven't had a chance in a long time."

Clinton assured Schmoke that he planned to coordinate the program with the Justice Department, which is to work with such communities to ensure there is adequate law enforcement and protection from crime.

The mayors praised the proposal. President Clinton told the mayors he needed their help to obtain bipartisan support for the measure, which is expected to be added to the tax bill that Treasury sent to Congress on Friday. "I need your help to pass it. I'm ready to work to do that," Clinton said.

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ed the deal
er Gray Davis
ation in desegrega-

Said.
He said the district needs admin-
istrators who are more capable of
doing the paperwork necessary to
gain state funds.
"I'm hopeful that somebody with
real skills at budgeting, somebody

money to schools for building and
maintenance, if its leaders knew
what they were doing.
"The reason L.A. hasn't gotten
the money from the allocation
board, they haven't supplied the
documentation that justifies it. It's

UNITED INDEPENDENT KODAKS WORKSHOPS.
"As far as I'm concerned, it's a fair
accomplish. It's just a matter of time"
before his appointment is finalized,
also said.
Board members said Thompson
likely would receive a two-year con-

President tells Bradley, others of plan to aid cities

By Patrick McGreevy
Daily News Staff Writer

Conferring with Mayor Tom Bradley and officials from other cities across the country, President Clinton announced an initiative Tuesday to focus federal efforts on economic development in 110 distressed neighborhoods across America.

Speaking with Bradley and three other mayors on a telephone conference call, Clinton proposed creating a federal Enterprise Board to oversee federal programs for 10 "Empowerment Zones" and 100 "Enterprise Neighborhoods" where local residents would develop economic revitalization strategies.

Neighborhoods selected by the Enterprise Board would receive a concentration of federal tax credits, government grants, business loans, job training, waiver of federal regulations, child care and technical assistance aimed at stimulating economic growth and the creation of new jobs, Clinton said during the conference call.

"This proposal features a single point of contact so that the federal government contributes to, rather than stifles, the growth of your communities," Clinton told the city officials, which included the mayors of New York City, Baltimore and York, Pa. "We're going to streamline our regulations, rules and paperwork so that we reward initiative at the local level.

"These are innovations and new

approaches that are going to result in new economic growth, opportunity and hope in areas long denied their piece of the American dream," Clinton said.

Although legislation still must be enacted to create the new programs, and cities will have to compete for designation as "Empowerment Zones," Bradley said Los Angeles already is preparing to obtain a designation for economically distressed areas of the city hit hardest by last year's riots.

"We're prepared to compete with any city in America," Bradley said after addressing Clinton from the mayor's City Hall office. "By the nature of the problems and the makeup of the population, the economy of the community, that (riot zone) has to be a top priority," he said.

Los Angeles Community Development Director Parker Anderson, however, said the city also will apply to get federal "enterprise neighborhood" zone status for at least five other areas of the city, including Pacoima, that are designated as state enterprise zones.

Bradley told Clinton that his proposal is a welcome change to past federal programs that gave cities highly restricted and inadequate funds to be spent as federal officials designated.

"I'm pleased that you have recognized that a comprehensive yet innovative approach must be taken," Bradley told the president. "It takes not only tax incentives

CLINTON'S PLAN

Here are some highlights of President Clinton's plan to revitalize depressed areas such as South Central Los Angeles:

- Ten Empowerment Zones and 100 Enterprise Neighborhoods would become eligible for federal aid to promote economic growth.
- Federal tax credits and grants would be made available to businesses that hire workers, buy new equipment and restore housing in targeted areas.
- Certain federal regulations would be waived, and technical assistance and child care would be provided to companies to stimulate their growth.
- Areas designated as Empowerment Zones and Enterprise Neighborhoods would be given priority for federal grants aimed at funding community based policing programs.

and grants but it also takes the kind of neighborhood involvement that will make this plan truly a product of the communities that are going to be served."

Anderson said removing unnecessary federal restrictions on federal funds would be a big help. He said current restrictions on providing technical assistance to small businesses makes it impossible to provide help unless the business is on the verge of failing.

Clinton said his program would give community leaders in each city flexibility for deciding how the federal funds and tax credits will be used.

"Under our program, not a single dollar will go out without a coordinated strategy developed at the grass-roots level," Clinton said.

He noted that past administrations have offered programs creating zones where tax credits were made available but he said "in the past it hasn't always worked."

"There has often been no coordinated strategy for using the federal money," he said. "Your growth

has been restrained by a maze of federal regulations and the need to appeal to an array of federal agencies."

His new program is "a fundamental departure from traditional programs" offered by past administrations and will allow limited federal funds to go much further by reducing bureaucratic red tape, Clinton said.

Clinton proposed "significant" tax credits for businesses that hire workers, buy new equipment and restore housing in economically distressed neighborhoods and expressed hope that the proposal would be supported by Congress.

Details of the plan must be developed, but Bradley said he has heard proposals that each "Empowerment Zone" would be limited to a blighted area of no more than 100,000 residents and 20 square miles.

Baltimore Mayor Kurt Schmoke said economic development efforts are hindered by crime problems. Clinton said his program will address that problem.

Daily News
★
LA

EXIM BANK

Q: How can you say you support exports -- and the work of the Export-Import Bank -- when you are proposing to cut its budget substantially? (You have proposed to reduce the Exim Bank budget by \$301 Million over the next five years.)

A: -- To maintain our competitiveness abroad, we must put our house in order and reduce the budget deficit.

-- That has an impact on a number of worthy programs, including the programs of the Export-Import Bank.

-- However, "Reinventing Government" means that we have to learn how to do more with our limited resources.

-- As part of that initiative, the Eximbank is committed to "doing more with less".

-- Right now it takes 6 months to process an application and only 1 out of 6 approvals leads to an actual sale.

-- The Bank hopes to streamline the procedures by which applications are processed.

-- Rather than taking 6 months to process an application, the Bank hopes to issue "letters of interest" within 7 days.

-- This will enable the staff to process more cases and support more real deals with fewer resources.

-- In addition, the Bank will make its money work harder by using creative financing techniques to support more export sales with the same subsidy budget.

-- For example, loans to the Russian Government require \$1 of subsidy for every \$5 of financing.

-- However, if Eximbank lends to Russian oil companies and arranges to be repaid by foreign purchasers of Russian oil, the repayment risk is less, and each \$1 of subsidy can support \$10 in financing.

-- Finally, Eximbank is working with the Trade Promotion Coordinating Committee to develop better, more efficient means of providing U.S. Government assistance to U.S. exporters. Reducing redundancy will save money and make Government resources go farther than they have before.

THE WHITE HOUSE
WASHINGTON

23 MAY 5 10:38

May 5, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: RAHM EMANUEL *RE*

SUBJECT: NEWSPAPER CLIPS

For your information, I have attached two newspaper clips. The first is on the Texas senatorial race how it is affecting support for Governor Richards. The second article, from *The Oregonian*, was forwarded to us by Congressman Wyden's office.

*CC. MACK
The V.P.*



ELECTIONS '93

A Monday, May 3, 1993 The Dallas Morning News — 13 A

GOP says election setbacks hurt Richards; Democrats say standing intact

By Wayne Slater

Austin Bureau of The Dallas Morning News

AUSTIN — For the first time in her two years as governor, Democrat Ann Richards put her prestige on the line on a big issue — and the voters said no.

Ms. Richards crisscrossed the state in a high-profile campaign for the three school finance proposals, all of which voters soundly defeated at the polls Saturday.

And her appointee to the U.S. Senate managed just 29 percent of the vote in the special election, finishing behind Republican Kay Bailey Hutchison for a spot in a runoff.

"I think this is a major chink in

her armor," said Karen Hughes, executive director of the Texas Republican Party.

Democrats disagreed, saying Saturday's setbacks won't tarnish the governor's standing as she prepares for re-election in 1994.

"There's a lot of false hopes about this hurting Ann Richards," said Ed Martin, executive director of the Democratic Party in Texas.

For her part, Ms. Richards declined to discuss the political implications.

"I have never looked at this in political terms for me," she said.

Whatever the fallout, Saturday's results marked the first time since

her election in 1990 that Ms. Richards had sought to win the support of voters without success.

Earlier in her administration, Ms. Richards actively worked for passage of the lottery, which voters approved.

Appearing publicly Saturday night, grim-faced at the results, it was clear that her latest campaigns had proved a more difficult test for her leadership.

"I think we did everything we could do," she told reporters, promising to work with the Legislature to come up with an alternative funding plan. "It is incumbent on us to get busy and try something else."

For weeks, the governor campaigned for Proposition 1, a plan to redistribute money among school districts as a way of equalizing funding for public education.

In the end, almost two-thirds of the voters rejected Proposition 1 and turned down two companion measures.

Ms. Richards' selection of Bob Krueger, a former member of the Texas Railroad Commission, also did not fare well with some voters.

Mr. Krueger went into the race as the incumbent with the backing of the governor and the Democratic Party establishment, but he was edged by Ms. Hutchison, one of three

major GOP candidates in the field.

Greg Thielemann, a political science professor at the University of Texas at Dallas, said Saturday's results probably would buoy Republican hopes of defeating Ms. Richards in 1994.

"It will activate a much stronger field of Republican opponents who will make it that much harder for her to win in the general election," he said.

Bryan Epstein, a Republican political consultant from Fort Worth, said Texas voters simply did not believe the governor's contention that schools would close if Proposition 1 were defeated.

"She has been somewhat exposed for not being altogether straightforward with the voters of Texas," he said.

Charles Elliott, a member of the State Democratic Executive Committee and a political science professor at East Texas State University, said he sees Saturday's vote on the school proposals as less a referendum on the governor than on the entire state political leadership.

"In practical terms, it's something Ann Richards is going to have to deal with," he said, "but even more than that, the whole structure up there (in Austin) has not dealt with this on any kind of rational basis."



THE VOTE IN TEXAS

County-by-county totals for major candidates for U.S. Senate and for Proposition 1, the school finance amendment

U.S. Senate

- ☐ Barton
- ☐ Fields
- ☐ Fisher
- ☐ Gutierrez

Dallas	Sherman	Hansford	Ochiltree	Lipscomb
Hartley	Moore	Hutchinson	Roberts	Hemphill
Oldham	Potter	Carson	Gray	Wheeler
Deaf Smith	Randall	Armstrong	Donley	Collingsworth
Parmer	Castro	Swisher	Briscoe	Hall
Childress				
Bailey	Lamb	Hale	Floyd	Motley
Cottle				
Hardeman				
Wilbarger				

COUNTY	P R E C I N C T S	R E P O R T I N G	SENATE						PROP. 1	
			B A R T O N	F I E L D S	F I S H E R	G U T I E R R E Z	H U T C H I S O N	K R U E G E R	F O R	A G A I N S T
Jasper	20	20	217	284	339	11	957	1,343	1,550	1,864
Jeff Davis	5	5	48	41	26	20	111	96	225	132
Jefferson	100	100	1,704	1,243	1,807	142	7,350	10,728	14,711	12,658
Jim Hogg	5	5	24	30	12	194	74	477	762	166
Jim Wells	22	22	225	293	167	374	973	2,368	2,779	1,659
Johnson	20	20	3,649	322	1,052	97	1,990	2,624	3,770	6,118
Jones	15	15	83	439	284	15	698	698	773	1,536
Karnes	6	6	169	524	79	41	456	559	784	1,037
Kaufman	13	13	1,131	435	464	41	1,519	1,516	2,579	3,531

THE WHITE HOUSE

RECEIVED

5-3

RAHM -

A.~ INTERESTING
ARTICLE FROM
WYDEN'S STAFF

H/

BC: Fiji

District likes Clinton, not programs

■ The president has a personal rapport with voters in the Mountain View precinct, who nevertheless think he is spinning his wheels

By FOSTER CHURCH
of The Oregonian staff

01 5/2

If President Clinton were to visit Aloha this week, he would find they like the person more than the programs.

Clinton last Thursday had been president for 100 days — the first milestone in his presidency.

Interviews last week in the Portland suburb, which served as a bellwether for The Oregonian during the 1992 election, suggest that Clinton should think carefully about new taxes and new programs and slow down his pace if he expects to hold public support.

But the interviews also show that although many are skeptical of Clinton's performance, he has developed a personal rapport with voters and an affectionate base of support that could be his most

important asset through the peaks and valleys of the next four years.

"As a person, he is the kind of guy I'd like to be around," said Sharon Barron, 49, a data entry operator who voted for Clinton. "I think he's got a real good rapport with the young people. It seems like he is always smiling, and I like that in a person."

For the most part, he is described as hard-working, sincere and highly intelligent. And his personal style — wearing a cheap Casio watch, running down to McDonalds for a cup of decaf — appeals to an electorate that for the last 12 years experienced presidents that were considered elitist and out of touch with the common person.

In this respect, Clinton is like the most popular presidents of the century — Franklin D. Roosevelt, Ronald Reagan and Harry Truman — who connected with the public in a personal way, compared to the aloofness of Richard Nixon and George Bush.

"He is an extremely intelligent, extremely compassionate person who has a heart," says Janice Campbell, a homemaker and Clinton supporter who is nevertheless disappointed in his perfor-

mance. "How he is going to channel this energy and compassion into actions remains to be seen."

During the election, the suburbs were considered the chief battleground for winning the economically pressed middle class. The Oregonian chose the Mountain View precinct of Aloha as an election barometer. The Democrat-Republican voter registration is about equal, and the area seems to vote more on issue and personality rather than political party.

The group interviewed during the campaign mirrored almost exactly the national mood, going from apathy and cynicism in February, to excitement about Ross Perot in May, and ending in October with a majority favoring Clinton.

Last week, 42 district voters were interviewed again. They voted for Clinton over Bush by about 3-to-1. If the election were held this week, Clinton would probably win again. But the core that voted for Bush remains strongly against Clinton.

Please turn to
VOTERS, Page D8

Voters: Many doubt job performance

Continued from Page D1

And many see distressing signs that the former Arkansas governor is unbalanced and having trouble dealing with Congress.

"He is going to have to do something constructive quickly or people's perception will change and believe he doesn't have the strength or clout to make things happen," said James Arbuckle, a marketing manager who voted for Clinton. "He is going to have to buckle down and get something through Congress fairly soon."

Clinton's sharpest critics voted for Bush or for Texas billionaire Ross Perot. They consider Clinton a dishonest opportunist who so far has done nothing to make them think they made the wrong choice.

"If Clinton was an advertisement, I would sue for false advertising," says Jim Tooley, a plumber who voted for Perot. "He is all the things I was afraid of."

Critics such as Tooley score Clinton sharply for his \$16.1 billion economic stimulus bill that they believe was a boondoggle. They also fear proposals made by Clinton or his advisers to raise taxes and to install costly new government programs that could make the budget deficit swell.

"He has done pretty much what we expected him to do, and we don't care for it at all," said Erica Calkins, a gardener. "We thought he would create a lot of new programs and not have any cuts, and that is what is happening."

If a single warning runs through most of the interviews, it is that Clinton is doing too much too soon. The phrase "bitten off more than he can chew" comes up often. The dizzying array of programs and initiatives becomes more a sign of inexperience than vigor.

APPROXIMATE PRECINCT

MOUNTAIN VIEW PRECINCT*

Democrat: 485
Republican: 458
Independent: 221

Population:
Total 2,542
White 2,269 (89.3 percent)
Black 9 (.35)
American Indian 9 (.35)
Asian 235 (9.2)
Other 11 (.4)
Hispanic 82 (3.2)

Age groups, by population:
0-5 years 328
6-18 years 595
19-29 years 324
30-44 years 896
45-64 years 310
65 and older 92

Households — type, by percent:
Couples with children 58.9
Couples with no children 31.5
Single parents 8
Other 1.6

Housing profile, by percent:
Owners: 82.7,
\$72,552 median home value
Renters: 17.3,
\$538 per month average rent

VOTING RECORD:
Ballot Measure 5 (tax limits):
For 535
Against 363

*Precinct boundaries are 1980-1990. From 1990 Census Bureau figures.



Governor, 1990:
Barbara Roberts, Democrat 455
Dave Frohnmayer, Republican 241

President, 1988:
Michael Dukakis, Democrat 477
George Bush, Republican 443

Senate, 1986:
Bob Packwood, Republican 564
Rick Bauman, Democrat 250

Governor, 1986:
Neil Goldschmidt, Democrat 417
Norma Paulus, Republican 414

Sales tax, 1980: Yes: 199, No: 528

the November ballot.

The interviews also show the power of television to reveal the devastation of war.

In November, the bloody war in Bosnia was barely mentioned. But by the 100th day of Clinton's presidency, the conflict was well-understood and a subject of deep concern.

"It's just obscene what they are doing," says Joyce Yam, a homemaker. "I would like to see a joint effort of many countries."

For some, the war is a European problem that the United States should stay out of. And most of those who believe the United States should intervene insist it should be done only as part of a United Nations effort. Few believe the United States should act on its own.

Any analysis of the first 100 days shows a conflict in voters' minds — the desire for change meets resistance to change, the expectation of activity meets uneasiness with the new.

"My concern is this administration seems to be going whole hog just to do something and that will lead to major mistakes, major catastrophes," says Ron Thibodeau, a gardener who sharply criticizes Clinton. "I wish he would slow down and stop saving the world overnight."

But for Richard Stenberg, a Republican who voted for Clinton, the new president is still a man with promises to keep.

"I think he's got good thoughts for moving ahead," he says. "And I think he's going to have to clean his act up real quick in the next 100 days — address the health thing, get some debt reduction going. I don't think he knew how big the task was. There are so many things he has to take care of that he didn't focus on what he had to do."

"He's like Jimmy Carter — an idealist brought down to earth," says Sally Abel, a travel agent who voted for Perot. "I hope he can bring something together because now he's stumbling pretty badly."

Clinton's commitment to restructure the nation's health care system is popular if not well understood.

And most say they would be willing to pay more taxes if they were sure the money would be spent for that.

And although his decision to allow gays into the military has been widely criticized, a majority in the precinct support it. A large majority also opposed Ballot Measure 9, the anti-gay initiative that appeared on

The Oregonian

William Mendenhall Webster IV

Hand (Tony)

THE PRESIDENT HAS SEEN

5-14-93

May 10, 1993

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

Dear Mr. President:

Please forgive my forwardness in offering such unsolicited advice. I thought, however, that you might find the following comments helpful.

I was recently aboard a nuclear submarine, the USS Pittsburgh, with my White House Fellowship class. We had occasion to spend an hour with the senior commissioned officers as well as a number of enlisted men.

We talked extensively about the issue of gays in the military. While virtually all of those aboard were against lifting the ban, they were unanimous in their opinion that, and I quote, "their Commander-in-Chief should make his decision quickly and we will obey. The strength in making the decision is more important than the substance of the decision itself." They added that you should not underestimate the reservoir of support for the President that they all feel.

That struck me as something worth conveying to you.

Warmly,

Billy
BILLY WEBSTER

THE WHITE HOUSE
WASHINGTON

May 14, 1993

Bob --

John wanted you to see this CORETECH
press release. It's scheduled to go at
2 pm today.

TDD
Todd

DRAFT

PRESS RELEASE

FOR IMMEDIATE RELEASE
May 14, 1993

CONTACT: Jenny Carter
(202) 783-8627

**RESEARCH COMMUNITY APPLAUDS WAYS & MEANS COMMITTEE
CHAIRMAN ROSTENKOWSKI AND ADMINISTRATION
FOR SUPPORTING PERMANENT R&D POLICIES**

Washington, D.C. -- Today, members of America's research and development community commended Chairman Dan Rostenkowski (D-IL) and the Clinton-Gore Administration for their efforts to create a stable U.S. R&D environment. In particular, the Council on Research and Technology (CORETECH) praised the Chairman for including a permanent R&D tax credit and a permanent solution to the 861-8 research allocation rules in his proposed tax package. CORETECH also praised the Chairman for eliminating the foreign royalty proposal that would have provided a serious disincentive to R&D in the U.S.

"If these changes are enacted this year it will fundamentally improve the basic climate in which R&D is conducted in this country," said Dr. Roland W. Schmitt, president of Rensselaer Polytechnic Institute and chairman of CORETECH. "This kind of support from the Congress and the Administration demonstrates a strong commitment to creating a stable environment for long-term R&D projects and to bolstering domestic investment in R&D."

Rostenkowski's proposed tax package would make the R&D credit and 861-8 research allocation rules permanent through legislation. "Together, these permanent policies make great strides towards providing the kind of incentives the research and development community needs," said Schmitt.

-- more --

"We are pleased by the actions of the Ways & Means Committee," said Schmitt. "As the process moves forward we hope the Congress will consider changes to the R&D credit which will increase the number of companies that can take advantage of the credit." Key changes which will increase the incentive effect of the credit include strengthening of the current base period and altering the credit so that it can be used to a limited extent by companies in an AMT position. These changes are embodied in legislation recently introduced by Senators Danforth and Baucus. "As the Senate Finance Committee begins its consideration of the R&D credit legislation, we hope these changes will be seriously considered," said Schmitt.

CORETECH, a coalition of companies, universities, research institutes, and trade associations, was established in 1987 to develop and advocate public policies that promote U.S. research and development. Kenneth R. Kay, a partner in the law firm of Preston Gates Ellis & Rouvelas Meeds, is executive director.

###

THE WHITE HOUSE
WASHINGTON

DATE: 05/14/93

TO: RAHM EMANUEL

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

I am returning this memo of 05/13
to you, since the President has
responded to your memo of 05/03
on the same subject.

THE WHITE HOUSE
WASHINGTON

03 MAY 13 P4: 01

May 13, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: RAHM EMANUEL *2*

SUBJECT: WOO ENDORSEMENT

Attached please find a draft of the Woo endorsement as well as proposed talking points.

cc: George Stephanopoulos

DRAFT WOO ENDORSEMENT

Voters in Los Angeles face a profound choice on June 8. They will select the first new Mayor in two decades—a Mayor who must reinvigorate the economy and ensure the safety of all communities. Mike Woo is the best candidate to tackle these challenges and I wholeheartedly endorse him for Mayor.

As a councilman, Mike Woo has consistently fought for the middle class against the rich and powerful, while appealing to our hopes rather than our fears. He reformed the city's ethics laws, created innovative programs to finance small business, and developed a model community service program. He has made the tough choices to get criminals and their guns off the streets.

Los Angeles voters have a clear choice in this election. Only Mike Woo stood with me to support an agenda of change to help working families and bring people together. Only Mike Woo has dedicated his life to reforming government and creating jobs in Southern California. The people of Los Angeles can trust Mike Woo to work long and hard to get the job done for them.

As mayor, Mike Woo will be my partner to reinvigorate the Southern California economy, put more police on the streets, and inspire the many different communities that comprise Los Angeles to pull together again. I look forward to working with him for change.

Proposed Talking Points

- * L.A. is in deep recession with high unemployment--investments in infrastructure, worker retraining, empowerment zones, community development banks, and defense conversion will help turn things around.
- * Woo is supporting local versions of many parts of the President's economic plan: small business financing, worker retraining, community service programs, community policing.
- * Public safety a top concern--Woo has a plan to increase the number of police officers by 30%--mirroring the President's proposal to add 100,000 police.
- * Woo authored ethics and campaign reform law that tracks the President's program. His opponent has spent \$6 million of his own funds.
- * The President will visit L.A. Tuesday to meet with business and community leaders and talk about the economy.

THE WHITE HOUSE
WASHINGTON

Cowan

DATE: 05/14/93

NOTE FOR: ELI SEGAL

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

Information ☐

Action ☒

Per the President's note, Please
prepare a response for his signature
and return to this office.

Thanks.

Thank you.

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

cc:

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

5.14.93

93 MAY 13 A 9:35

May 12, 1993

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ELI J. SEGAL *ES*

SUBJECT: Material from General David C. Jones, USAF (ret)

As you remember, you met General Jones at the New Orleans event. He is a thoughtful and strong supporter of your national service initiative, and he has sent along some interesting material proposing to utilize military resources in the national service initiative.

Such efforts are already proceeding under the "Boren/Wofford" Civilian Community Corps (CCC) authorized last year. That initiative will provide opportunities for retired and discharged military personnel to help operate national service programs on bases no longer in use. The Commission on National and Community Service is in the process of selecting a Director who will oversee the CCC initiative.

General Jones' proposal is in the same spirit. He suggests starting up a program here in the D.C. area. Even if these bases are not incorporated into the CCC, they could receive funding through the new Corporation for National Service. Because we have established very broad eligibility, the Department of Defense will be able to apply to the Corporation for funds to start up programs. With the work that our office intends to do with General Jones and other members of the Armed Forces, the Corporation could help make General Jones' proposal a reality in time.

General Jones continues to be helpful in implementing the CCC program, and we are working hard with him and others to make the military an important partner in the national service initiative.

1 23 04

DAVID C. JONES
2426 SOUTH QUEEN STREET
ARLINGTON, VA 22202

May 5, 1993

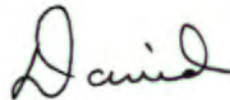
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I thoroughly enjoyed being with you on the trip to New Orleans. Thank you for inviting me.

The trip was a great success as a kickoff for a very important program.

Enclosed is a short paper on the concept of using the military in National Service as we discussed briefly on Air Force One. I cannot speak for the other Services, but I know Tony McPeak is a strong supporter of the general concept.

Best wishes,

A handwritten signature in cursive script, appearing to read "David".

President Bill Clinton
The White House
Washington, DC 20050

DCJ:ss
Enclosure

National Service Concept

This paper outlines a concept for using the inherent flexibility of resources and facilities at military installations in supporting the National Service program. Three fundamental principles should guide the overall development of the program:

First, the "service" component of National Service must be genuine and measurable. It must not be (nor be seen to be) a make-work endeavor with little substantive and enduring benefit.

Second, the individuals in the program should emerge as better citizens and better human beings. There should be increased self-discipline, better health, greater tolerance, better ability to communicate and learn, and higher self-esteem.

Third, participants should finish their National Service at least as well equipped to pursue their life's goals as their contemporaries who did not serve, unlike the case with some earlier volunteer programs. (For example, Lou Harris concluded in a 1978 report that "...there can be no question that, in the short run, Peace Corps service puts the two-year volunteer at a disadvantage.")

The program should provide intensive education and training at the outset to develop skills needed to begin beneficial service. Education and training would continue, but in a declining proportion, throughout the program in order both to refine skills needed for continued service and to strengthen the foundation for post-service education and/or employment. The participants would leave the program with a "dual track" of options: they can apply their earned college credits toward advanced education or take their newly acquired and field-tested job skills into the competitive market place—or both.

National Service and the Armed Forces

The linkage of National Service with the Armed Forces is a natural one. The military services have developed in millions of young men and women many of the characteristics that the nation will expect to be fostered by National Service. Furthermore, military units have a long tradition of involvement in their local community activities. Of many outstanding examples, the one closest to the premises of National Service was started some years ago at the Memphis Naval Air Station by a young Episcopal priest. Young people were brought on base and lived in available dormitories in a mini-boot camp environment. Their civilian counselors exposed them to a world of values and caring that many of the youngsters didn't know existed. Although the stay was only a week, this youth service program produced some dramatic changes in attitude and outlook. The following concept has its philosophical and practical roots in that program.

Pilot Concept

This recommended military service involvement with National Service would have greatly enhanced prospects for success if it were tested under closely controlled circumstances. The Washington, D.C., area has a dense concentration of military installations of the four services and would be an ideal place to test this approach to National Service. If it proves successful here, it could be adapted and expanded throughout the country.

Each Service would be asked to make dormitory space available on bases in the greater Washington area for 100-200 individuals (not necessarily all at one site), thereby providing living space for up to 800 people. The participants should be both men and women, high

school graduates, diverse in background and competitively selected. They need not be residents of the D.C. area and, indeed, could be drawn from any area of the country. However, the bonding achieved during the program would (at least initially) have a more enduring and productive effect if all the participants were from the same area.

Outside counselors, preferably former military members, would be hired to run the camps at each selected location. It would have to be made clear at the outset that the military's official role was only to support the program with available resources. The services would not bear responsibility for not run the program. However, experience has shown that many servicemen and women would volunteer in their off duty time to help mentor the National Service participants.

The first week or two would consist largely of orientation in a mini-boot camp setting. Throughout their stay at the installation, the participants would have to meet the same standards of conduct as the military members stationed there, including acceptance of no-notice drug testing.

The participants would be tested on their education level and aptitudes. Intensive education and training would then be started to give the individuals the skills needed to serve and to help in post-service employment or further education. The education and training could be provided by community colleges or proprietary organizations, using the student loan program.

A wide range of skill areas could be considered for the education and training phase. By way of illustration, the pilot program might train computer operators and medical assistants as well as other skills. After a few weeks of training, the participants would have acquired enough skills to start serving in the community for part of the day. For the computer operators, such service could take place in the schools by teaching students, primarily in the inner city, how to use computers (many of which are now simply gathering dust). The medical assistants could help in public health services or in hospitals that serve the indigent. "Camps" could "adopt" schools or hospitals, or vice versa. All participants would be kept busy six days a week, at least for the early part of their service. Base athletic and other facilities would be used on an as-available basis. Weekend sports competitions could be conducted among the "camps."

The program would be so rigorous and so fulfilling that the "graduates" should be in great demand, for jobs or further education or both. This approach would impart skills with carryover benefits appropriate to the economy of the next century rather than emphasizing unskilled tasks. The participants would earn college credits that could be applied to still more advanced education in the future. Moreover, spending several months in a drug- and crime-free environment where racial integration has been most successful would well serve all involved for the rest of their lives.

Growth Potential

Once the concept is validated, there is vast potential for expansion throughout the country. As military bases are targeted for closure, the personnel on the base normally start a phased departure that can take as long as two years or more to complete, creating significant unoccupied living space at such installations. As a base is identified for elimination, incentives could be given to the local community to support a National Service program, both to serve the national interest and to help offset the local impact of the base closure. Furthermore, the military force reductions are forcing many truly outstanding men and women to leave active military service. These experienced leaders would do an outstanding job in motivating and guiding national Service participants.

Chiron

THE WHITE HOUSE
WASHINGTON

DATE: 05/14/93

NOTE FOR: LES ASPIN

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

5.14.93

93 MAY 13 A9:35

May 12, 1993

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Need to go to
to Boren & Wofford
C. Lester

DAVID C. JONES
2426 SOUTH QUEEN STREET
ARLINGTON, VA 22202

May 5, 1993

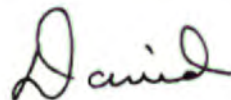
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The participants would be tested on their education level and aptitudes. Intensive education and training would then be started to give the individuals the skills needed to serve and to help in post-service employment or further education. The education and training could be provided by community colleges or proprietary organizations, using the student loan program.

A wide range of skill areas could be considered for the education and training phase. By way of illustration, the pilot program might train computer operators and medical assistants as well as other skills. After a few weeks of training, the participants would have acquired enough skills to start serving in the community for part of the day. For the computer operators, such service could take place in the schools by teaching students, primarily in the inner city, how to use computers (many of which are now simply gathering dust). The medical assistants could help in public health services or in hospitals that serve the indigent. "Camps" could "adopt" schools or hospitals, or vice versa. All participants would be kept busy six days a week, at least for the early part of their service. Base athletic and other facilities would be used on an as-available basis. Weekend sports competitions could be conducted among the "camps."

The program would be so rigorous and so fulfilling that the "graduates" should be in great demand, for jobs or further education or both. This approach would impart skills with carryover benefits appropriate to the economy of the next century rather than emphasizing unskilled tasks. The participants would earn college credits that could be applied to still more advanced education in the future. Moreover, spending several months in a drug- and crime-free environment where racial integration has been most successful would well serve all involved for the rest of their lives.

Growth Potential

Once the concept is validated, there is vast potential for expansion throughout the country. As military bases are targeted for closure, the personnel on the base normally start a phased departure that can take as long as two years or more to complete, creating significant unoccupied living space at such installations. As a base is identified for elimination, incentives could be given to the local community to support a National Service program, both to serve the national interest and to help offset the local impact of the base closure. Furthermore, the military force reductions are forcing many truly outstanding men and women to leave active military service. These experienced leaders would do an outstanding job in motivating and guiding national Service participants.

THE WHITE HOUSE
WASHINGTON

DATE: 05/14/93

NOTE FOR: BRUCE LINDSEY

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: Marsha Scott

THE WHITE HOUSE
WASHINGTON

May 12, 1993

THE PRESIDENT HAS SEEN
5.14.93

93 MAY 13 10:24

MEMORANDUM FOR THE PRESIDENT

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

SUBJECT: DAVID ROE

I have attached a letter for you from David Roe. He is a new
father, eager to help us.

He will be here on June 2. I'll bring him by.

Marsh

1
H
J

Don't forget
to check out
B



California Office
Rockridge Market Hall
5655 College Ave.
Oakland, CA 94618
(510) 658-8008
Fax: 510-658-0630

May 6, 1993

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

by hand

RE: OMB Program Associate Director (PAD) for
Natural Resources, Energy and Science

Dear Mr. President:

Leon Panetta told me when I saw him last week that this OMB appointment has been stuck, in effect between "pro-economy" and "pro-environmental" forces.

I wanted to let you know personally that I would love to do this job.

It's the key position for actually getting done the kind of win-win, pro-environment and pro-economy policies that you featured in your campaign and Earth Day speech, and that I've worked on for over 15 years. It would also be a joy to serve in your Administration.

Bruce Lindsey has my materials, and Leon is supportive (I wouldn't have written otherwise).

With all my very best,

A handwritten signature in dark ink, appearing to read "David Roe", is written over a horizontal line.

David Roe

National Headquarters

257 Park Avenue South
New York, NY 10010
(212) 505-2100

1875 Connecticut Ave., N.W.
Washington, DC 20009
(202) 387-3500

1405 Arapahoe Ave.
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Raleigh, NC 27601
(919) 821-7793

1800 Guadalupe
Austin, TX 78701
(512) 478-5161

THE WHITE HOUSE
WASHINGTON

DATE: 05/14/93

NOTE FOR: ROBERT REICH

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)

The Vice President,
Mack McLarty, Mark Gearan, Roy Neel,
cc: Bob Rubin, Leon Panetta

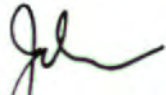
THE WHITE HOUSE
WASHINGTON

May 11, 1993

MR. PRESIDENT:

This is an information memo, bringing you up to date on Bob's thinking, rather than asking for any particular decision. He is looking for guidance if you strongly disagree with his position on not adding young adults to the Summer Jobs program.

In addition to Rubin and Panetta who Bob cc'd, I circulated this to the Vice President, Mack, Roy and Mark.


John Podesta

*I think he's right
at this point - can work
on for next year -*

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

THE PRESIDENT HAS SEEN *✓*

93 MAY 10 P7:19

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT REICH *BR*
SUBJECT: Summer Jobs

You have proposed a new kind of youth summer jobs program that is both expanded in scope and enriched in educational content. The Department of Labor is working with States, local governments, and the private sector to deliver on the commitment to a bigger and better summer jobs effort. But several matters merit your attention:

- We are rapidly approaching the practical deadline for either locking up the summer program or else re-setting our own expectations, and the public's.
- A campaign to ally private-sector summer hiring with the public summer jobs program is progressing well.
- You have been asked to consider adding young adults to the existing summer program, or creating a year-round program for jobless young adults. I have serious reservations about tying such initiatives to the summer jobs campaign, but there may be another way to deal with Rep. Waters' concerns.

Timeline for Summer Jobs

Your summer jobs proposal differs from others--and particularly from last year's effort--in scale, in its academic enrichment component, and especially in the care taken to give local program operators plenty of lead time to put together high-quality operations. Delays with the supplemental appropriation are eroding that advantage day by day. We are front-loading planning and logistical arrangements in anticipation of funding, but local program operators cannot finalize teacher and supervisor hires without the assurance that the money will be available. Already, some of our ablest teachers--the top candidates for staffing summer programs--have accepted other summer positions because of the inability of local officials to make firm job offers.

We probably have a three-week window left for delivering the kind of summer jobs program we've promised. Any delay beyond Memorial Day means a serious reduction in local capacity to mount a major expansion in job slots or develop a quality educational component. In that event--rather than risking what looks to the public like a repeat of last year's performance--we may want to revisit our summer jobs strategy.

Private Sector Campaign

Another distinguishing feature of your summer jobs program is thematically linking public jobs for income-eligible youth with an orchestrated campaign of private-sector hiring for all youth. The private sector's response so far has been encouraging. Your speech at the April 14 kickoff event has received good reviews from most business groups. We are putting the final touches on a public service announcement campaign, and expect to have advertisements running in a few weeks. I have met with groups of CEO's in Seattle and New York, urging them to organize their counterparts to boost summer hiring, and have a similar session scheduled in Boston next week. The Labor Department has established ongoing efforts to publicize the campaign and encourage participation through the National Association of Manufacturers, Businesses for Social Responsibility, the National Alliance of Business, the U.S. Chamber of Commerce, and other business groups. We also are working on the local level in key cities to monitor private-sector hiring campaigns. Progress looks good in Philadelphia, New York, Milwaukee, Boston, Kansas City, and most of the other large cities.

Summer Program Age Limit and Public Jobs

I recommend that we not add young adults to the summer jobs program.

Any such expansion of eligibility would dilute the program's effects. About 5 million disadvantaged young people ages 14 through 21 are eligible for the current summer jobs program. Our public jobs program (assuming a \$600 million supplemental) would reach around 900,000 of them. Adding disadvantaged 22- through 25-year-olds would expand the eligible pool to a total 8 million; and adding disadvantaged young adults up to age 30 would create an overall pool of 11.5 million. This would far exceed our available resources, and short-change the young people that you have already committed to help. Moreover, it would not make much of a dent in the problem of year-round urban joblessness that Rep. Waters hopes to address.

At the same time, I have serious concerns about launching a new year-round public service employment program for young adults. We need to carefully weigh the costs of such a new program, its potential benefits, and its relationship to other workforce efforts. Creating 100,000 year-round government jobs would cost about \$2 billion a year. Such a program would lower the unemployment rate, at best, by one-tenth of one percent. Public employment is an extremely expensive approach to the urban joblessness problem.

We have been down this road before. Most recently, the Comprehensive Employment and Training Act featured a major public-sector employment component. Even CETA advocates would agree that relying on public jobs to remedy unemployment was expensive, and there is no clear evidence that it increased the long-term employability of participating individuals. Public employee unions are likely to have significant objections to a program that may affect the wages and opportunities of State and local government workers. And we must be careful not to confuse the public or complicate logistics through the proliferation of public jobs programs (e.g. National Service Corps, or your future welfare reform jobs program.)

We could run a small young-adult pilot program in Los Angeles, using unspent LA summer money and some additional demonstration funds. But a full-scale, nationwide effort raises fundamental questions of mission and means.

cc: Robert Rubin
Leon Panetta