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Rising Wage Inequality:
The United States vs. Other Advanced Countries

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Income inequality increased substantially in the United States in the 1980s. The economic expansion of the mid-1980s to late-1980s failed to benefit the majority of American families by enough to offset the losses incurred during the recession of the early 1980s. For large numbers living standards were no better at the end of the 1980s decade than at the beginning: in 1989 the real money incomes of the bottom forty percent of American families were similar to the incomes of the bottom forty percent of families a decade earlier. In contrast, the incomes of the upper twenty percent of families in 1989 were almost twenty percent higher than those of the analogous families in 1979 (U.S. Bureau of the Census, 1992, pp. B-11 and B-13).

Since most Americans make their living from work, an understanding of changes in family income inequality and problems facing the lower part of the income distribution requires an understanding of how the labor market changed over this period. Underlying the enormous disparities in the fortunes of American families in the 1980s was a rise in labor market inequality that shifted wage and employment opportunities in favor of the more-educated and more-skilled. Less-educated men, in particular, suffered substantial losses in real earnings and in the likelihood they would hold a job at any point in time.

Was the twist in the job market against less-educated workers unique to the United States or was it part of a general pattern of decline in the well-being of the less skilled in advanced countries? Does it mark a new era in modern economic development -- a reverse "Kuznets Curve"[1] associated with post-industrial capitalism? Have other countries managed to avoid or ameliorate the rise in wage inequality that characterized the United States?

This paper tries to answer these questions based on information from studies by National Bureau of Economic Research (NBER) and others that use detailed computerized files on the earnings and employment of tens of thousands of workers in our major competitors and partners in the world economy.[2] We review briefly the dramatic changes in the American wage structure; examine the extent to which similar changes occurred in other industrial nations; assess the likely causes of these changes; and consider some possible lessons for the United States from the experience overseas.

We highlight five major findings on the pattern of wage inequality across countries:

1) During the 1980s, the United States and United Kingdom -- countries with decentralised labor markets and systems of wage-setting -- experienced exceptional increases in earnings inequality and in wage differentials by skill category. Only in the United States, however, was the rise in inequality associated with large declines in real wages for low wage workers. Most other developed countries had moderate or in some cases effectively no rise in wage inequality; and real wages increased in Britain even for low-paid workers.

2) The major cause of the rise in inequality are changes in the supply and demand for skills: a secular shift in relative labor demand favoring more-educated workers and workers with problem-solving skills compared to a slowdown in the growth of supply of highly educated workers relative to less educated workers. The shift in labor demand is driven by trade deficits and immigration and skill-biased technological change partially associated with the "computer revolution." Shifts in demand are, however, relatively similar across countries, so that demand forces do little to explain country differences in the rise of inequality.

3) A slowdown in the growth of the supply of highly-educated workers between the 1970s and 1980s in the United States contributed to the rise in inequality and to the divergence between the United States and other countries. In the 1970s rapid growth in the relative supply of highly-educated workers led to declining college or university wage premia throughout the OECD, despite increased demand for these workers. The slowdown in the growth of supply of more-educated workers in the 1980s permitted skill differentials to rise and accounts for some of the

greater growth of inequality in the United States.

4) Differences in wage-setting institutions and in training and education systems also explain some of the differential growth of inequality. Countries where labor market institutions (by which we mean unions, employer federations, government agencies) play a greater role in wage-setting and which provide better training or education for less skilled workers had smaller rises in inequality in response to similar demand/supply shifts as the United States.

5) Changes in labor market institutions contributed to changing wage inequality. The decline of unionization in particular contributed to rising wage inequality in the United States and the United Kingdom. Centralized wage-setting institutions weakened in some countries, including Sweden and Italy, weakening the forces that reduced inequality.

The Changes in the U.S.

As a starting point for examining what happened in other countries, we summarize the established facts concerning U.S. wage and employment structure changes. Here, unlike in many parts of economics, there exists strong evidence and a broad consensus that lets us use the word "facts" rather than "claims" or "assertions". Many researchers using several data sources including household survey data from the Current Population Survey (CPS), other household surveys, and various establishment surveys, have documented that wage inequality and skill differentials in earnings and employment increased sharply in the United States in the 1980s if not earlier (Bound and Johnson, 1992; Bloom, Blackburn and Freeman, 1991; Davis and Haltiwanger, 1991; Katz and Murphy, 1992; Levy and Murnane, 1992; Murphy and Welch, 1992). The conclusion that inequality in the labor market increased is not sensitive to the choice of data set, sample, or wage measure. We summarize below the changes in the American wage and employment structure that give us a benchmark for assessing the labor market performance of other Western countries and that motivated this entire project:

FACT ONE: Wage dispersion increased substantially in the United States during the 1980s. The hourly earnings of a full-time worker in the 90th percentile of the U.S. earnings distribution (a worker earning more than 90% of all workers) relative to a worker in the 10th percentile (someone earning more than just 10% of all workers) grew by 20 percent for men and 25 percent for women from 1979 to 1989. This pattern was not offset by changes in fringe benefits favoring the less skilled[3] nor by improvements in their chances of holding a job relative to those of more educated workers. It marks a real change in economic well-being.[4]

FACT TWO: Pay differentials by education and age increased in the 1980s. The college/high school wage premium doubled for young workers: the weekly wages of young male college graduates increased by approximately 30 percent relative to those of young males with twelve or fewer years of schooling. In addition, the average wages of older workers increased relative to those of younger workers for those without college degrees. Only the gender differential declined. The earnings of women increased by 10 percent or more relative to men in all education and age groups in the 1980s.

FACT THREE: Wage dispersion increased within narrow demographic and skill groups. If we examine the wages of individuals of the same age, education, and sex, working in the same industry and occupation, we find greater inequality at the end of the 1980s than twenty years earlier. Much of this increase involved greater wage differentials for "similar" workers across establishments in the same industry. The identity of one's employer and one's formal educational qualifications mattered more in earnings in 1990 than in the past. Overall wage dispersion for males was probably greater at the end of the 1980s than at any point in time since 1940.

FACT FOUR: Since these wage structure changes were coterminus with sluggish overall real wage growth, the less-educated and lower-paid suffered substantial losses in real earnings relative to analogous individuals a decade earlier. The real hourly wages of young males with twelve or fewer years of schooling dropped by approximately 20 percent from 1979 to 1989.

While this list of facts, like most research on the widening distribution of earnings, presents the evidence in terms of statistical measures of earnings distributions, the same data can be organised in another way that has also received attention: as changes in the share of jobs that provide "middle class" earnings. For instance, rather than reporting the ratio of the wages for the 90th and 10th percentile workers, one can report the proportion of workers with incomes that fall in a fixed "middle class" income band around the mean. Organised this way, the income distribution data show that the fraction of workers in the middle of the distribution declined substantially. Published Current Population Reports on Consumer Income show, for instance, that in 1990 35% of 25-34 year old men had incomes that were 30% above or below the mean for that age group, down 6 percentage points from the 41% of 25-34 year old males who had incomes 30% above or below the mean for their age group in 1980.[5] The middle of the income distribution was "squashed" relative to the top and bottom. Since the "jobs" measure of the change in the labor market reflects the same data as income distribution measures, it necessarily tells the same story. When the distribution of earnings widens, there is a decline in the share of middle class jobs in the total; and conversely, when there is a decline in the proportion of middle class jobs, the earnings distribution must be widening.

Do the wage structure changes observed in the 1980s reflect a break from the past or a continuation of pre-existing trends? The plots of relative hourly wages for full-time workers from the March Current Population Surveys from 1963 to 1989 in Figure 1 show that the 1980s changes are largely a break with the past. After rising modestly from 1963 to 1971, the college wage premium dropped fell through 1979, before jumping sharply in the 1980s (panel A). The changes in the college/high school wage ratio were greatest for the youngest workers. The returns to experience in panel B do not exhibit such a break with the past for college men. They rose in the 1970s but drifted downward in the 1980s. But they reveal a striking 1980s increase in experience differentials for less-educated males: if you were older or more experienced you did much better in 1989 than if you were a recent entrant to the job market compared to the past. The change in the gender gap was also a 1980s development: it changed little in the 1960s and 1970s, then narrowed substantially from 1979 to 1990 (panel C). Finally, within-group wage inequality for men has been steadily increasing over the last twenty years. Panel D shows that as a result the differential in earnings between men in the 90th percentile and those in the 10th percentile started to increase in the early 1970s, continuing upwards through the 1980s.

Will the increase in inequality continue? The overall wage inequality was initially driven by rising within-group inequality in the 1970s, but counteracted in part by declines in the college wage premium. When within-group inequality and educational wage differentials expanded in the 1980s, inequality rose at a remarkable rate. While inequality could rise further, there does appear to a levelling off in the rise in educational and experience premia.

Changes in Other Advanced OECD Countries

How do recent U.S. trends in wage and employment patterns compare to those in other advanced industrial nations? To answer this question we examine analyses that gathered comparable data for many countries (including the United States, Great Britain, Canada, Australia, Japan, Sweden, France, Italy, Germany, Spain, South Korea, and the Netherlands) and systematically compared wage structure changes among these countries (Freeman and Katz, 1993). The data come from diverse country sources, ranging from CPS style household surveys to establishment surveys to surveys comparable to the United States' Survey of Consumer Finances. While most of the analyses use micro-data files, in some cases these data were unavailable (Japan does not make public its basic data files) and the figures are limited to published data. Virtually all of the data sets measure earnings as before-tax earnings.

There are numerous noncomparabilities between data sets for various countries (as there often are for different data sets for the same country). The precise definitions of educational and occupational groups differ by country depending on their education and training systems and data-gathering procedures. Sample survey coverage and measures of earnings differ. The meaning of earnings also differs across countries. In the U.S. living standards depend largely on personal earnings. In many European countries the government provides elements of compensation to all citizens or workers, such as health insurance, that Americans must buy with their take-home pay or through non-wage workplace compensation. Most other countries also have child allowances, among other benefits. If everyone in a foreign country has benefits that Americans buy directly or indirectly through pay, measures of inequality based on wages will overstate inequality in that country compared to the U.S. Similarly, differences in the progressivity of tax-transfer systems across countries will affect how differences in before-tax earnings translate into economic well-being. Such policies also presumably influence the way in which workers are paid: in countries with high marginal tax rates, firms are more likely to give in-kind payments to workers that avoid the tax (such as company cars, subsidies on transportation, lunch, and so on) than in the United States, which would understate inequality overseas.

Differences like these make cross-country comparisons difficult. But they do not make such comparisons impossible or meaningless. Careful analyses that take account of the differences still yield useful results. Differences in definitions and reporting procedures that are constant over time, moreover, should not distort the trends of interest to us.

Exhibit 2 categorizes countries by how their wage patterns changed in the 1970s and 1980s. All of the countries studied including the United States shared a common pattern of narrowing educational and occupational wage differentials from the late 1960s to the late 1970s. All countries with the exception of the United States experienced a decline in overall wage dispersion for males during the 1970s. All saw the pattern of reduced educational wage differentials and a more compressed wage structure end by the early to mid-1980s.

In the 1980s, however, countries diverged in the pattern of change in inequality. Inequality and educational differentials rose in several countries but at more modest rates than in the United States (Katz, Loveman, and Blanchflower, 1993; Edin and Holmlund, 1993; Freeman and Needles, 1991; Abraham and Houseman, 1993; Erickson and Ichino, 1993; Gregory and Vella, 1993; and Hartog, Oosterbeek, and Teulings, 1992). The one country with a pattern of widening wage differentials quantitatively similar to the United States is Great Britain. Canada, Australia, Japan, and Sweden had small increases in wage inequality and occupational differentials beginning in the early 1980s. The most recent Canadian labor force data suggest that the rise began to reverse itself in the late 1980s (Bar-Or et al, 1992; MacPhail, 1993). Wage differentials continued to narrow in Italy and France through the mid-1980s with some hint of expanding differentials in the late 1980s. There is no evidence of rising wage inequality or educational differentials during the 1980s in West Germany or the Netherlands, and no evidence of rising educational differentials in Australia.

Exhibit 3 provides a measure of changes in inequality in terms of the log of the ratio of the earnings of the top decile to the bottom decile of earnings from 1979 to 1990 (or the latest year available) in countries for which we have the most comparable data. The last column records the changes in the ratios over the decade. The data in the exhibit shows the extent to which the rises in wage inequality in the United States and United Kingdom dwarfed those in the other countries. They are the only countries with double-digit increases in inequality. But there is a major difference between the pattern of change in wages in the United Kingdom and the United States. In the United Kingdom, the rise in inequality occurred during a period of rising levels of real wages so that real earnings for the bottom part of the distribution rose (Katz, Loveman, and Blanchflower, 1993; Schmitt, 1993), whereas in the United States real earnings at the bottom of the earnings distribution fell sharply.

Exhibit 4 shows the striking difference between the real earnings changes of lower paid

American males and lower paid British males. From 1979 to 1989 lower decile Americans suffered a drop in real earnings from about 11% to 17% (depending on the particular CPS sample used in the analysis) compared to an **increase** in the real earnings of lower decile British workers of 12%. Similarly, the more modest rise in inequality in Japan was associated with rising rather than falling real earnings for lower paid Japanese workers. In fact, the 10th percentile Japanese male employee experienced an increase of over 40 percent in real earnings from 1979 to 1989.

We conclude that less educated and lower paid American workers suffered the largest real wage decline among advanced OECD countries.

Did the relative earnings of women improve in other countries as they did in the United States? Exhibit 5 shows that there was a general pattern among developed countries for the gap in earnings between men and women to decline. The United States started with a larger gap in 1979 but had a relatively large fall in the gap. Given the widening of the overall earnings distribution and historical concentration of women in the bottom part of the distribution, this improvement was a remarkable achievement that highlights the substantial upward movement of women in the U.S. earnings distribution (Blau and Kahn, 1993). After all, when lower paid workers are falling further behind higher paid workers, one would expect a group that has traditionally been lower paid, women, to fall further behind traditionally higher paid men. Women gained against the tide of rising inequality.

When we contrast the pattern of change in employment and unemployment among countries, two things stand out. First, throughout much of the 1980s the United States had a particularly large expansion of employment compared to Western Europe. This is the so-called "jobs miracle" that attracted so much European attention. Between 1978 and 1987 employment grew by 12 million in the U.S. compared to less than a million in Common Market countries.

even the Common Market has a larger population than the United States (OECD, Labour Force Statistics, 1989). But since 1987 the growth of employment in the EEC has exceeded that in the United States: an increase of 7-8 million in the EEC compared to 5-6 million in the U.S. through 1992, according to OECD figures. Second, the ratio of employment to population for less-educated workers fell relative to those of more-educated workers in many countries during the 1980s (OECD Employment Outlook, 1989, chapter 2). As for unemployment rates by education, the U.S. experience is similar to that of other OECD countries. The less educated are more likely to be unemployed than the more educated and the difference in unemployment associated with education has generally risen over time, although white collar unemployment has become a larger problem.

Explaining the Patterns of Change

What explains the greater rise in wage inequality and educational wage differentials in the U.S. compared to most other advanced countries? We set out our proposed explanation in terms of a **Supply-Demand-Institution (SDI)** hypothesis of relative wage determination. This explanation attributes differential changes in relative wages and employment among countries to longterm shifts in supply and demand for more and less skilled workers that work themselves out under different **and** changing labor market institutions.

There are three parts to our SDI explanation of change.

The first is that shifts in the supply and demand for labor skills substantially alter wage and employment outcomes. This requires that shifts affect the wages and employment of different groups of workers in the manner predicted by the economists' basic supply-demand model of the labor market, which in turn means that different demographic, education, and skill groups must be imperfect substitutes in production.[6] Further, we argue that shifts have their largest effect on young or less experienced workers on the active job market as opposed to experienced workers with substantial job tenure (Freeman, 1976).

Are there alternatives to this supply-demand story? While many view economists as parrots who know supply and demand and little else, economics offers alternative explanatory approaches to our partial equilibrium labor market story. There are general equilibrium analyses that stress the complex interactions of the entire economy. There are human capital investment stories of changes in relative wages that interpret declines in wages as indicating that workers are investing in future skills and will enjoy rapid increases in earnings in the future. There are quality of education stories that claim that the skills of workers in the bottom half of the education distribution have declined. And there are compensating differential stories in which relative wage changes simply offset changes in taxes or employee benefits, so that the real economic well-being of workers does not change. For instance, the decline in marginal tax rates in the United States might have led firms to pay high wage workers more in terms of salary and less in terms of in-kind or deferred benefits. If this were the case the rise in inequality would be illusory -- reflecting a shift in the composition of compensation rather than in the real level of pay of highly paid workers versus low paid workers.

Since developed economies operate in the same world markets with similar technology, their industry and occupation mixes of employment change in broadly similar ways. In addition, the proportion of the work force that is highly educated has risen in all advanced countries, albeit at somewhat different rates. Differences in the pattern of change in supply and demand are thus unlikely by themselves to explain most of the differing change in inequality across countries. It is also necessary to consider how differences in wage-setting and other labor market institutions affect outcomes. Our analysis differentiates between two ways in which institutions affect outcomes: as given factors that mediate the effect of market forces on wages and employment; and as changing factors that alter the process of wage-setting and skill-building.

The second part of our SDI explanation of the different experience of advanced countries is the assertion that identical shifts in supply and demand have different wage and employment consequences depending on the wage-setting institutions or pay-setting norms in a country and its education and training institutions. The more centralized a wage-setting system and the stronger institutional interventions in wage determination, the less effect will shifts in supply and demand have on relative wages and the greater effect will they have on relative employment. If, however, institutional interventions in wage-setting are accompanied by education/skill training for lower paid workers, the adverse employment consequences of wage interventions favoring the less skilled will be ameliorated. Thus, in our analysis education and training institutions that affect the skills of the work force (Lynch, this conference) are important determinants of the degree to which more and less skilled workers are substitutable in production. Institutional settings that produce a more egalitarian distribution of skills dampen the effects of market shifts on wages and employment. Finally, social insurance and income maintenance institutions (Blank, this conference) also affect wage-setting by influencing supply and demand behavior. For instance, income maintenance or unemployment benefits programs that provide weak insurance to workers in trouble will put greater pressure on them to bid down wages and to find jobs than will more extensive programs.

The final part of our analysis are institutional changes such as product market deregulation and changes in unionization that alter the wage-setting calculus. In part, we take these changes as exogeneous, but in part we regard them as endogenous to shifts in supply and demand in the labor market. The institutional changes of greatest importance in the 1980s were the decline in trade union power, which was exceptional in the United States, and the decentralisation of collective bargaining that characterised diverse European countries. Both of these developments are likely to produce greater increases in earnings differentials.

Does the SDI Explanation Fit the United States?

Since our analysis takes as its starting point the pattern of change in the United States, we ask first how well the SDI story fits the rise in U.S. wage inequality.

At the outset it is clear that an explanation of rising inequality in the U.S. requires the operation of both demand and supply forces. Supply-side changes in the composition of the work force cannot account by themselves for recent wage structure changes. This is because the groups with relative wage increases in the 1980s such as college graduates or women also had substantial increases in their relative numbers in the labor force. The positive correlation of relative wage and quantity changes among demographic groups in the 1980s implies that changes in the relative "qualities" of the different groups or changes in relative demand are necessary to understand U.S. wage structure movements within a market-clearing frameowrk.

We reject an explanation based on declining quality of less educated U.S. workers. The 1980s increase in educational wage differentials and of wage inequality within detailed demographic groups occurred for specific age cohorts of workers as they grew older. Inequality grew not simply between 25-34 year olds in 1979 and 25-34 year olds in 1989 but also for the cohort of 25-34 year olds in 1979 as they aged ten years to become 35-44 year olds in 1989. Within-cohort increases in inequality even for cohorts educated more than twenty years ago rules out explanations of rising wage inequality in terms of the purported decline in the quality of primary and secondary education in the United States.

The key to understanding rising "skill differentials" thus appears to be a strong secular shift in relative labor demand favoring more-educated workers and workers with problem-solving skills combined with a slowdown in the relative growth of the supply of educated workers. Indeed, for many years the industrial and occupational distribution of U.S. employment has been shifting in favor of college graduates relative to non-college workers and in favor of women relative to men. Employment fell in goods-producing sectors that employ many blue-collar males and expanded in professional, medical, and business service sectors that disproportionately employ college graduates and in service industries that hire relatively many women. The loss of high-wage, blue-collar jobs in goods-producing sectors may account for as much as one-quarter to one-third of the increase in the college/high school wage differential for males during the 1980s (Blackburn, Bloom, and Freeman, 1990; Katz and Revenga, 1989; Bound and Johnson, 1992). One should not, however, exaggerate the shift in employment from goods to services: most of the change in the job structure occured within detailed industries. In almost all industries, firms increased their usage of more-educated workers relative to less-educated workers and of professional, managerial, and technical workers relative to production workers. These changes could arise from outsourcing of production jobs to foreign countries that eliminated work done by less-educated in the past or from a shift in production function arising from changes in technology or the organization of work.

Increased internationalization of the U.S. economy is a potential contributor to widening educational and occupational wage premia. During the 1980s, trade operated to augment the nation's implicit supply of less-educated workers, particularly those with less than a high school education (Borjas, Freeman, and Katz, 1992). Many production and even routine clerical tasks can be more easily transferred abroad than in the past. Trade-induced shifts in the economy became important with the emergence of substantial trade deficits in the early 1980s. Overall, the increased implicit supply of less-educated workers arising from trade deficits may account for as much as 15 percent of the rise in the college/high school wage differential from the late 1970s to the mid-1980s. By contrast balanced expansion of international trade in which growth in exports matches the growth of imports has fairly neutral effects on relative labor demand. Indeed, balanced growth of trade leads to an upgrading in the jobs for workers without college degrees since export-sector jobs tend to pay higher wages for "comparable" workers than do import-competing jobs.

A second primary suspect for recent changes in the wage structure is skill-biased technological change. The increased importance of microcomputers and computer-based technologies appears to favor more-educated over less-educated workers. In manufacturing increases in the relative employment of more-educated workers are strongly positively correlated with investment in computer technologies and R&D intensity (Berman, Bound, and Griliches, 1992). A substantial wage premium for those that use computers on their jobs helps explain a substantial part of increases in the college wage premium in the 1980s (Krueger, 1993). Whether because of computerization or other causes, the overall pace of within-sector relative demand shifts favoring more-skilled workers seemingly accelerated in the 1980s (Berman, Bound, and Griliches, 1992; Katz and Murphy, 1992).

The division of effects between technology and trade is, to be sure, somewhat problematic. Increased international competition could motivate firms to innovate, adapt new technologies, or change work organizations. And changes in technology have effects on trade patterns. The diffusion of technology overseas, and the expansion of education in other countries has made foreign workers more substitutable for non-college graduate Americans. Together, the large trade deficits in manufactured goods, and technological changes favoring computer-literate workers with problem-solving skills explain much of increased wage inequality and educational wage differentials in the United States.

But demand shifts are not the whole story. If changes in demand were all that drove the change in wage differentials, we could not explain the different pattern of change in education differentials in the 1970s and 1980s. In both decades there was a rapid secular trend in relative demand favoring college graduates (though there was no trade deficit in the 1970s), but educational differentials fell in the 1970s and rose in the 1980s. To understand the difference the 1980s and 1970s, we turn to developments on the supply side of the market. In the 1970s there was a rapid growth in the relative supply of college graduates associated with baby-boom cohorts who enrolled in college in the late 1960s and early 1970s, propelled by high rewards to college-going and fear of the draft. The result was a fall in the returns to college (Freeman, 1976). In the 1980s, by contrast, the growth of the relative supply of graduates diminished, due to baby-bust cohorts and the lower return to college-going of the 1970s. For example, Katz and Murphy (1992) estimate that the rate of growth of the relative supply of "college-equivalent" to "high-school" equivalent workers declined from a 5 percent annual rate from 1971 to 1979 to a 2.5 percent annual rate from 1979 to 1987. Slower growth of supply combined with faster growth of demand favoring the more skilled to produce the explosion in college wage premium in 1980s.

Increased immigration in the 1980s played a role in the poor labor market performance of high school dropouts. While studies of local labor markets that compare changes in cities receiving many immigrants to those receiving few immigrants show small impacts of immigrants on the wages of less-skilled workers (Altonji and Card (1991), Lalonde and Topel (1991)), immigration affected aggregate relative skill supplies. The skill distribution of new immigrants to the United States in the 1980s was bimodal. Many immigrant workers came with college degrees. But many from developing countries came with extremely little formal schooling. The large influx of less-educated immigrants adversely affected Americans with fewer than twelve years of schooling: wage inequality increased most in the 1980s in the West, the region with the largest inflow of less-educated immigrants (Topel, 1992). The increase in those with college degrees, by contrast, presumably dampened the growth of educational earnings differentials. Overall, trade and immigration may account for 15 to 25 percent of the increase in educational wage differentials in the 1980s.

An acceleration in relative demand shifts favoring the more-skilled combined with a slowdown in the growth in the relative supply of the more-educated in the 1980s goes a long way towards explaining the increase in U.S. skill differentials, but changes in supply and demand are not the whole story by themselves. Even in the U.S., where market forces have great leeway to determine wages, institutional factors also contributed to the rise in earnings inequality.

The Role of Institutions

The major institutional factor that affected the U.S. wage structure is the decline of unions. By itself falling union density explains roughly one-fifth of the rise in wage differentials or overall dispersion among men (Blackburn, Bloom, and Freeman, 1991; Freeman, 1993; Card, 1992). It also accounts for a similar share of the fall in employer and union-provided pensions among men (Bloom and Freeman, 1992). While analyses of the contribution of the drop in unionisation to the rise in inequality use diverse statistical tools, the logic behind these assessments is relatively simple. Consider, for example, what happened to young blue collar men in the 1980s: the proportion who were in unions fell by some 15 points while the percentage of white collar young men in unions was roughly constant (and low). Thus 15% of the less skilled lost the 20-25% wage advantage that is associated with unionism, the lower dispersion of wages that is found in union workplaces, and the greater provision of pensions under unionism.

The other widely note institutional change in the 1980s, the fall in the real value of the minimum wage, appears, by contrast, to have had little impact on the overall wage structure. This is because the U.S. minimum has always been set so low as to affect only a small minority of workers. This contrasts with the situation in other countries, where minimum wages cover larger proportions of the work force. The decline in the real value of welfare benefits might also have affected earnings at the lower tail of the U.S. earnings distribution by increasing the supply of workers, but this also appears to be only a minor factor in the rise in inequality (Moffitt, 1990).

A look back in U.S. economic history supports the notion that wage-setting institutions have a sizeable effect on earnings inequality. The 1940s provide a striking historical contrast to the 1980s in terms of the direction of relative wage changes. Educational and establishment wage differentials and overall inequality decreased substantially in the 1940s (Goldin and Margo, 1992). Much of the narrowing of the wage structure was driven by the explicit policies of the National War Labor Board to reduce establishment wage differentials. The increased strength of unions raised blue-collar wages. Market forces reinforced these patterns with a manufacturing boom that generated a strong demand growth for blue-collar workers as well as a rapid growth in the supply of more-educated workers. Institutional changes in the 1980s went in the opposite direction of those in the 1940s and reinforced market tendencies towards rising wage inequality.

Why Other Countries Did Differently

Can country differences in changes in relative wages be explained in terms of supply, demand, and institutions? How important in accounting for the smaller increase in inequality in most other countries than in the United States are country differences in shifts in demand and supply versus differing labor market institutions?

Differences in the pattern of change of labor demand do not explain much of the differential labor market experience of countries. With the exception of Japan, changes in demand as measured by the industrial and occupational structure of employment have been relatively similar among OECD countries. All the countries had large, steady shifts in the industrial and occupational distribution of employment towards sectors and job categories that disproportionately use more-educated workers. The share of employment in manufacturing declined substantially in all the countries except Japan during the 1980s. In the U.S. the manufacturing share of employment dropped by 4.2 percentage points from 1979 to 1989; in OECD-Europe it fell by 4.1 percentage points. Japan's massive export success enabled it, by contrast, to maintain a near constant manufacturing share of employment. Still, the broad changes in technology and internationalization of economic competition shifted labor demand in advanced OECD economies in favor of more-educated workers against non-college workers.

Differential patterns of change on the supply side, by contrast, would seem to be a logical contributor to the greater rise in educational wage differentials in the U.S. than in other countries, and to the divergent pattern of change in the 1980s compared to the similarity of change in the 1970s shown in exhibit 2. In the 1970s, despite shifts in labor demand favoring more-educated workers, skill differentials narrowed throughout the OECD because expansion of higher education systems and high returns to education produced dramatic increases in the supply of highly-educated workers in most countries. If changes in relative supply of workers with differing education have roughly similar effects on the relative earnings of those groups across countries; and if the United States had a particularly rapid slowdown in the growth of the relative supply of college graduates; differential changes in the growth of supply would have contributed to the greater rise in educational differentials in the United States than elsewhere.

Exhibit 6 summarises regression calculations that show that in the four countries for which evidence exists, the negative changes in relative the supply of more to less educated workers substantially affected the relative wages of the two groups. For example, the coefficient -. for Canada indicates that a 10% increase in the relative number of college graduate men reduces their pay relative to that of high school graduate men by roughly 5%. These analyses cover both the 1970s decreases in the college wage premium and the 1980s increases in that premium, and thus indicate that differences in the change in relative supplies between the periods contributed to the differing pattern of change in relative wages. As for rates of growth in the educated work force, in contrast to the United States and United Kingdom, where the growth of the highly educated share of the work force decelerated substantially (it fell among young U.S. males), many countries maintained supply-side pressure against rising inequality. Continued rapid expansion of the college work force in Canada, for instance, helps explain the more modest change in the relative earnings of college graduates in Canada than in the United States (Freeman and Needels, 1993). Consistent with this, two countries that did not experience sharp increases in educational differentials during the 1980s, France and Germany, also maintained their 1970s rate of growth of the supply of more-educated workers into the 1980s (Katz, Loveman, and Blanchflower, 1993; Abraham and Houseman, 1993).

Finally, support for the importance of relative supply changes in determining relative earnings is found in analyses of the changing pattern of educational differentials in South Korea. In contrast to the stable or rising differentials in more advanced OECD countries, South Korea saw a huge drop in differentials in the 1980s. South Korea had the fastest growth in the college share of the work force among major countries, and estimates show that this reduced the education premium along the lines of the analyses in exhibit 6 (Kim and Topel, 1993).

In sum, the supply-demand forces that affected educational differentials in the United States operated similarly in other countries. Given comparable changes in demand across countries, different growth of relative supply are a key factor explaining country differences in the growth of skill differentials. Still, they cannot explain the bulk of country differences in levels or changes in inequality. Since institutions differ more across countries than market forces and changed in different ways among countries in the 1980s, we consider next how institutional factors contributed to the difference in market outcomes.

wage-setting institutions and changes in institutions

There are different ways to categorise wage-setting institutions: in terms of governmental wage-setting through the minimum wage or extension of collective contracts, in terms of the importance of collective bargaining, or of payroll taxes that fund certain benefits, or of profit-sharing or related incentive schemes. Most analysts of OECD countries concentrate on the degree of centralisation of wage-setting, differentiating between countries like the United States, with its highly decentralised labor markets and freedom from governmental intervention in wage-setting (and Canada and the United Kingdom), and the more centralised wage-setting systems of Europe. But European wage-setting systems differ greatly. In some countries such as Austria and Sweden until recently for instance, peak-level union confederations and employer federations bargained over national wage settlements. In Germany industry or regional collective bargaining determines basic wages in an area that the Ministry of Labor often extends to all workers. In France the minimum wage is important in determining the overall level of wages, and the Ministry of Labor also extends contracts. But the extent of centralisation of wage-setting in these different systems is not transparent. Some experts place Germany high in a centralisation scale (Bruno and Sachs, 1985) while others place it lower (Calmfors and Driffil, 1988). And although few view Italy as having highly centralised wage-setting institutions, Italy's Scala Mobile (which increased the wages of low-paid workers faster than those of high-paid workers) resembles Sweden's peak-level bargaining system.[7]

In addition, there is debate over whether Japan should be counted as highly centralised due to the importance of the Japanese employers' federation and the annual shunto offensive (Soskice, 1990); or categorised as decentralised due to its company unions and low rate of unionisation. Countries that change wage-setting practices, as Australia did in 1983 when its unions agreed to an Accord with the government to limit wage increases so that employment would grow, create further classificatory problems.

These problems notwithstanding, it is clear that virtually all of these countries give a greater role to institutions in wage-setting than does the United States and that the greater role of institutions in wage-setting overseas is associated with more modest educational and occupational differentials and more modest changes in differentials in the 1980s. By allowing the full brunt of shifts in supply and demand to fall on wages, the U.S. had sizeable drops in the relative earnings of less educated workers in the 1980s just as it had falls in their earnings compared to those of the less educated in the 1970s. In most Western European countries, by contrast, explicit government and union policies kept a lid on increases in wage differentials in the 1980s while augmenting market forces reducing differentials in the 1970s. To the extent that these countries faced broadly similar shifts in demand and supply for labor with differing skills, the smaller increases in inequality in those countries shown in exhibits 2 and 3 imply that these institutions lessened the trend toward inequality.

There were also important changes in wage-setting institutions in OECD countries in the 1980s that affected wage differentials. Unionisation fell in many countries in the 1980s, after growing in most countries in the 1970s (OECD, Employment Outlook, 1991). Union density dropped precipitously in the United Kingdom, the United States and France but remained steady in Canada and Germany. Because unionism does not have the same meaning in different settings, however, even similar declines in density have different effects on the labor market. In the U.S. and U.K. reduced density means a reduced role for collective bargaining and institutional forces in wage-setting. But in France falling unionisation had no effect on the role of the national minimum wage in wage-setting and was accompanied by an increasing number of plant level collective contracts. Sweden and Austria make another striking contrast. In Sweden union density has been exceptionally high whereas density has fallen sharply in Austria. Yet Swedish employers withdrew from peak level bargaining in 1983, seemingly ending Sweden's centralised bargaining system whereas Austria has maintained centralised wage-setting.

Changes in the role of unionism/related institutional factors in other countries affected their pattern of wage inequality in the 1980s, just as institutional changes affected outcomes in the United States. In the United Kingdom, there is a marked concordance between the timing of the fall in British density and rising inequality and some indication that declining density accounts for about one-quarter of the growth of inequality (Schmitt, 1993). At the other end of the spectrum, the continued strength of unions in Canada helps explain the smaller increase in inequality in Canada than in the United States. Approximately 40% of the difference in wage inequality between the U.S. and Canada appears to result from the differences in union density (Lemieux, 1993). Decentralisation of collective bargaining in Sweden helps explain the rise in inequality in that country in the 1980s, though, as exhibit 3 shows, levels of inequality are modest indeed by U.S. standards. In Germany, the unification of East Germany with West Germany provides a unique case of massive institutional change which has moved the East German wage structure toward that of the West (Kreuger and Pischke, 1993).

Thus far, we have taken institutional changes as exogenous to shifts in supply and demand. But institutions are not immune to market forces. Economic forces that raise relative wages are likely to lead to less centralised collective bargaining or reduction in union influence on wage-setting (Freeman and Gibbons, 1993). Institutions that go strongly against market forces face a difficult task. That Italy dropped its Scala Mobile, Sweden abandoned peak-level bargaining, and other countries moved toward more plant or firm level arrangements in an era when the market moved toward greater differentials is presumably no accident. There is space for institutions to affect outcomes, but that space is limited. The European countries that had small rises in inequality in the 1980s may see greater rises as their institutions either adapt to market forces or are altered by those forces. Still, we would expect few if any of these countries, save for the United Kingdom to approach U.S.-levels of inequality, given the evidence that institutions can dampen such forces.

Conclusion: Leaning Against the Wind

There are market forces working to ameliorate the huge rise in inequality in the U.S. The massive college-wage premium has led to increases in college enrollment rates in recent years (especially for women) despite sharply rising tuition costs (Blackburn, Bloom, and Freeman, 1992). This promises an accelerated growth of college graduates in the future, which will tend to offset relative demand increases favoring the more educated and possibly lower the educational differential, and raise the earnings of the less educated. But given continued trade and technological changes, restoring the economic future to less educated workers would seem to require more than simple reliance on the market.

The experiences of other OECD nations indicate that increased international competition and the implementation of new technologies do **not** necessarily imply sharp increases in wage inequality and substantial declines in the real earnings of less-educated workers. To the contrary, we identify two types of national strategies that have been associated with little increase in skill differentials and overall wage inequality in the 1980s.

The first is the European pattern of explicit government intervention in the wage setting process through increases in minimum wages and extensions of the terms of collective bargaining agreements to firms not directly involved in such agreements. Strategies of this type succeeded during the early 1980s in preventing the wage structures from widening in Italy and France. But these types of policies do not directly deal with the profound changes in the demand for skills and may run into serious economic difficulties. Policies that limit market wage adjustments without directly addressing changed labor market conditions can prevent wage inequality from increasing for a while, but they risk stagnant employment growth, persistent unemployment for young workers (as in France), and/or a shift of resources to an underground economy to avoid wage regulations (as in Italy).

The second type of national strategy involves not only some institutional wage interventions but also education and training systems that invest heavily in non-college workers. Germany and Japan are the exemplar countries here. German and Japanese firms treat college-educated and non-college workers as much closer substitutes in production than do U.S. or British firms. The same technology and trade shocks show up less in relative skill demand and do not generate as much pressure for wage structure changes in these countries. German institutions affect wage-setting but also make sure that the nation's skill structure is consistent with wage policies. The lesson is that buffering the earnings of the less educated by institutional wage-setting works best when accompanied by institutions that augment their skills as well.

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Endnotes

1. The Kuznets curve was an empirical relation demonstrated by Simon Kuznets that showed that income inequality first rose, then fell with economic development.

2. Even if one is interested solely in the United States, there are virtues to examining other countries. The experience of others provides something akin to a "test" of explanations that were explicitly tailored to fit the U.S. facts. If the same story fits the experiences of other countries, we our confidence that it holds for the United States will be enhanced. In addition, understanding how other countries have dealt with the same underlying market forces ought to provide us with some notions of what strategies might improve the economic position of less skilled Americans.

3. To the contrary, the same less skilled men who suffered losses in real earnings experienced losses in the likelihood they would have an employer or union-provided pension (Bloom and Freeman, 1992; Parsons, 1993; Even and Macpherson, 1993) and, as far as can be told from weak data, in being covered by an employer health insurance plan (Gittleman and Howell, 1993).

4. Despite the decline in the relative wages of less skilled men, the proportion employed fell relative to the proportion employed of more skilled men. This occurred by education and by deciles of the earnings distribution. But note that white collar workers suffered more from unemployment than in the past. The unemployment rate of executives in January 1993 was 3.9%, the highest it had been since 1983 (4.4%). By contrast, the unemployment rate of operators, fabricators, and laborers was 11.9% in January 1993 compared to 20.6% in 1983.

5. Specifically we computed the proportion of all men who had income between 1.3 times the mean and .7 times the mean income in the releveant CPS Consumer Income Reports Series P-60, Money Income of Households, Families, and Persons in the U.S. tables reporting total money income by age.

6. In technical jargon, the elasticities of complementarity (Hicks' term for the effect of changes in relative quantities on relative factor prices) must be noticeably greater than 0 but less than infinite.

7. During its heyday, the Scala Mobile produced huge declines in the dispersion of wages, accompanied by a shift of employment to the underground economy just as during its heyday, Sweden's peak-level bargaining system produced huge declines in the dispersion of wages, accompanied by growing employment in the public sector. In both countries, moreover, wages drift allows particular sectors to deviate from the central settlement, and allows individual firms also to deviate. A comparison of the detailed structure of the two systems of wage-setting suggest that they are more alike than the wage-setting systems of many other European countries (Erickson and Ichino, 1993; Edin and Holmlund, 1993).

EXHIBIT 1:
U.S. Relative Hourly Wage Changes, 1967-89

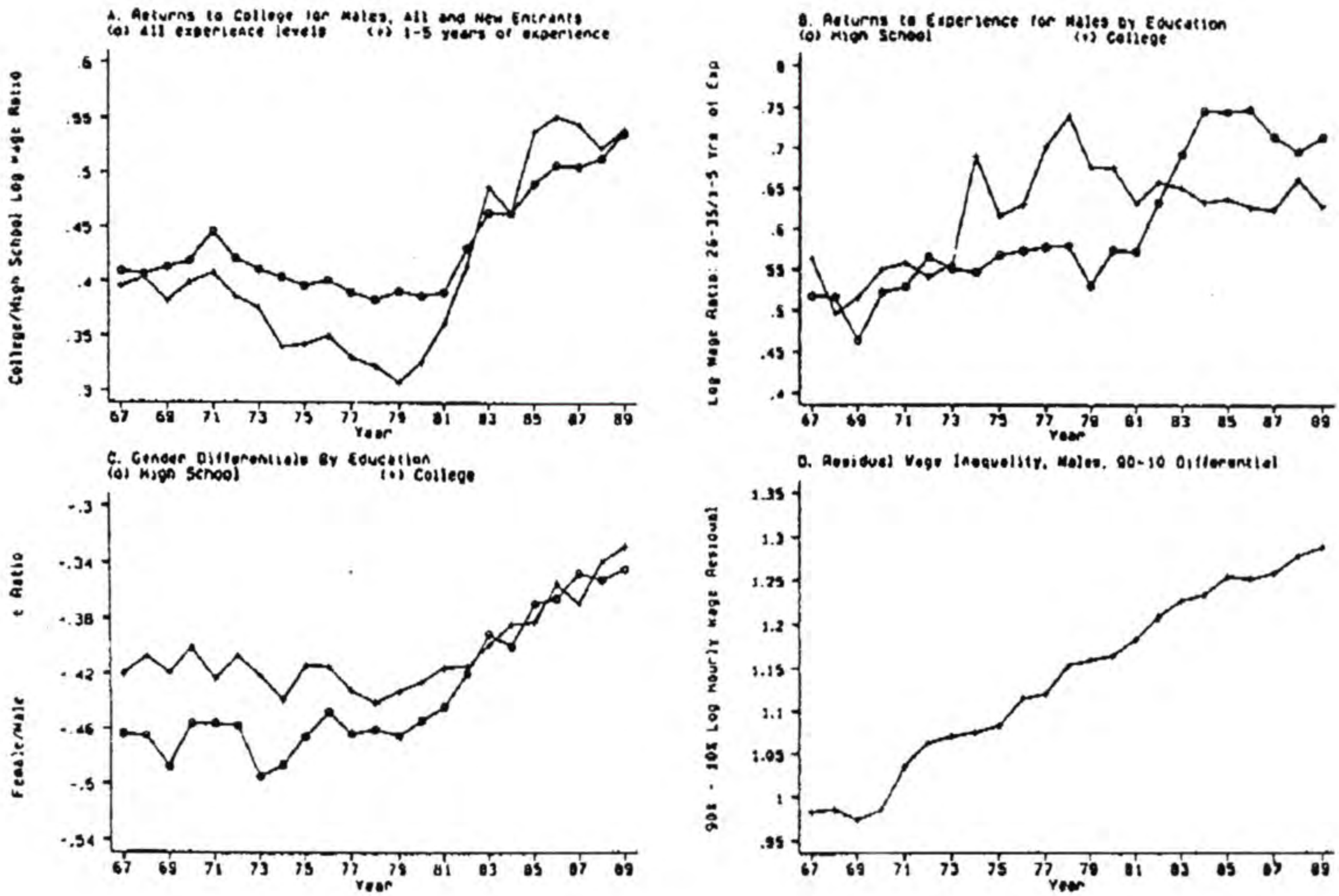


EXHIBIT 2:

Changes in Educational/Occupational Skill Differentials in Advanced Countries

COUNTRIES WHICH EXPERIENCED:	1970s	1980s
LARGE FALL IN DIFFERENTIALS	Australia Canada France Germany Italy Japan Netherlands Sweden United States United Kingdom	Korea[a]
MODEST CHANGES IN DIFFERENTIALS		
MODEST FALL IN DIFFERENTIALS (↓)		Netherlands (↓)
NO NOTICEABLE CHANGE IN DIFFERENTIALS (↔)		France (↔) Germany (↔) Italy (↔)
MODEST RISE IN DIFFERENTIALS (↑)		Australia (↑) Canada (↑) Japan (↑) Sweden (↑)
A LARGE RISE IN DIFFERENTIALS		United States United Kingdom

[a]Developing country moving into advanced state.

SOURCE: 1970s, Freeman "The Changing Economic Value of Higher Education in Developed Economies: A Report to the OECD", NBER Working Paper #820, 12/81.

1980s, Freeman and Katz, Differences and Changes in Wage Structures (forthcoming, 1993).

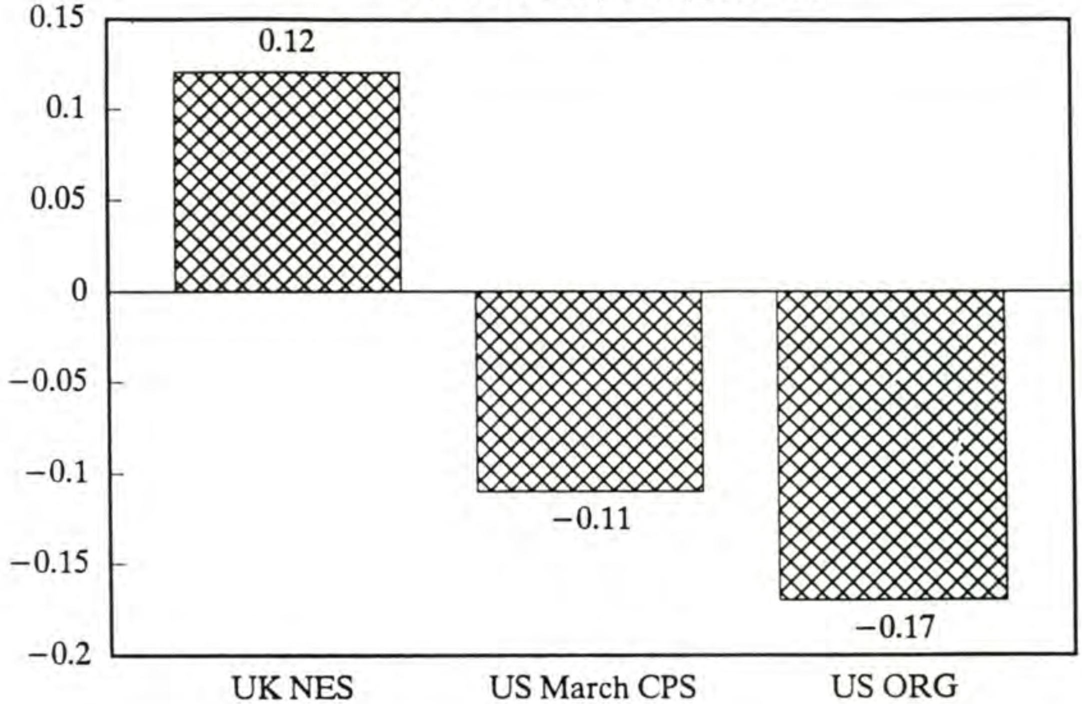
EXHIBIT 3:
Wage Inequality for Full-Time Workers, Selected OECD Countries, 1970-90[a]

Log of Ratio of Wage of 90th Percentile Earner to 10th Percentile Earner					
Country	1979	1984	1987	1990	Δ 79-latest Year
MALES					
United Kingdom	0.88	1.04	1.10	1.16	.28
United States	1.23	1.36	1.38	1.40	.17
Japan	0.95	1.02	1.01	1.04	.09
France	1.19	1.18	1.22	--	.03
Italy[c]	.74	.69	.73	--	-.01
Netherlands	.82	.77	--	.80	-.02
Germany I[b]	0.78	0.80	--	--	-.03
Germany II	--	0.96	0.91	--	
FEMALES					
United States	0.96	1.16	1.23	1.27	.31
United Kingdom	0.84	0.98	1.02	1.11	.27
Japan	0.78	0.79	0.84	0.83	.05
France	0.96	0.93	1.00	--	.04
Italy	.87	.69	.69	--	-.18
MALES AND FEMALES					
Sweden, all	--	0.66	--	0.73	.06
Sweden, Blue Collar	0.30	0.30	0.31	0.35	.05

NOTES: [a] The samples consist of full-time workers with the exception of Japan. The wage inequality measures for Japan refer to regular workers. Wages are measured by hourly earnings for the United States, United Kingdom, France, and Sweden; weekly earnings for full-time, full-year workers covered by the social security system for Germany I; and gross average monthly earnings plus holiday allowances based on data from the German socioeconomic Panel for Germany II.
[b] The Germany I data are for years 1979 and 1983.
[c] 1984 is 1985; 1990 is 1989.

SOURCES: The data for the United States, United Kingdom, France, and Japan are from Katz, Loveman, and Blanchflower (1992); the data for Canada are from Davis (1992); the data for Germany are from Abraham and Houseman (1992); the data from Sweden are from Edin and Holmlund (1992); the data for Italy are from Erickson and Ichino (1993); and the data from Netherlands are from

Ex 4: Change in Log Hourly Real Earnings
10th Percentile, Male, 1979–89

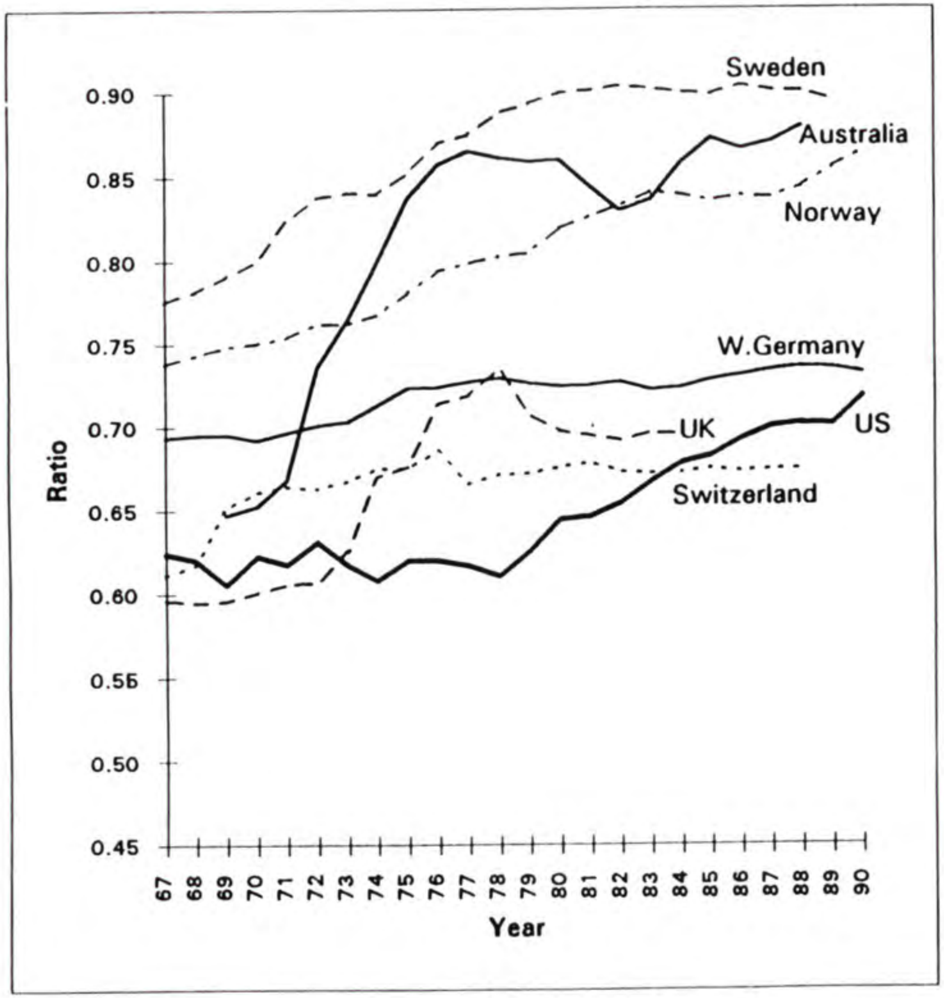


Note: UK NES: United Kingdom New Earnings Survey
US March CPS: US March Current Population Survey
US ORG: US Current Population Survey Outgoing Rotation Groups.

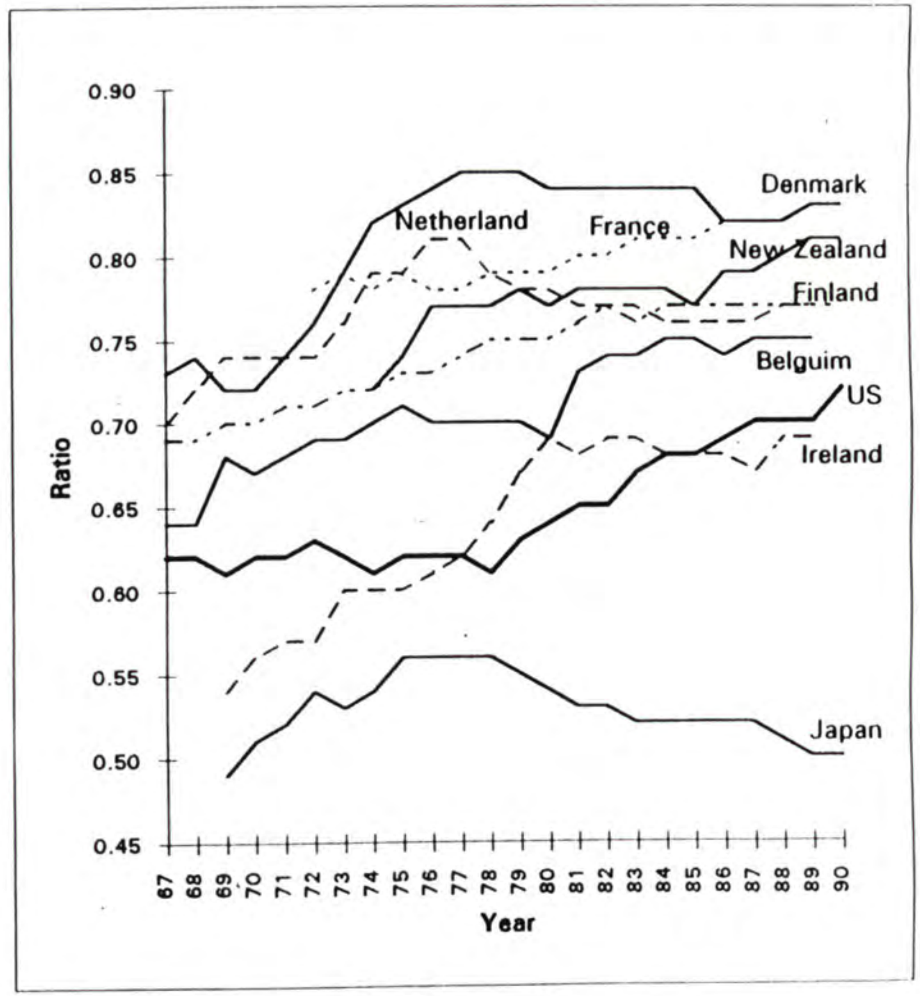
Sources: Katz, Loveman, Blanchflower, 1993.
US nominal wages turned into constant dollars by using the implicit price deflator for personal consumption expenditures from the National Income and Products Account.
British nominal wages are deflated by the Consumer Price Index.

EXHIBIT 5:

Female-to-Male Hourly Earnings Ratios, Nonagricultural Workers, 1967-90



a) Sample Countries



b) Other Countries

SOURCE: Blau and Kahn (1993).

EXHIBIT 6:
Estimate of the Effect of the Relative Supply of Educated Workers on the Relative Earnings of Educated Workers

	U.S. Males & Females	U.S. Males	Sweden	U.K. Males	Canada[a] Males
Relative Supply	-.71 (.15)	-.59 (.12)	-.35 (.05)	-.29 (.09)	-.53 (.38)
Trend	yes	yes	yes	yes	yes
Coverage	1963-87	1967-87	1971-90	1974-88	1975-87

SOURCE: Katz-Murphy, 1992
Edin-Holmlund, 1993
Schmitt, 1993
Freeman-Needles, 1993

NOTES: [a]Also contain log real GDP and trade balance/GDP

6/10/93

THE PRESIDENT HAS SEEN

Answer: Cut Entitlements. Question: But How?

By DAVID E. ROSENBAUM
Special to The New York Times

WASHINGTON, June 7 — Like a weed run rampant, entitlement programs are taking over the Federal budget, and unless they are brought under control, politicians and economists agree, no hope exists for lowering the deficit in the long run.

The issue dominated the House debate on President Clinton's budget last month and is sure to be a main element of the debate in the Senate later this month.

But controlling entitlements — Government programs like Social Security and welfare that make automatic payments to everyone who is eligible — is no easier than stopping the spread of kudzu in the Carolinas, since it involves choices no politician wants to make.

Why It's So Hard

"Cutting entitlements sounds painless," said Robert D. Reischauer, director of the Congressional Budget Office and Congress's chief economist. "But when you examine the specifics, you realize this is the third rail of American politics."

Here is why it is so hard: The only politically realistic way to slow the growth in entitlement spending is to reduce the costs of Medicare and Medicaid, the main Government health programs. The only way to do that is to rein in the overall cost of health care. The only practical way to do that is to overhaul the whole health-care system.

And, as the deliberations of the President's Task Force on National Health Care Reform have shown, changing the health-care system entails raising taxes, which is exactly what the lawmakers who say they want to lower the deficit by reducing entitlements want to avoid.

But that has not stopped politicians from advocating cutting or freezing entitlements, the political equivalent of a Potemkin village. It was a central feature of the Presidential campaign of George Bush last year and of the economic views of his budget director, Richard G. Darman. Prominent senators of both parties favor such steps in principle.

Last month, as the price of support for his economic plan from some recalcitrant Democrats in the House, President Clinton agreed to new budget rules that would force the White House and Congress to respond if spending for entitlement programs rose beyond official projections.

Most of this, say economists and budget analysts on both the left and the right, is simply political hot air.

"It's a way of suggesting big savings that will never be delivered," said Stuart M. Butler, the director of domestic policy studies at the Heritage Foundation, a conservative research organization.

The only responsible way to advocate reducing entitlement spending, Mr. Butler said, is to say precisely which programs would be cut and by how much — something politicians rarely do.

There are dozens of entitlement programs, including prominent ones like Social Security, food stamps and farm price supports and obscure ones like money for witnesses in Federal trials and subsidies to farmers who agree not to cultivate environmentally sensitive land.

What they have in common is that the money is spent each year without the annual review accorded programs that need new appropriations from Congress. Altogether, they will cost $770 billion this year, more than half the Federal budget and four-fifths of all the spending, not counting what goes for the military or interest on the debt.

Running Rampant

More than two-thirds of all this entitlement money, $528 billion, will be spent on only three programs: Social Security, Medicare and Medicaid. And only two entitlement programs are actually running rampant: Medicare, which covers the medical costs for the elderly and the disabled, and Medicaid, the state-Federal health program for the poor.

Social Security is growing no faster than the general growth in the economy, and the increases in the taxes that support it in the 1980's more than made up for rising benefits being paid out to retirees.

Many of the other entitlement programs, including food stamps and Aid to Families with Dependent Children, the main Federal welfare programs, have failed for years to keep pace with inflation and the growth in the eligible population.

In fact, even if the Government abolishes food stamps, welfare, farm price supports, child nutrition programs and veterans' pensions — an extreme step that no one is advocating — entitlement spending would still be a higher percentage of the Federal budget in 1998 than it is now, unless Medicare and Medicaid costs are reduced.

Spending on Medicare and Medicaid rose from $48 billion in 1980, or 8 percent of the budget, to $196 billion last year, or 14 percent of the budget. If nothing is done to change the law, the cost of the two programs will more than double by 1988, to $405 billion, or 22 percent of total spending, according to Congressional Budget Office projections.

'Sea of Red Ink'

And by 2003, the Federal budget deficit, now about $300 billion, will have grown to nearly $700 billion, "making the current sea of red ink look more like a puddle," Mr. Reischauer said.

Letitia Chambers, a public policy consultant here who specializes in budget matters, said that all the political talk about limiting entitlement spending masked the true problem. "The real issue," she said in an interview last week, "is that Medicare and Medicaid have gone through the roof."

Actually, those programs have grown less than health-care costs generally in recent years, although Medicaid spending doubled from 1989 to 1992 largely because the recession caused so many more people to become eligible.

President Clinton has proposed cutting Medicare by about $50 billion over the next five years, and the Senate Finance Committee is prepared to cut an additional $31 billion, said the panel's chairman, Senator Daniel Patrick Moynihan of New York. But the cuts will not come cheaply.

Many cost-cutting measures in the Government's health programs alone have been counterproductive. For example, when the Government has put limits on Medicare payments to hospitals, doctors and laboratories, they have generally responded by charging patients more when the patients are covered by private insurance. The effect has amounted to a hidden tax on the general public in the form of higher insurance premiums.

"The way health care works these days," said Stanley E. Collender, a budget specialist at Price Waterhouse, the accounting firm, "if you cut Medicare and Medicaid, you and I are going to pay for it, pure and simple."

This does not mean entitlements cannot be cut. For example, Social Security payments to the wealthy could be withheld, or cost-of-living increases in retirement benefits could be abolished. Medicare premiums for outpatient care could be increased substantially, or upper-income retirees could be asked to pay more of their hospital bills out of pocket.

But such steps would be so unpopular that they would amount to political suicide for many who voted for them.

So rather than talking about the specifics, politicians embrace the word "entitlement."

The word used to be a euphemism for welfare, but now it mostly refers to benefits enjoyed by the general public. Eighty percent of entitlement payments do not take account of the recipient's income.

By making benign-sounding proposals like freezes or caps, politicians avoid the risk that voters will tally up what the proposals would cost them personally.

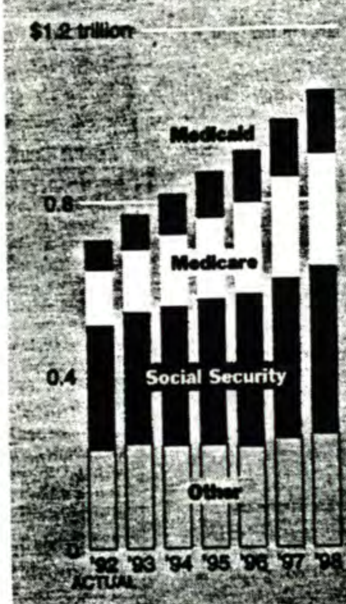
Mr. Bush advocated such proposals. And that is the stand taken by Representative Charles W. Stenholm, a Texas Democrat, and most Republicans in the House and by Senators Pete V. Domenici of New Mexico, a Republican, and Sam Nunn of Georgia, a Democrat, among others.

"It's as if they're proposing holding back the tide," said Mr. Butler of the Heritage Foundation.

Deficit-cutting choices that no politician wants to make.

Social Spending: Costs Over Time

Projected growth in entitlements
Figures in actual dollars



All entitlement programs in '92
Figures in billions

Social Security	$285
Medicare	129
Medicaid	68
Federal and civilian retirement and disability	37
Unemployment compensation	37
Military retirement and disability	24
Food stamps	23
Other	20
Supplemental Security Income	18
Family support	16
Veterans' benefits	16
Farm price supports	9
Earned-income tax credit	8
Child nutrition	6
Social services	5
Veterans' pensions	4
Credit reform liquidating accounts	4
Student loans	2
TOTAL	$711

Source: Congressional Budget Office

cc/ Corrado

Sweat Friends for members review here — B

7

THE PRESIDENT HAS SEEN
6/10/93

On My Mind

A. M. ROSENTHAL

Our Friend Qaddafi

For a while, many Americans asked themselves a sensible and healthy question every time they walked aboard a passenger plane — is this another Pan Am 103?

The question was sensible because terrorists can do again what they did on Dec. 21, 1988 — bring down a planeload of 259 people. And it was healthy, because as long as Americans asked it, there was a chance that terrorism could be stopped permanently.

Only one way exists to do that — to make terrorist nations pay a price. These countries are terrorists' sponsors and paymasters before the crime and their safe havens after it.

The terrorists' gangs are no more the sole criminals than was the ladder into the window of the Lindbergh baby — somebody had to put them in place.

The West finally said that two Libyans did it. That is another Middle East fairy tale, a gem.

Intelligence agents who follow the case believe Iran supplied the money, Syria contributed its live-in Palestinian terrorists and the job was handed off to Libyans when the heat was on.

But let's go along with the fairy tale for a moment: a couple of Libyans managed to get their bomb on board first while, as the evidence shows, the Syrians were planning to do exactly the same thing.

So? So the West and the U.N. said that by Jiminy they would force Col. Muammar el-Qaddafi to turn the two over. Some trade sanctions were imposed, fierce talk talked.

So? So the two great Libyan masterminds are safe at home. Americans' fear of flying diminishes — with our memory we don't even worry about bombs in skyscraper garages anymore.

The powers that be, or were, refuse to order the total oil embargo that might wipe the smirk off the colonel's face. Nothing surprising about that; the West usually finds a political or economic reason to stop pursuing terrorists. But three things happened in the past few days that made it a little harder to forget Pan Am 103.

One was the Memorial Day weekend. I thought a lot about a new kind of war casualty: civilians killed by state terrorism. That was sad to think of but sadder still was that since I travel a lot, I can see myself among the victims whenever I get on a plane.

Then I spoke to the mother of a young woman aboard that plane. Her voice was as sad as I remembered it was soon after the plane blew up, her pursuit of the guilty as exhausting.

Then the happy colonel happened. This time he managed to keep a straight face as he slavered us with unctuous contempt. The man now gives interviews saying how much he wants to be our friend. The man shipped pilgrims to Israel, where they remembered to say oh, yes, Zionism must be destroyed.

Then Moshe Shahal took place. This specimen is a Labor politician now Israel's Police Minister. He said Libya was "an Arab state we have nothing against."

How about the dead, laughing boy?

Hear? Nothing — not the Libyan terrorist raids on the shores of Israel, not Pan Am, not the killers the colonel dispatches all over the world, not a thing.

Apparently that is not the position of the Israeli Government under which Moshe Shahal and his mouth serve. I prefer Deputy Foreign Minister Yossi Beilin's summation of Libya: a "leper state." But the Government could make all victims of terrorism rest easier if it removed Mr. Shahal's political head.

Even if the two Libyan patsies are turned over, they will not blow the whole plot, not with their families hostage in Libya. And the colonel will not ever surrender the use of terrorism — he was born joined to it at the brain.

But President Clinton — he could do what candidate Clinton promised the families of the survivors: to get to and tell the truth of the bombing of Pan Am 103. Then he could carry out the rest of his promise — to expose and punish those responsible, the agents and the nations that gave them the ladders.

In 1986 President Reagan stopped Qaddafi's terrorist adventures for a couple of years when he bombed Libya as payment for the terrorist bombing of a Berlin bar used by U.S. servicemen.

The oil embargo might have deeper impact, threatening the whole Libyan economy. At least the colonel would not be smirking so much.

That would not mean anything to the dead. But it might be of some solace to the families of terrorism's victims, past and future. □

Tony

24

Gergen/GS
we need to
do some
outreach to them

THE NEW YORK TIMES TUESDAY, JUNE 1, 1993

THE PRESIDENT HAS SEEN
6/10/93

Perot's Organization Shows Fissures and Sagging Morale

By STEPHEN ENGELBERG
with B. DRUMMOND AYRES Jr.
Special to The New York Times

A1

DALLAS, May 28 — Ross Perot's grass-roots political organization is in turmoil, riven by disputes that are beginning to cost it some of its most-committed volunteers.

Mr. Perot's personal popularity has never been higher, but morale in his organization, United We Stand America, is beginning to sag.

In many states, including those where Mr. Perot ran strongest in the 1992 Presidential election, there are bitter disputes about who will lead the local chapters of the group. There is also widespread disagreement over what role the organization should play on the national and local political stages.

From Crusaders to Critics

Some volunteer leaders who were unstinting in their support of Mr. Perot last fall now voice stinging complaints that his Dallas-based aides are dictatorial, secretive and duplicitous in their dealings with grass-roots workers. They also contend that Mr. Perot is more interested in making speeches and television appearances and in signing up new members for the organization than in pushing ahead toward his oft-stated goal of forcing local, state and national politicians to exercise fiscal restraint and fend off special interests.

"If they ran a business the way they're running this thing, they'd be bankrupt," said Cindy Schultz, who recently resigned in frustration after serving for nearly a year as state coordinator in Wisconsin for United We Stand America.

Mood Expected to Remain

Orson Swindle, who ran the Perot campaign in its final months and helped start the new organization, said: "The problem is in the inability of the Perot staff to hear what the grass roots want to say. He encouraged ev-

Continued on Page A15, Column 1

Continued From Page A1

erybody to be heard, and then didn't have the capacity to listen."

Mr. Swindle, who resigned on Dec. 3 and has since joined Jack F. Kemp's group, said that while United We Stand America might have its problems the movement of dissatisfied voters tapped into last year by Mr. Perot is a political fact. "Those pundits who think this will go away are wrong," he said.

Mr. Perot insists that the dissonance in United We Stand America comes from a few malcontents. "What you have here," he said Friday in an interview with CBS, "is a tiny number of people who were in leadership positions at the local level, elected by their peers. And for one reason or another, their peers chose other leaders. And this tiny number of people go from television show to television show."

The dissidents contend that as the organization has hired paid state directors, the Dallas office has bypassed the more outspoken local leaders and has chosen people who will take orders. Arguments with headquarters are inevitable in any organization, and should not automatically be grounds for dismissal, they say.

1 of 3

'There's No Democracy'

"I thought we lived in a democracy," said Gary DeMott, an early Perot volunteer in Idaho who has been denied a job in the recast organization and now runs a splinter group called United We Stand Idaho.

"I was wrong," he added. "There's no democracy in United We Stand America."

Although none of Mr. Perot's advisers will say so, the increasingly public grumbling by once-committed Perot supporters may have been a major factor in the timing of Mr. Perot's latest televised assault on President Clinton. The assault effectively shifted attention from complaints within United We State America to the increasingly testy relations between Mr. Perot and Mr. Clinton.

Several dissidents spoke on the NBC program "Dateline" several days ago. Preparation by ABC's "Nightline" for a program that was broadcast a few days ago prompted officials of United We Stand America to send a memorandum to state directors urging supporters to call the program's producers and reverse the "negative slant." Soon after, Mr. Perot gave interviews to CBS, NBC, CNN and PBS.

Mr. Perot's top aides acknowledge the problems but characterize them as the growing pains typical of any new organization.

"Maybe we were not as deft as we could have been, but you have to recall that it was a fairly small staff built overnight," said R. Clay Mulford, an original board member of the group.

Noise and Attention

Like Mr. Perot, he contends that the critics represent a tiny but noisy minority who have attracted attention from news organizations by raising the specter of Mr. Perot as an authoritarian kook.

"These are people who know the hot buttons of the organization," Mr. Mulford said. "They all use the same key words. They say, 'It's dictatorial. It's Nazi-esque.' "

Mr. Perot won 19 percent of the vote in last year's Presidential election, the strongest showing by an independent candidate since Theodore Roosevelt in 1912. Since the election, he is more popular than ever with voters, polls indicate.

After the election, Mr. Perot recast United We Stand America, making it a not-for-profit, educational group dedicated to keeping his message and agenda at the forefront of American political life.

In Idaho, one of Mr. Perot's best states last fall, Platt Thompson, the top Perot representative, claims to have signed up 10,000 members, "give or take a couple of thousand." But Idaho is one state where the Perot organization is in particular turmoil, riven by intramural squabbling, and other Perot supporters question that figure.

"It can't be more than three or four thousand, at best," said Mr. DeMott, who is competing with Mr. Thompson for leadership of the state's Perot forces.

And in Arizona, a splinter group is publishing a newsletter it calls "United We Stand Everywhere."

Just as he did in the Presidential campaign, Mr. Perot has insisted that he is the servant of grass-roots sentiment rather than its shaper. "You're the boss, and I'm Ross," he frequently asserts.

But interviews with former state coordinators show that as soon as the organization was recast after the fall election, its Dallas leadership began to exert tighter control and weed out local coordinators who had been haphazardly screened during the campaign and for the most part had little political experience.

The organization is now hiring paid directors for each state, and the emphasis, Mr. Mulford said, is on people who have financial and accounting skills. One of the first to learn he was not to receive a staff position was Tom Wing, a cabinetmaker who served in the campaign as Illinois coordinator.

'They Cut Me Loose'

"They just used me and my organization to do scut work," Mr. Wing said. "Once it was up and running, they cut me loose. The only former coordinators they are keeping are so-called yes people."

Shortly after Mr. Wing went public with his complaints, Tamara Hardy, a regional coordinator, told Becky Borland, the state coordinator in South Dakota, that Mr. Wing had been let go for mishandling money. "She told me he had put $70,000 in a bank account entitled United We Stand America in which he was the sole signer," Mrs. Borland said in a telephone interview.

Darcy Anderson, executive director of United We Stand America, said in an interview in Dallas that he was not aware of any such allegation. Ms. Hardy, who lives in Seattle, could not be reached for comment. Mr. Wing said the charge was "absolutely false and slanderous."

Mrs. Schultz, the former Wisconsin coordinator, said the incident was not unusual.

"The people he surrounds himself with are like that," she said, referring

2 of 3

THE NEW YORK TIMES TUESDAY, JUNE 1, 1993

3 of 3

Ruby Washington/The New York Times

Some of Ross Perot's volunteer leaders contend that Mr. Perot is more interested in making speeches and television appearances and in signing up new members for his organization than in pushing ahead toward his oft-stated goal of forcing local, state and national politicians to exercise fiscal restraint and fend off special interests. Mr. Perot prepared for a CNN interview last week.

to Mr. Perot's top aides. "They would just railroad people, dig into their personal lives, their credit files, threaten them if they didn't go quietly."

The rumbling within the ranks exploded in late January, when 25 state coordinators gathered in a conference call to trade stories about high-handed behavior by Perot aides and advisers. There was a rumor, which Mr. Anderson later said was untrue, that the group planned to advertise in journals read by retired military officers for new directors to replace the coordinators. After the conference call, several coordinators sent a memorandum to headquarters that said, in part, "Paranoia and suspicion from our leaders in Dallas has been destructive and divisive."

It is not known if Mr. Perot ever received this document.

Mr. Mulford, the organization's counsel, acknowledges that some of the tumult has resulted from a clash of cultures. The executive director, Mr. Anderson, comes out of Mr. Perot's real estate group, and his deputy, Rusty Stricker, is a retired military officer.

"The people we had that were trying to do this had never dealt with grass roots politics before," Mr. Mulford said. "It's a skill. You could call it consensus building. Perot's people are results-oriented. Get it down. Go do it."

Major Unanswered Questions

There have been several unanswered questions about the organization from the outset.

It is not clear whether Mr. Perot, who jumped in, out and then back into the 1992 race, plans to use United We Stand America as a springboard for a 1996 Presidential campaign. He has said numerous times that he has no plans for a second campaign.

But he has never flatly ruled out another bid and the organization that he is putting together, with many chapters at the city and town level, could readily be used for another campaign. Further, he is currently crisscrossing the country to speak at rallies that have all the hallmarks of some sort of personal political quest.

Also unclear is the size of the United We Stand America membership.

Mr. Perot and other top officials of the group refuse to give out the figure, although Mr. Mulford maintains that the number is well over a million and increasing by as many as a 100,000 "in a good week." Mr. Perot has repeatedly said that when the membership roll reaches a level that is satisfactory, which he has never specified, the figures will be released.

Mrs. Schultz, the former Wisconsin coordinator, quoted Ralph Perkins, a regional coordinator for the organization, as saying earlier this year that "Perot would not be happy unless he had 20 million" and would be "very disappointed if, at the end of this year, he has only a couple of million."

A membership costs $15. Mr. Perot has said that all money from members is banked and that he is paying the organization's expenses, including rent and the salaries of 35 staff members in Dallas, out of his own pocket, pending a judgment on whether the organization reaches a satisfactory membership level. If it does not, he has said a number of times, the membership fees will be returned.

Finally, it is unclear whether the United We Stand America might yet play a role in the 1994 Congressional elections and whether it might become involved in state and local elections and issues, an involvement Mr. Perot briefly mentions now and again.

Mr. Mulford says Internal Revenue Service regulations prevent not-for-profit groups like United We Stand America from fielding candidates. But he leaves open the possibility that this could be done through some other Perot-related entity.

"The only way I could see that becoming part of the agenda of the organization is if we are unsuccessful in holding current elected officials' or current candidates' feet to the fire in order to get them to adopt our agenda," he said. "We do not want to evolve into just another machine that produces candidates and elects people."

More national news appears on page D10.

Sunday 6/9/93

The Washington Post

OUTLOOK

Commentary and Opinion

THE PRESIDENT HAS SEEN
6/10/93

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Beat and Jazz

BY JEANNE BERG RUDOWSKI FOR THE WASHINGTON POST

Hey, Mom—What's a New Democrat?

From the DLC, a Policy Primer For a Centrist Clinton

By Al From

IN RECENT DAYS, President Clinton has returned to the Democratic Leadership Council agenda—the New Democrat ideas that formed the basis of his campaign. Back is the campaign rhetoric about the "brain-dead politics" of both parties. Back, too, are calls for welfare reform and reinventing government even as the president has shown a newfound willingness to raise his budget so it raises taxes less and cuts spending more. He has reaffirmed his commitment to equal opportunity rather than equal outcomes by his decision to withdraw the nomination of Lani Guinier as assistant attorney general for civil rights. And his new senior counselor, Republican David Gergen, said that he took the job after gaining assurances that the president "really saw himself as a DLC New Democrat."

Gergen

These steps have been widely portrayed as evidence that the president is moving back to the political center to win the support of disgruntled moderate Democrats whose early support helped propel him to the White House. But while the DLC's New Democrat message

See AGENDA, C2, Col. 1

Al From is president of the Democratic Leadership Council.

Gergen's Lotion: The Cure For Presidential Rashness

By Elizabeth Drew

WHETHER OR NOT David Gergen turns out to be an inspired choice as President Clinton's new counselor and all-around adviser will depend on what he can do with his new client. Though there are limits on what Gergen can be expected to accomplish, there are some important things he could do to shore up the faltering (but far from finished) presidency:

- *Discipline the president.* Tell him to stop talking so much, and that he doesn't have to answer every question thrown at him. As of now, the president is prone to step on his own story by answering a question on another matter (he's actually improved somewhat, but isn't home-free yet), and to go into a subject he doesn't know as much about as he thinks he does. The risk of being an exceptionally knowledgeable person is that the desire to show what you know can overcome care with what you say.
- *Define what the Clinton presidency is about.* As often as this advice has been proferred, Clinton still hasn't fully figured out how to take it. After his triumphant

See GERGEN, C2, Col. 1

[redacted]

Gergen's Lotion

GERGEN, From C1

speech to the joint Congress on Feb. 17, Clinton lost the definition of his program. Various things contribnted to this—his getting on the defensive right away about spending cuts; his fighting, over a long congressional recess, for what even his advisers admit was some questionable spending in his stimulus package; the fact that most people are for deficit reduction until they see the real thing; Clinton's jumping around to many subjects; his failing to make a clear and consistent argument for the totality of his economic program (not just the tax increases). His support of innovative approaches to education, training and "life-long learning"—however effective they might turn out to be—have gotten lost.

Getting Clinton to stick to a subject won't be easy; the difficulty of imposing such discipline on him during the campaign nearly drove his aides to distraction. But Gergen is someone Clinton will look up to—literally and figuratively—so he has a shot at this.

■ *Persuade Clinton to rely less on communications gimmicks.* Some Democratic House members—longing for the president to make a clear case for his economic program to the country on the eve of the House vote on the reconciliation bill—were appalled that he chose to hold a televised "town meeting" in the Rose Garden on the morning of the vote. In a town hall setting, all manner of subjects can be brought up (in this instance, more than two dozen were). Sure enough, his answer to a question about gays in the military (Clinton's political consultants' least favorite subject) received prominent press play.

■ *Keep Clinton from having an identity crisis.* If, as both Gergen and the president have indicated, one of Gergen's roles is to guide Clinton toward the center, it needs to be done in a way that doesn't suggest that Clinton doesn't know what he thinks or who he is. One way is to knock off making unnecessarily controversial appointments—those that are difficult for even Clinton's strongest Senate supporters to vote for. He has bigger fish to fry.

■ *Leave Lindsey home.* Speaking of appointments, Gergen should convince the president that when he travels he should leave Bruce Lindsey behind. The gentle-humored Lindsey would be most people's idea of a fine traveling companion, but the president's close friend and adviser—and also personnel director—is overwhelmed and exhausted. Cabinet officers are growing impatient waiting for jobs to be filled, and a lot of people who were once eager to join the new administration are giving up the waiting game in disgust. Besides, Lindsey, who accompanied the president to California, didn't recognize the danger in the Cristophe haircut.

■ *Persuade the Clintons to come off their generic dislike of the press.* Gergen has apparently already begun to do this. Last week, the Clintons began to entertain members of the press—as Gergen said on CNN the previous Saturday that they should. The First Couple's anger at the media goes back to New Hampshire, when even the "respectable" press delved into the Gennifer Flowers matter, and Clinton was given a hard time about his letter about the draft. These group assaults are never pretty, but they stopped (peer pressure brought the Flowers story to an end) a long time ago. Some members of the national press, whom Bill Clinton carefully cultivated, helped him in his rise to national prominence. Not everyone commits sleazy rumors to print (a recent grievance). The Clintons are smart, interesting and far-from-humorless people. Seeing more of the press on an informal basis might not help them, but then again, it just might. In any case, the current air of hostility that hangs over the White House isn't doing them any good. Members of the press are Washington's cross-pollinators, so the Clintons might also learn some things from them.

■ *Restore the morale of "the kids."* Clinton's graceless removal of George Stephanopoulos as communications director sent a chill through many White House staff members. This is the reward for unswerving loyalty? Many observers (people in the Clinton circle, members of the press, friends of his on the Hill) had felt all along that Stephanopoulos was stretched too thin—that no human could sit in on many policy-making meetings with the president and a zillion staff meetings and also brief the press, deal with its many additional demands for time and run the communications department. Marlin Fitzwater, Stephanopoulos's predecessor, found it nearly impossible just to brief and also run the communications department, as he was asked to do in the waning days of the Bush administration.

AND NOW... SUPER GERGEN —DEMOCRAT?

Stephanopoulos's most important talent when he worked for House Majority Leader Dick Gephardt and in the Clinton presidential campaign was in his understanding of the nexus between policy, politics and the press. The Clintons, who admired the way he handled briefings during the transition, insisted that he take on the job of briefer as well as adviser on strategy. Not everyone liked his style, and he may have made some mistakes (though he never called a foreign leader a "drugstore cowboy" as did Fitzwater of Gorbachev). But what's notable in Stephanopoulos's case and that of the other "kids"—Stephanopoulos is a wise 32, close to the same age as Pierre Salinger (35) and Jody Powell (33) when they took the job—is the recent pile-on: that something that was adorable in February is now contemptuously dismissed. (The same mood swing has been applied to Clinton, of course: In February he could do no wrong, and now he is a hopeless bumbler. Even his important victory in the House on the reconciliation bill—it's not easy to get people to vote for tax increases—is begrudged him.)

Stephanopoulos's White House allies feel that he was being made to take the rap for the misjudgments of the seniors around the place: he didn't sign off on firing the staff of the travel office and turning it over to the "distant" cousin and the hometown travel agency (Chief of Staff "Mack" McLarty signed off on the firings and the agency, but says he wasn't aware of the cousin), and he didn't sit by while the president got his expensive coif. When, in a meeting in Stephanopoulos's office an FBI official was asked, improperly, to punch up a statement on the investigation of the travel office, three (count 'em) senior members of the White House counsel's office, including its head, Bernard Nussbaum, were sitting there (and raised no caution). Despite all the reports of general hostility between Stephanopoulos and the press, a substantial swath of the press room likes him, and shares the view that he was taking the rap for others' mistakes.

Clinton is certainly within his rights to move his staff around, and both the president and Stephanopoulos will be better off if Stephanopoulos spends more time on strategy—but there were many ways to make the change without public humiliation. Some of "the kids" may need parental guidance—which they haven't received—but they're smart and they work terribly hard and add life to what can be solemn buildings.

Gergen can't do everything to salvage Clinton's presidency. No one can. He can't be expected to impose badly needed discipline over the entire White House. That's neither his strength nor his job. There are still too many meetings that take too long. Clinton's unhierarchical, open style—at least 10 people have direct access to the Oval Office—has its charm and its advantages, but it wastes a lot of time and leads to confusion. "We need accountability around here," one staff member said to me recently. Decisions still get made and unmade and remade—or, in White House parlance, "revisited." More help, in the form of someone who can impose order, is said to be on the way. (Why it has taken so long to deal with that fairly obvious need is another question.) The Lani Guinier episode is only the latest example of poor staff work.

Gergen can't monitor the president's every word, nor can he—or should he—second-guess every decision. The people who helped Clinton get to the White House in the first place, and some of those who have been working there since, know something too. A blend of his talents and theirs is what the president needs, but that might be difficult to arrive at, given the strong personalities involved. (It would be worth much to be on the wall when Gergen and James Carville have their first meeting.) The original Clinton advisers are likely to be jealous of their place and may be suspicious of Gergen's past service to Republican presidents. It will take much of Gergen's calm courtliness to make it work, but he has a lot of that.

The people—in the end, the only people—who can make it work are the Clintons. The signs are there that they have learned that they can't run the whole show themselves. In the beginning, they deliberately chose an unassertive staff. (This doesn't apply to every individual but it does apply to the gestalt.) They weren't in the market for people with independent authority. Now they've had to reach for that very thing. The president will have to accept the kind of discipline he has usually balked at. And, as one of his advisers put it, "He'll have to resign as chief of staff."

THE PRESIDENT HAS SEEN 6/10

Cisneros

Quite good

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B.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Principles for the President's Community Empowerment Policy

- Recognizes the urgency of community problems
- Acknowledges the constraints of deficit reduction
- Manages existing resources, does not suggest massive new programs
- Builds on things we know work
- Stresses coordination and consolidation
- Focuses not on making people into passive recipients or clients, but on reciprocity and citizen responsibilities
- Offers a "third way": not conventional conservative or liberal

The Promise and the Peril:
America's Communities

The Promise

- The importance of communities to national/regional growth
- The rise of community-based leadership
- The proven effectiveness of integrated approaches
- The potential of public/private collaboration
- The interaction of people from different economic strata
- The Clinton reforms: health, welfare, tax, budget

The Peril

- Erosion of community economic function
- Changing face of poverty
- Intense income and racial segregation
- Isolation of neighborhoods
- Mismatch of skills and job requirements
- Diminished quality of life: fear of crime
- Declining housing opportunities
- Diminished confidence in public education

The Federal Government: Too Often Reinforces Community Decline

- Barriers to self-sufficiency: maintaining a welfare system which provides disincentives to ending dependency
- Unlivable conditions: building public housing that is overly dense, poorly designed and geographically isolated
- The health care crisis: leaving millions of the "working poor" without adequate coverage
- Rise of violent crime: failing to control the proliferation of guns
- Education in distress: placing inadequate focus on the needs of inner city schools
- Pervasive drug abuse: underfunding demand-side prevention and treatment
- Federally owned properties: blighting neighborhoods
- Failure to enforce fair housing laws: reinforcing discriminatory behavior
- Inadequate federal oversight: letting banks, insurance companies and government-sponsored enterprises disinvest
- Lack of coordination and integration: fostering fragmented and complicated federal policies

Community Empowerment Themes: Values and Management Tools

- A Commitment to Community
- A Commitment to Support Families
- A Commitment to Economic Lift
- A Commitment to Strengthening Individual Responsibility

Commitment To Community

As A Value

- Fundamentally change the way the federal government does business -- from impediment and obstacle to enabler and catalyst
- Respect "bottom up" planning rather than "top down" requirements
- Encourage comprehensive solutions to local problems; provide incentives and remove disincentives to coordinated action at the local level
- Make programs more flexible and responsive to the needs of people who carry them out and are served by them; reduce the burdens of applying for and implementing program
- Assure citizens a meaningful role in decision-making; support efforts to engage the civic values of community

Commitment To Community

Examples of Management Tools

Supporting Community Solutions

- Modify existing federal planning requirements to encourage integrated local strategies (all agencies)

- Expand national network of community-based organizations, including commmunity development corporations (HUD, HHS, Commerce)

- Leverage philanthropic and other funds for communities (all agencies)

- Enter into partnerships with demonstration communities for comprehensive strategies (all agencies)

- Target National Service on community solutions (all agencies)

- Link national health care reform to the needs of local communities (HHS)

- Dispose of federal properties in ways that rebuild communities (HUD, VA, RTC, FDIC)

Making Communities Attractive Places to Live and Work

- Rebuild community infrastructure and integrate community amenities (DOT, HUD, Interior)

- Clean-up environmentally unsound sites (EPA)
- Build affordable housing that is safe and secure, dignified and attractive (HUD, VA, Agriculture)

Rebuilding the Community Economic Base

- Create comprehensive enterprise zones (Enterprise Board)
- Support community banks and community lending efforts (Community Development Investment Trust)
- Strengthen and enforce the Community Reinvestment Act and combat redlining by insurance companies and other financial institutions (HUD, OCC)
- Improve and expand lending for small businesses and microenterprises (SBA, Commerce, HUD)

COMMITMENT TO SUPPORT FAMILIES

As A Value

- Encourage families to provide nurturing home environments
- Eliminate government barriers to family cohesion in laws and regulations
- Strengthen community supportive services for families
- Provide physical and mental health facilities for families
- Promote active parental involvement in education
- Make parents responsible for financially supporting their children
- Recognize the wisdom of inter-generational support within families

COMMITMENT TO SUPPORT FAMILIES

Examples of Management Tools

Keeping Government From Being A Barrier To Family Cohesion

- Reform welfare eligibility requirements which can lead to the break-up of families (HHS)
- Change income guidelines for public and government-assisted housing to allow families to live together (HUD)
- Improve the quality, affordability, and availability of family housing (HUD, Agriculture, VA)
- Expand inter-generational programs to bring together senior citizens, children, and families (HHS, DOE)

Encouraging Family Responsibility

- Require all parents to be financially responsible for their children (DOJ, HHS)
- Reduce family violence and abuse (DOJ, HHS)
- Encourage greater parental involvement in children's education (DOE)

Expanding Economic Opportunity for Families

- Increase availability of child care services for working parents (HHS, DOL)
- Expand Head Start and early childhood education efforts (DOE)
- Increase the Earned Income Tax Credit (Treasury)
- Expand home ownership opportunities, especially for low and moderate income families (HUD)
- Design transportation to support family mobility (DOT)

Increasing Family Security and Well-Being

- Expand community policing and prevention programs against crime and substance abuse (DOJ, HHS)
- Increase safety efforts and resident participation in assisted family housing (HUD)
- Improve recreational and youth development experiences for families (DOI, NEA, NEH)
- Reform health care to ensure that all families have adequate medical coverage (HHS)

Commitment To Economic Lift

As A Value

- Design our policies and programs to move people up a ladder of opportunity

- Infuse lifting ideas, not static concepts; the difference between opening a way versus simply maintaining

- Reward self-improvement across life-cycles and income levels; create a continuum of services

- Harness the marketplace, use its rationale

- Invest in human capital by integrating education and training in all government support programs

- Recognize the interwoven economic destinies of communities within metropolitan areas

- Encourage entrepreneurial behavior in programs and communities

Commitment To Economic Lift

Examples of Management Tools
Making Work Work

- Reform welfare to eliminate disincentives to work (HHS, DOL)
- Remove barriers to work in other federal programs, including public and assisted housing (HUD, DOL)

Linking Education, Training and Employment

- Develop a comprehensive federal job training and placement system (DOL, Commerce)
- Require recipients of federal aid to hire disadvantaged youth (all agencies)
- Encourage opening of trades to minority youth (DOT, HUD, DOL, Commerce)
- Use federal procurement to expand minority business (all agencies)

Rebuilding the Metropolitan Economic Base

- Harness metropolitan area growth sectors for community jobs (Commerce, HUD, DOT)
- Nurture new growth sectors of urban economies, including universities, medical centers, research parks, technology centers for community jobs (Commerce, HUD)
- Improve mass transit: connect jobs to workers (DOT)
- Site federal government facilities for community jobs impact (GSA)

Commitment To Strengthening Individual Responsibility

As A Value

- Expect commitment to individual and family self-improvement
- Design programs that embody a balance between rights and responsibilities
- Intervene early in the lives of children and youth
- Raise the level of national dialogue about race: have leaders speak honestly about racial and ethnic divisions
- Confront the ravages of racism in American society
- Attack spatial segregation by race and income; eliminate area barriers to equality of opportunity
- Design community development programs to fight crime, drugs, gangs, and anti-social behavior
- Rebuild community institutions that comprise the moral and civic infrastructure
- Reflect the growing diversity of American society

Commitment To Strengthening Individual Responsibility

Examples of Management Tools

Balancing Rights and Responsibilities

- Link welfare and other federal assistance programs to employment and training (HHS, HUD, DOL, Commerce)

- Provide support for parenting and family skills (HHS, DOE)

- Rekindle grassroots leadership and institutions to offer:

    - adolescent programs
    - mentoring programs
    - youth sports activities
    - anti-gang activities
    - training and employment programs (DOJ, HUD, DOL, DOE)

- Expand commitment to resident management (HUD)

Giving Every Child a Fair Chance

- Extend Head Start program to all eligible participants (HHS)

- Extend the WIC program to all eligible participants (Ag)

- Offering choice in public education (DOE)

- Expand summer school programs for educationally disadvantaged children (DOE)

- Expand community-based programs for older children and teenagers (HHS, DOL, DOE)

- Give low-income parents and children access to adequate health services (HHS)

Reducing Spatial Separation by Race and Income

- Reduce density in public housing developments and implement viability policies (HUD)

- Coordinate transportation infrastructure development with regional housing and economic development policies (DOT, HUD, Commerce)

- Negotiate regional accords for sharing housing responsibilities and reward jurisdictions with progressive fair housing records (HUD, DOT, DOJ)

- Expand testing for rental and mortgage discrimination (HUD, OCC)

Restoring Sanity to America's Streets

- Enact tough, sensible gun control laws (DOJ)

- Expand community policing efforts (DOJ, HUD)

- Facilitate community partnerships against crime (DOJ, HUD)

- **Emphasize prevention and treatment in anti-drug efforts (DOJ, HHS)**
- **Establish police mini-stations in distressed communities (DOJ, HUD)**

What This Means for the Reinvention Process

To Commit to Community:

- Entrust responsibility further down in the federal system
- Challenge communities to innovate and reward excellence in community solutions
- Require timely and constructive responses to community initiatives
- Consolidate planning requirements; simplify programs; eliminate complexity and overlap
- Establish community advisory boards at regional and field offices

To Commit to Families:

- Revise laws and regulations that are barriers to family cohesion
- Retrain federal personnel in service delivery with greater sensitivity to family issues
- Encourage active federal partnership with the private sector to leverage resources for family initiatives

To Commit to Economic Lift:

- Review and modify existing federal programs to build in incentives across continuum of services

- Train federal personnel and managers in new concepts of entrepreneurial management

To Commit to Individual Responsibility:

- Devise incentives and sanctions that cross agency lines and reinforce each other

THE PRESIDENT HAS SEEN 6/10

DGergen
Worth it to
work w/ him
He's been fair

B,

Comment

ON THE NATION

Think Again Who Won the Tax Revolt

Anyone tempted to join the '93 bandwagon should remember Reagan's '80s, for which the little guy is still paying.

By CHRISTOPHER MATTHEWS

Once again, the right-wing bugle boys are sounding "tax revolt." From Sacramento to Washington, every far-out outfit with a letterhead is asking Americans to "join the revolution, circle the wagons, send money!"

To potential recruits, I offer this all-American admonition: Keep in mind precisely who were the prime beneficiaries of the last "tax revolt."

Who was it that gained 12 years ago when Congress was dragooned by Ronald Reagan into cutting the income taxes of the better-off, hiking Pentagon spending through the roof and launching the country on a $3-trillion tidal wave of red ink?

Let me count the winners for you:

• *T-bond holders.* When government borrows $400 billion a year, that's how much government paper needs to be sold. It's no surprise, given all the borrowing the past decade, that the biggest growth item in government spending is interest.

Who gets all these hundreds of billions in interest? The people with money to stack up in federal bonds, notes and bills. Who pays those interest payments? The people punching a clock 40-plus hours a week.

• *Foreign investors.* I don't mean to sound overly nationalistic, but from 1981 right through today, the "tax revolt" made hundreds of billions of dollars for folks in foreign countries: folks who love to buy our bonds, love those fat U.S. trade deficits we sustain to offset the interest payments we electronically mail day after day across the Atlantic and Pacific oceans.

• *The rich.* After all the smoke cleared from the 1980s, the real winners weren't the American middle class or even the upper-middle class. (They were socked with higher Social Security payroll taxes.) No. The real Daddy Warbuckses of the tax revolt were those at the top who received the lion's share of both the tax relief and the tax dodges that remained in the system.

• *The far right.* Just as it took Richard Nixon, a famous anti-communist, to persuade America to open relations with China, it took Ronald Reagan, a famous conservative, to sell us on the idea that $400-billion deficits are "big enough to take care of themselves."

The truth is, no group in America benefited more from the budgetary nuttiness of the past decade than those partisans of the right. Think of it: What better way to turn voters off to government than by demonstrating its fiscal irresponsibility for all to see? What better way to kill every proposal for public action than to rub a $300-billion deficit in the voter's face day after day after day?

So here we go again. From little Ross Perot to big Bill Bennett, the right is once again clutching the tattered flag of "tax revolt."

And the questions everyone has to ask seem obvious: Who won the last time? Who lost?

The winners know who they are. They are the folks now recruiting us to fight the Clinton economic program; the wealthy, the oil industry, the ideologues of the right who despise any form of government regulation, any semblance of a progressive tax system.

Who will be the losers of a 1993 "tax revolt"?

The same victims who still suffer from the economic decisions of the last one: the young college graduate who can't find a job because the economy is so dragged down by government debt that it cannot grow; the older worker threatened by layoffs and further debt-driven recession; the business that can't borrow because the federal government keeps going into the capital markets and bidding up interest rates.

No. Those poised to join the second tax war should think hard about who won the last one—and who lost.

Christopher Matthews is a syndicated columnist in Washington.

[The winners] are the folks now recruiting us to fight the Clinton economic program; the wealthy, the oil industry, the ideologues of the right who despise any form of government regulation, any semblance of a progressive tax system.

133

Chron

THE PRESIDENT HAS SEEN 6/10

laguna Dir
cc: Sanger/65

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

93 JUN 9 A8:00

JUN 7 1993

TO: The President and Mrs. Clinton

FROM: Secretary Shalala D

SUBJECT: Public Portrayal of the Medicare Program

As we move from the stage of formulating our plan for Health Care Reform to the process of explaining it to the public and shepherding it through the Congress, my staff and I are increasingly concerned about the way in which the Administration publicly portrays the Medicare program. In particular, we are dismayed by the credence which seems to be attached to any complaint about the program, no matter how ill-founded. While there are many problems with Medicare - which we are trying to address in a number of ways - the program continues to enjoy extremely broad support not only from its beneficiaries and other key constituency groups, but from the general public as well. Key Congressmen are especially sensitive to its political importance.

As representatives of the Administration have met with provider groups, especially physicians, they have heard a continuing litany of complaints about Medicare. Many of these complaints are well-founded. It should be understood, however, that for the last twelve years Medicare has been run by administrations fundamentally hostile, on ideological grounds, to its very existence, unwilling to spend money to improve its operations, and eager to discredit it in a number of ways. Partially as a result, beginning in the mid-'80s, the Congress began micromanaging the program by writing extremely detailed legislation, which has made responsive and constituent-sensitive administration even more difficult.

It's also important to understand that, at the root of many provider complaints about Medicare is the feeling that they are not getting paid enough. If we really agreed with that perception, it would be difficult to justify adding another $20 to $30 billion in provider payment reductions to a Reconciliation package which already contained almost $50 billion in reductions.

In fact, by any objective measure, Medicare is the most efficiently-administered health insurance program in the world. As we showed you in charts last month (attached), since 1983 it has also significantly outperformed the private sector in terms of cost containment, despite insuring an increasingly sick and disabled population. And while there are serious problems in the Medicare HMO program - which we are in the process of fixing - Medicare is still the largest buyer of HMO services in the world.

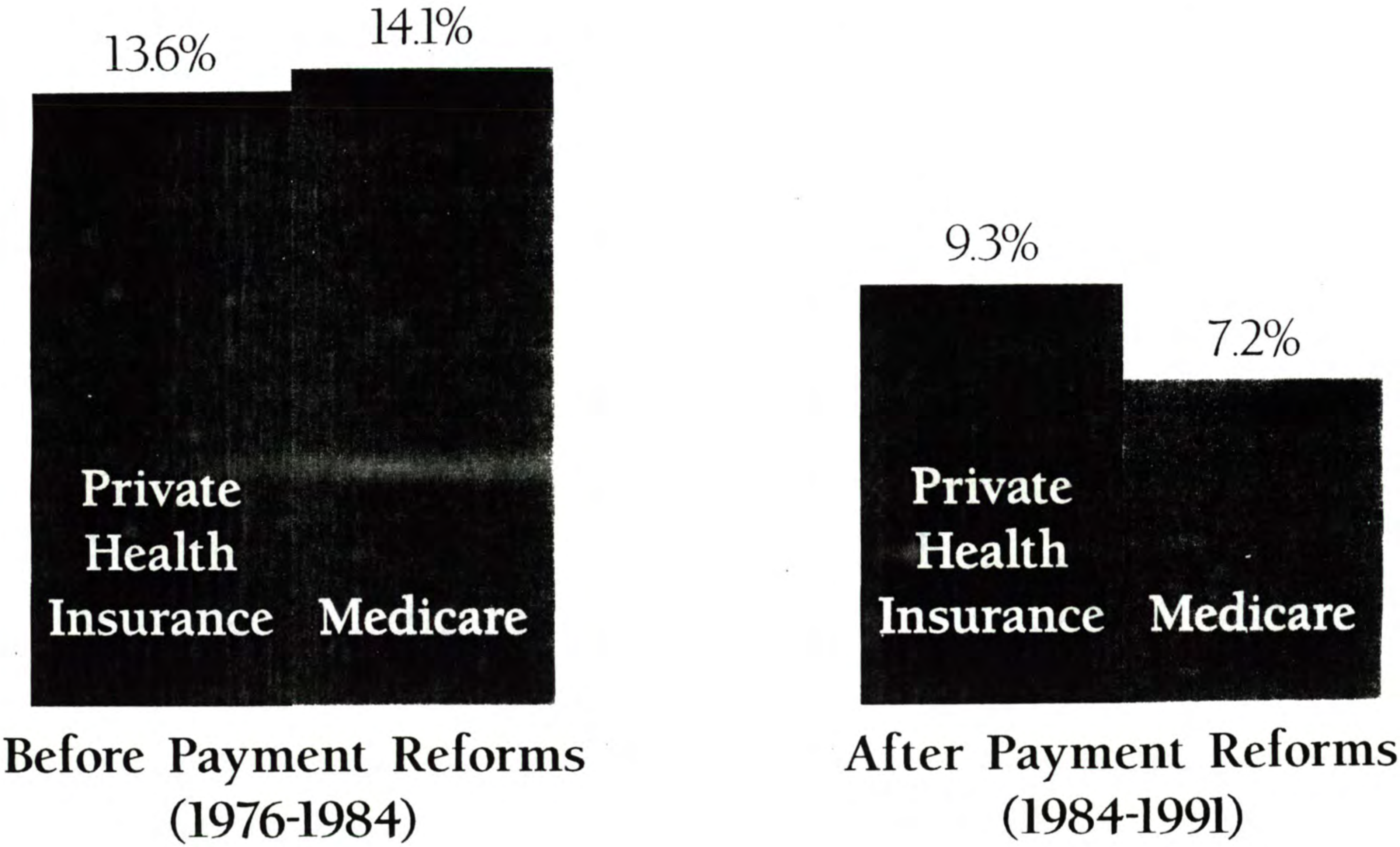
As the extent of the flap over last month's leak that we were even considering integration of Medicare into Health Care Reform reveals, Medicare beneficiaries are not only extremely protective of the program, but highly mobilized. Moreover, to the extent that we reinforce the notion that the government can not even run this most popular of all its programs, we give ammunition to those who would argue that we are incapable of the far more complex task of administering Health Care Reform. We thus run the risk of alienating our friends while giving comfort to our enemies.

For thirty years, Democrats of all persuasions have considered Medicare one of our proudest accomplishments. As New Democrats, we should improve upon and modernize those accomplishments rather than appearing to agree too readily with those who never believed in the principle of social insurance for the aged and disabled in the first place. Otherwise, we run the risk of sending out some very confused and confusing signals about our views on health care and Health Care Reform.

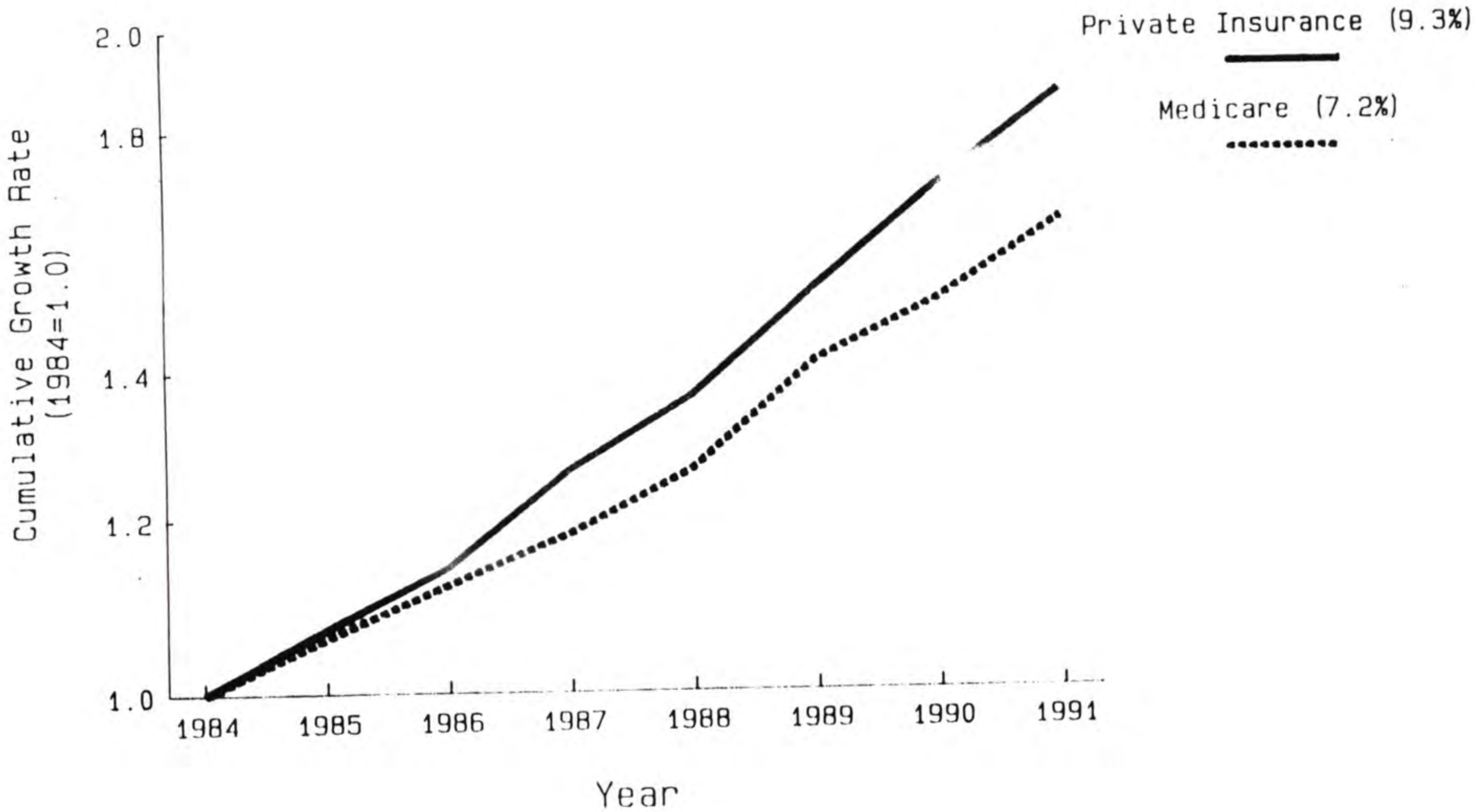
Attachment

cc: Carol Rasco

Comparison of Growth Rates in Expenditures Per Enrollee: Private Health Insurance and Medicare

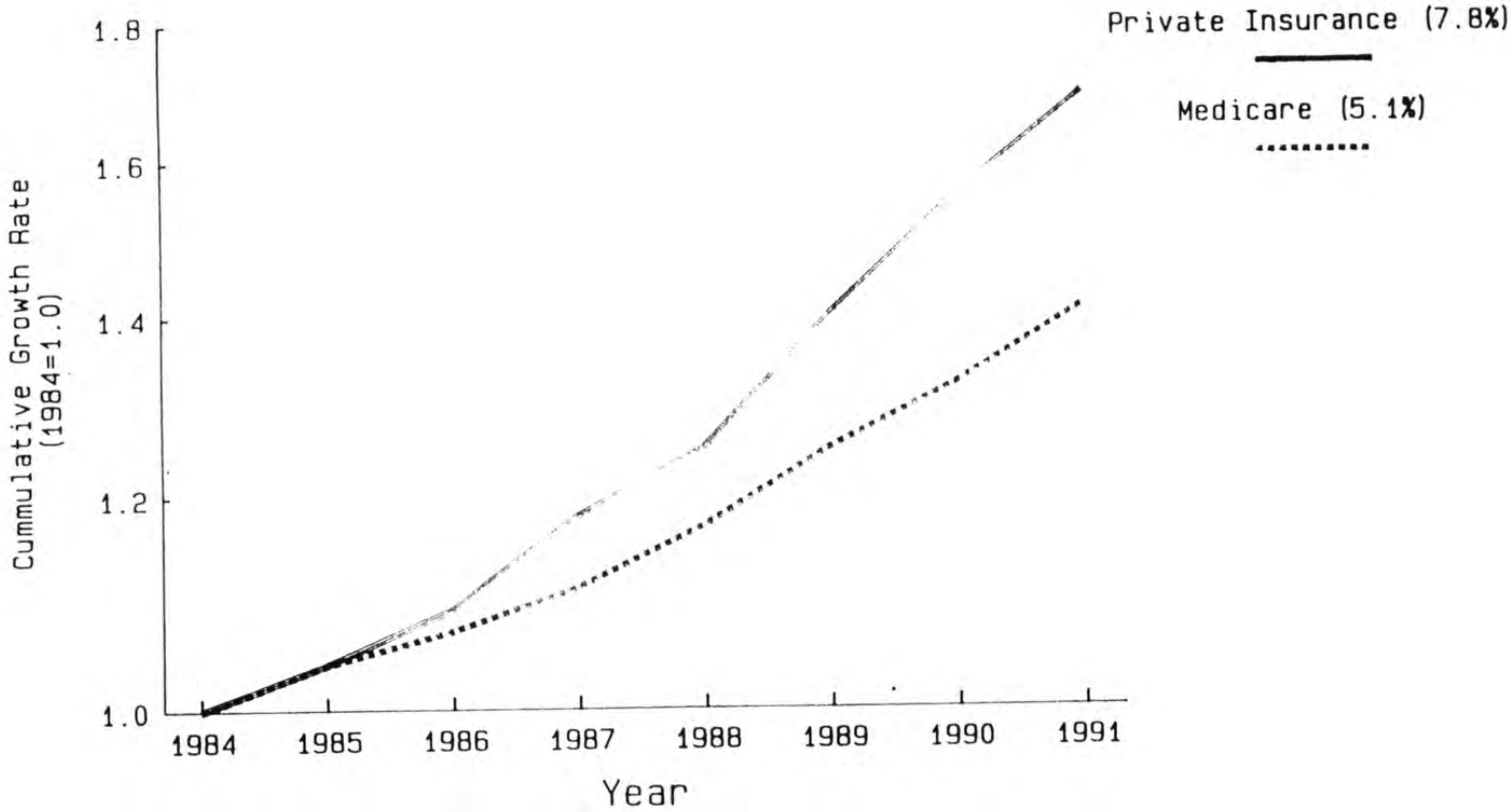


Comparison of Growth Rates in Expenditures Per Enrollee: Private Health Insurance and Medicare 1984–1991



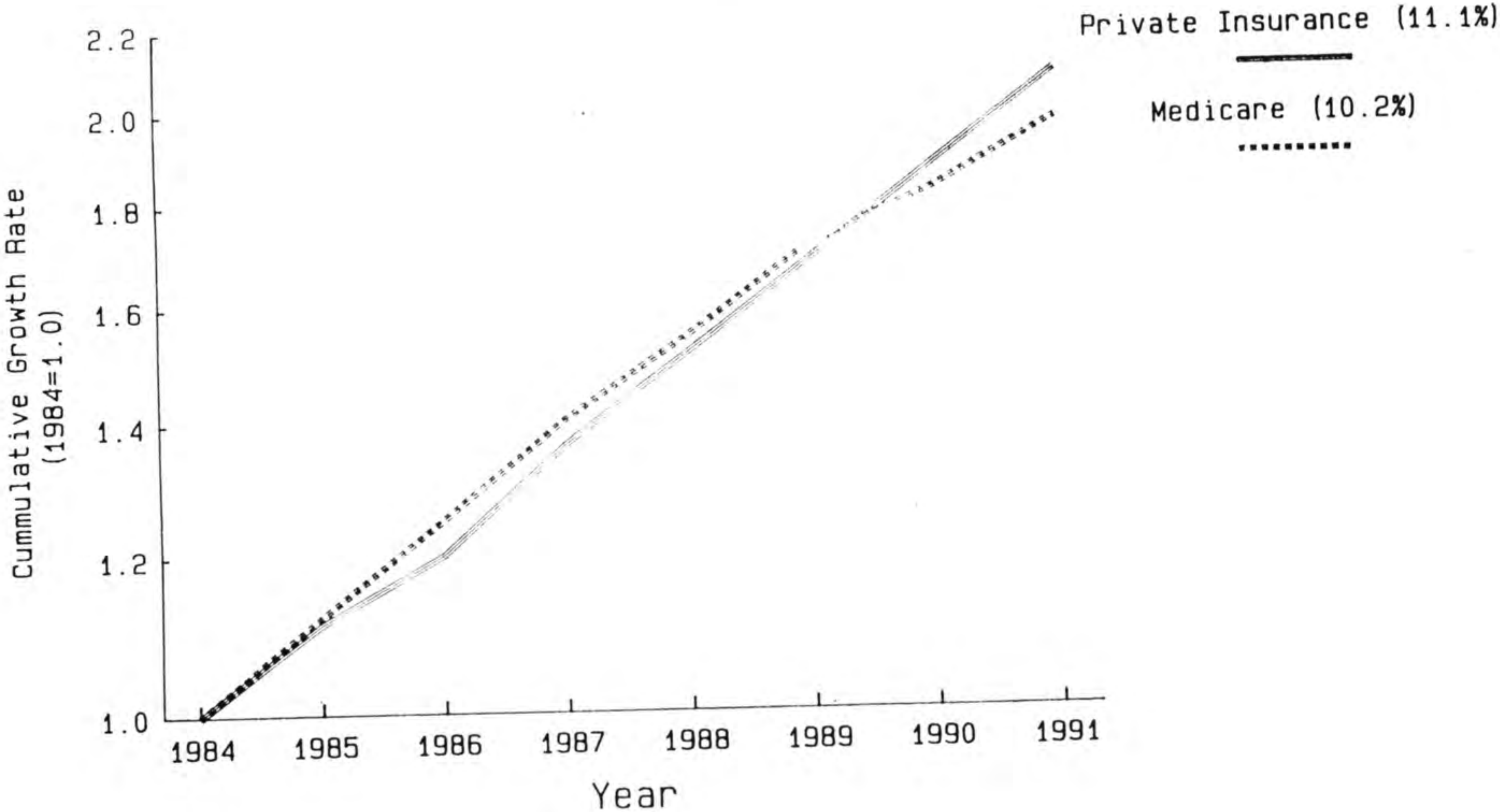
Note: Numbers in parentheses are the 1984-1991 compound average annual rates of growth.

Comparison of Growth Rates in Hospital Expenditures Per Enrollee: Private Health Insurance and Medicare 1984–1991



Note: Numbers in parentheses are the 1984-1991 compound average annual rates of growth.

Comparison of Growth Rates in Physician Expenditures Per Enrollee: Private Health Insurance and Medicare 1984-1991



Note: Numbers in parentheses are the 1984-1991 compound average annual rates of growth.

THE WHITE HOUSE
WASHINGTON

DATE: 06/09/93

NOTE FOR: BRUCE LINDSEY

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

Information XX

Action ☐

Thank you.

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

cc:

THE PRESIDENT HAS SEEN
6.9.93

THE WHITE HOUSE

WASHINGTON

93 JUN 9 P5:11

JUNE 9, 1993

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: Jeffrey Watson

SUBJECT: Support for Secretary Babbitt

Governor Bruce King of New Mexico would like to go on record in overwhelming support of Secretary of the Interior Bruce Babbitt as Justice-nominee to the Supreme Court of the United States of America.

BZ
great writer

THE WHITE HOUSE

WASHINGTON

June 8, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN PODESTA

SUBJECT: BILL SIGNINGS

We have two enrolled bills pending for which bill signings might be warranted. Congessman Waxman has asked for a bill signing of the National Institute of Health Authorization (see attached Paster memo). Howard recommends a low-key signing ceremony with 10-12 key members of Congress.

Also pending is the National Cooperative Production Amendments of 1993 which amends the antitrust laws to ease the creation of production joint ventures. The bill was introduced by Congressman Brooks and Senator Leahy. It was an important part of your technology strategy paper released during the campaign as well as part of a technology strategy you released in February. It has strong bipartisan support and strong support in the high-tech community. We could bring in some business leaders along with Congressional sponsors for a signing. Both bills have to be signed this week.

Attachment

THE WHITE HOUSE

WASHINGTON

June 3, 1993

93 JUN 4 A8:29

MEMORANDUM FOR JOHN PODESTA

FROM: HOWARD PASTER

SUBJECT: NIH BILL SIGNING

Representative Henry Waxman called personally to ask for a public bill signing for the NIH authorization. His argument is that the bill is significant in several ways, i.e. centralizing AIDS research, advancing women's health issues, etc. The bill contains the statutory repeal of the ban on fetal tissue research, an issue that did NOT divide along right to life and right to choice sides. The only obvious negative is that the bill does contain the ban on the permanent immigration of individuals who test HIV positive, and there is the obvious reluctance to bring that back to headlines.

I recommend we do a modest Oval Office bill signing early next week with 10-12 key Members of Congress, and would be grateful if you would test this idea with others.

In any event, I have specific requests for bill signing pens from Waxman and Representative Fred Upton and anticipate more such requests. However the bill is signed, please make sure we have multiple pens available.

Thanks very much.

Chron

THE WHITE HOUSE
WASHINGTON

DATE: 06/09/93

NOTE FOR: MARCIA HALE

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

Information ☐

Action ☑

Thank you.

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

cc:

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

'93 JUN 8 P6:38

June 7, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: MARCIA HALE
DAWN FRIEDKIN

SUBJECT: FAVORITE ELEMENTARY SCHOOL TEACHER

Instructor magazine would like to feature you and your favorite elementary school teacher on the cover of their magazine in September as the back to school issue. They also request an essay from you on "Why Teachers Should return to School with Hope." George's shop is working on this. Needless to say, George and I feel that this is a good idea.

Who is your favorite elementary school teacher? If you do not have one, who would you like to be featured with you in the photo?

Please keep in mind that Instructor is targeted to elementary education.

My 6th grade teacher, Kathleen Schaer
She [illegible] —

OK — need draft

THE PRESIDENT HAS SEEN 6/9

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

THE CHAIRMAN

June 7, 1993

93 JUN 7 P5:44

MEMORANDUM FOR THE PRESIDENT

FROM: LAURA D'ANDREA TYSON

SUBJECT: Blue Chip Economic Indicators, Embargoed Until Thursday, June 10, 1993

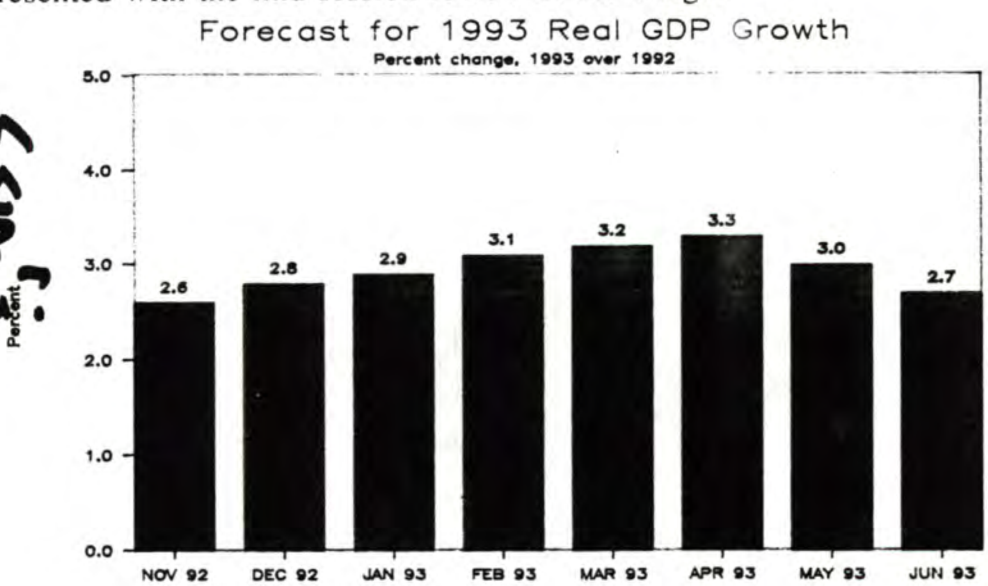
The June Blue Chip consensus forecast for real GDP growth in 1993 fell to 2.7 percent. This marks the second consecutive monthly decline of 0.3 percentage point and one of the sharpest 2-month adjustments in the 17-year history of the Blue Chip forecast. The forecast for 1994 remained at 3.0 percent. The June forecast for unemployment remained at 6.9 percent for 1993, but rose from 6.5 to 6.6 percent for 1994.

The downward revision for June was blamed on three factors: (1) potential effects of retroactive tax increases on fourth-quarter growth, (2) worsening trade figures, and (3) a recent Labor Department study that projects an additional 1.9 million defense-related job losses by 1997. The May revision was attributed to the weaker-than-expected preliminary estimate of first-quarter GDP growth and the failure to adopt a stimulus package.

The chart shows that the last 2 months of decline leave the forecast for 1993 growth only 0.1 percentage point above where it was in November.

When translated to a fourth-quarter-to-fourth quarter basis, the Blue Chip consensus forecast is now 2.4 percent growth during 1993, down from 2.7 percent a month ago. The Administration's official policy forecast made in January was for 3.1 percent growth, which included 0.3 percentage point due to the stimulus. A new Administration forecast will be presented with the mid-session review of the budget.

Based on what? Our new cuts? [illegible]?



THE WHITE HOUSE

WASHINGTON

June 9, 1993

NOTE FOR TRACEY THORNTON

FROM: JOHN PODESTA JP

RE: National Cooperative Production Amendments

I think the following members and staff should be invited to signing H.R. 1313 on Thursday, June 10:

Jack Brooks
Don Edwards
Rick Boucher
Ham Fish
Carlos Moorehead
Joe Biden
Pat Leahy
Herb Kohl
Strom Thurmond
Orrin Hatch

The following staff should be invited:

Jon Yarowsky	Chief Counsel, House Judiciary
Alan Coffey	Chief Minority Counsel, House Judiciary
Ann Harkins	Chief Counsel, Subcommittee Technology and Law
Tris Coffin	Counsel, Subcommittee Technology and Law
Thad Strom	Chief Minority Counsel, Antitrust Subcommittee
Ted Kaufman	A.A. to Senator Biden

THE PRESIDENT HAS SEEN 6/9

Hee - This should help u w/ Healthcare - B

The Disabled Gain New Rights To Jobs and Health Insurance

A1

'Equal Access' Ruling Affects Millions in U.S.

By ROBERT PEAR
Special to The New York Times

WASHINGTON, June 8 — The Equal Employment Opportunity Commission declared today that employers may not refuse to hire people with disabilities because of concern about their effect on health insurance costs. It also said that disabled workers must generally be given "equal access" to any health insurance provided to other employees.

At a meeting this afternoon, the Federal agency adopted a broad policy statement explaining how it intended to enforce a 1990 law, the Americans with Disabilities Act, to curb discrimination by employers and insurers providing health benefits.

The statement gives the first indication of how the law will be applied to health insurance coverage for people with AIDS, epilepsy and other disabilities. Congress left the answer to that question somewhat vague.

Issues of Life and Death

In recent years, as health costs soared, many companies have cut back on health benefits for employees. People with AIDS and other costly illnesses and disabilities have accused employers, insurers and unions of discrimination.

"These are life-and-death issues," said Rosalie Gaull Silberman, vice chairwoman of the commission. "We just cannot wait until health-care reform is adopted and we have a health insurance system for the whole country."

The complex new policy, effective immediately, prohibits many forms of discrimination found in employee health plans. It permits some types of discrimination to continue, but stipulates that employers will have the burden of proving that such practices are justified — for example, to prevent the insolvency of a health insurance plan — and are not merely a subterfuge to evade the purposes of the 1990 law.

Some Distinctions Permitted

The commission permits employers to make some "disability-based distinctions" in their health insurance coverage. For example, employers may provide more generous coverage for physical ailments than for mental conditions. The agency said it would assess the legality of such distinctions case by case.

The enforcement policy applies to businesses that buy commercial health insurance and to companies that serve as their own health insurers, as most big companies now do.

The new policy says the 1990 law "prohibits employers from discriminating on the basis of disability in the provision of health insurance to their employees."

Liability of Employers

"This means that an employer will be liable for any discrimination resulting from a contract or agreement with an insurance company, health maintenance organization" or other entity to provide or administer a health insurance plan on behalf of its employees, the policy says.

"Decisions about the employment of an individual with a disability cannot be motivated by concerns about the impact of the individual's disability on the employer's health insurance plan," it says. "Employees with disabilities must be accorded 'equal access' to whatever health insurance the employer provides to employees without disabilities."

The policy statement gives many examples. It suggests that an employer may not set a lower level of benefits for a specific disability like deafness, AIDS or schizophrenia or for "a discrete group of disabilities" like cancers, kidney diseases or various forms of muscular dystrophy.

But under the policy, an employer could make very broad distinctions and could, for example, provide a lower level of benefits for eye care than for the treatment of other physical conditions. "Such broad distinctions, which apply to the treatment of a multitude of dissimilar conditions," do not necessarily violate the Americans with Disabilities Act, the policy says.

With the policy statement adopted today, Mrs. Silberman said, the Government enters "a whole new area" and sets "reasonable rules that reasonable men and women can follow."

The policy statement, described as "interim enforcement guidance," will stay in effect indefinitely. The commission may later propose guidelines or formal regulations for public comment.

Wide Impact of Ruling

Millions of people may be affected by the new policy. The Census Bureau reports that 7.7 million Americans have difficulty hearing what is said in normal conversations, while more than 13 million have impaired eyesight and 8 million have severe difficulty walking. At least 1.3 million people use wheelchairs or walkers.

On Wednesday, the commission is expected to take legal action in New York City to assist a Queens construction worker who says his union's health plan improperly cut off benefits for people with AIDS nearly two years ago. The man, who has AIDS-related stomach and visual disorders, says he has been unable to buy all the medicine he needs.

One example given by the commission in its new policy statement resembles a case considered last year by the United States Supreme Court. In that case, a Houston music store slashed health benefits for treatment of AIDS after an employee developed the disease. The Supreme Court refused to disturb lower court rulings that allowed such cutbacks in coverage. But the events in that case occurred before the 1990 law took effect, so the significance of the High Court ruling was unclear.

In its policy statement today, the commission said that the 1990 law would probably prohibit an employer from setting grossly unequal limits of $5,000 a year for treatment of AIDS and $100,000 a year for other physical conditions.

On the other hand, the commission said that an employer does not necessarily violate the law if it refuses, as a general proposition, to cover experimental drugs and treatments. Such exclusions, which are now common, are not based on disability and may affect people with many different illnesses, the agency observed.

Difficult Balancing Act

The commission said it was inherently difficult to balance civil rights and the needs of health insurers because insurance was "predicated on the ability to make health-related distinctions."

The agency's policy statement lists several factors that employers may cite in trying to justify such distinctions. They may, for example, cite "legitimate actuarial data" and actual claims experience.

But, the commission said, an employer may not use data based on myths, fears or stereotypes. Thus, it said, a company cannot justify the exclusion of epilepsy from its insurance plan based on an erroneous assumption that people with epilepsy will have more accidents and file more claims.

Likewise, the commission said that an employer may try to prove that it restricted coverage of certain disabilities to avoid a huge increase in premiums or to prevent the insolvency of its health-insurance plan. But employers will have to show that they considered ways to save money without discriminating against the disabled, and Federal investigators will demand that employers provide "a detailed explanation of the rationale" for their decisions.

3

cir ltr BTU — prov [illegible]

Presidential Phone Calls

[redacted]

DATE: 6/7/93 TIME: 11:00 incoming/outgoing

WITH: Sen Bradley

SUBJECT: — Bldg crisis in ~~Japan~~ Korea

— consult w/ Japanese —

They'll w/in SCUD launch —

— US nucl. umbrella in Asia

Diff than Europe —

— lot of U.K. or live in Jap —

Jap cld cut off —

— China [illegible] —

~~XXX~~ — [illegible] Access

[illegible]

[redacted]

FOLLOW UP: — Stop Indonesia
Malaysia
Philippines

anti Japanese

Deficit Reconcile

→ Revisit Budget Res — lower caps

→ Line item veto — now cost 3(?)

→ Look at tax spending — [illegible]

→ Admin / Exec / Budget

[redacted]

cc: Tony Lake
Sen Mitchell

B.

Mack Hul

Presidential Phone Calls

[redacted]

DATE: 6/7 TIME: ______ incoming/outgoing

WITH: ______

SUBJECT: Senate Finance Ctte

Chlm—

[redacted]

FOLLOW UP: ______

[redacted]

[redacted]

Presidential Phone Calls

DATE: 6-7-93 **TIME:** 10 ^{00}
incoming/outgoing

WITH: Sen Riegle

SUBJECT: I won't strike your
criticism MC
I explained computation

[redacted]

FOLLOW UP:

[redacted]

[redacted]

Presidential Phone Calls

DATE: 6-7-93 TIME: 10 15

incoming/outgoing

WITH: Jay Rockefeller

SUBJECT: Talked w/ HP —

25b too much

He'll fight — Medicare

couple of days —

[redacted]

FOLLOW UP:

[redacted]

[redacted]

Presidential Phone Calls

DATE: 6-7-93 **TIME:** 10[25]
incoming/outgoing

WITH: Sec. Christopher

SUBJECT: Mome, - Jap
Dick H - Ger,
McH - China
Homats - Brazil

[redacted]

FOLLOW UP:

[redacted]

[redacted]

Presidential Phone Calls

DATE: 6-7-93 TIME: 10^{40}
incoming/outgoing

WITH: Durchele

SUBJECT: Would cut dollars
unit healthcare –
HAVING TOUGHT
He'll get w/ Mitchell
try to accommodate

[redacted]

FOLLOW UP:

[redacted]

[redacted]

Presidential Phone Calls

DATE: 6/2/93 TIME: 10 50

incoming/outgoing

WITH: Conrad

SUBJECT: Left Boren gap—
is for cutting taxes—
adding spending cuts.
— cuts endangering
health care reform—
— could get enhanced
recession

[redacted]

— Conrad — 100 b cuts
* 100 b entitlements
* 90 [illegible] 64 yes
less EITC
cut [illegible]
[illegible]

FOLLOW UP:

in lieu BTU on production
wrong to go to House

[redacted]

[redacted]

Presidential Phone Calls

DATE: 6/7/93

TIME: 11:40

incoming/outgoing

WITH: Lieberman

SUBJECT: More cuts, less taxes—
prospective—
will avoid Cthunt,
went to college w/ Gingen.

[redacted]

— will go for whole Budget bill
— Must get at Big Reg items

FOLLOW UP: Breaux
will go to meeting
Be careful
Boren a/o BTU, more spending
strong stimulus

[redacted]

THE PRESIDENT HAS SEEN 6/9

The U.S. War on Macedonia

By JAMES BOVARD

President Clinton has suggested that the U.S. may send ground troops to Macedonia to aid and protect the Macedonians against foreign attacks. But, while the Republic of Macedonia is struggling with a flood of refugees from Bosnia and threats of invasion, the U.S. Commerce Department has launched a pre-emptive attack on a trickle of Macedonian clothes exports. At a time when Mr. Clinton is making new demands on Japan to open its markets, the U.S. government is working overtime to close its own markets.

U.S. textile trade policy is established primarily by the Committee for the Implementation of Textile Agreements, a group of representatives from various federal agencies. In practice, CITA is dominated by the Commerce Department, and the Commerce Department is dominated by the domestic textile industry.

Last Thursday, CITA slashed the number of wool suits that Macedonia is allowed to export to the U.S. Earlier this year, Macedonia was exporting men's and boys' wool suits to the U.S. at a rate equivalent to 279,000 suits a year. Now, Macedonia is prohibited from exporting more than 80,000 wool suits a year to the U.S.—a de facto 71% cut in export levels. Clint Stack, president of International Development Systems and a former U.S. government textile official, said, "I have never seen such a drastic cutback imposed on any country's textile exports as the U.S. government has imposed on Macedonia."

A Commerce Department spokesman revealed yesterday that the action was taken in response to "rampantly rising imports"—but Macedonian exports amount to barely 3% of the total number of men's and boys' wool suits bought in the U.S. The Commerce Department—ever vigilant against subversive imports—rallied the federal committee to torpedo perhaps Macedonia's most important export to the U.S.

At the same time that Mr. Clinton may be preparing to risk American soldiers' lives in defense of Macedonia, the U.S. government treated the official U.S. representative of the Republic of Macedonia with disrespect. (The U.S. does not yet have formal diplomatic relations with Macedonia because of U.S. concerns over a dispute between Greece and the new republic.) U.S. government officials summoned Ljubica Acevska, Macedonia's Washington representative, and informed her that the U.S. intended to slash imports from her country.

Ms. Acevska says: "I was called in on April 13 and I was given a letter saying that we should unilaterally sign an agreement saying that we will accept to export only 80,000 [wool suits]. . . . We submitted a letter saying that this is totally unfair and unrealistic. When we suggested a limit of 150,000, they were flabbergasted—it was like 'How dare you not do what we told you?' "

Naomi Freeman, a Commerce Department official involved in establishing the Macedonian quota, observed in a phone interview Monday: "The problem is that at this time, we are not negotiating with them. It is a little awkward. . . . We had these meetings with her but they were not classified as negotiations and that is part of the weirdness." Though U.S. government officials felt prohibited from negotiating with Macedonian representatives, they apparently felt eminently entitled to dictate to the country.

It is bizarre that the Commerce Department would punish Macedonia over the issue of wool clothing. The U.S. government has coddled domestic wool clothing makers ceaselessly for almost 200 years. The tariff on wool suits is 21%. Apparently it is not enough for the U.S. government to severely tilt the playing field in American industry's favor; the U.S. government is also obliged to lock all foreign teams out of the stadium. At a recent CITA meeting, a representative of the domestic textile industry reportedly sought to intimidate federal officials unless they acted to further restrict clothing imports.

Apparently it is not enough for the U.S. government to severely tilt the playing field in American industry's favor; the U.S. government is also obliged to lock all foreign teams out of the stadium.

The restriction on Macedonian exports will reduce Macedonians' ability to raise sufficient funds both to feed and defend themselves. The Clinton administration has slapped a partial economic embargo on Macedonia—which has done nothing to deserve harsh treatment. Ms. Acevska observes: "What impact would a couple of wool suits have on the U.S.? But it would have a tremendous impact for the people in Macedonia—it would provide food for the table. You are just strangling the country." The U.S. action is especially ill-timed since Macedonia is struggling to shed its socialist legacy and enter the capitalist world.

Unfortunately, the U.S. policy toward Macedonia fits a pattern of proliferating textile protectionism since Mr. Clinton took office:

- On Jan. 22, the U.S. dictated that the Dominican Republic could not export more than 126,797 men's wool suits to the U.S. in the coming year.
- Five days later, the U.S. announced its intention to restrict imports of cotton broadcloth from Sri Lanka.
- On Feb. 11, the U.S. imposed restrictions on shirt imports from Laos.
- On Feb. 24, the U.S. slapped restrictions on cotton, wool and silk blend textile products from Bahrain.
- On March 9, the U.S. announced its intentions to impose restrictions on wool trouser imports from Costa Rica and on men's wool suits from Colombia.
- On March 15, the U.S. imposed import quotas on trousers, breeches and shorts from Myanmar (Burma).
- On March 18, the U.S. announced import quotas on women's and girls' suits from China.
- On March 22, the U.S. imposed an import quota on twills and sateens from Thailand.
- On March 23, the U.S. imposed import quotas on women's wool coats from Bulgaria.
- On April 15, the U.S. announced its intention to restrict imports of cotton broadcloth from Pakistan.
- On May 17, the U.S. imposed a quota on imports of duck fabric from the United Arab Emirates.
- On May 26 the U.S. imposed import quotas on cotton coats from Pakistan.
- On May 28 the U.S. imposed restrictions on pajama imports from Guatemala.

Perhaps the Clinton administration is planning to post U.S. army troops in Macedonia to serve as advance inspectors for the U.S. Customs Service—to keep a closer watch on Macedonian exports. Laura Jones, executive director of the U.S. Association of Importers of Textiles and Apparel, wonders: "Who is making policy in this administration? Isn't anybody home? Doesn't anybody notice?"

Mr. Bovard writes often on trade.

THE WALL STREET JOURNAL WEDNESDAY, JUNE 9, 1993

Bob Rubin
advise
B.

73

THE PRESIDENT HAS SEEN 6/9

D Gergen
~~Lt. Stern~~ B

Clinton Facing More Unease About Military

General Under Inquiry Over His Remarks

By ERIC SCHMITT
Special to The New York Times

WASHINGTON, June 8 — The White House today again found itself grappling with President Clinton's uneasy relations with the military, a result of reports that an Air Force two-star general made disparaging remarks about Mr. Clinton in a speech last month.

The Air Force is investigating whether the officer, Maj. Gen. Harold N. Campbell, called Mr. Clinton, among other things, a "pot-smoking," "womanizing" and "draft-dodging" Commander in Chief, as some members of the audience later complained.

The President's press secretary, Dee Dee Myers, told reporters today that the Air Force was reviewing the matter to determine whether General Campbell had made remarks "contemptuous" of the President and had thereby violated military law.

Ms. Myers said Mr. Clinton would not comment, and a spokesman for General Campbell said the general, too, would decline to make any statement.

The remarks attributed to General Campbell, first reported in today's issue of The Washington Post, would be the harshest public rebuke yet of Mr. Clinton by a military official. Despite recent attempts by the Joint Chiefs of Staff and Mr. Clinton to mend their differences, many officers and enlisted personnel still distrust him for his plans to reduce military spending and allow homosexuals to serve openly in the ranks, as well as his efforts to avoid the draft during the Vietnam War.

Lying Low at White House

Mr. Clinton is walking a fine line in trying to win the approval of the uniformed ranks without appearing to be pandering to them. In the last several weeks, he has visited the Pentagon, flown out to the aircraft carrier Roosevelt, attended a parade at the Marine Corps barracks here and delivered the commencement address at West Point.

At least one faction in the White House believes that Mr. Clinton and his aides should avoid making an issue of this latest episode, reasoning that injecting him into it would only draw more attention to his problems with the military. "What do you think we should do, fire a guy with a Silver Star?" one White House official said of General Campbell, a decorated former fighter pilot who served two tours of duty in Vietnam.

Until last month, General Campbell, 53, was deputy chief of staff for plans and programs at the Air Force Materiel Command, which has its headquarters at Wright-Patterson Air Force Base in Dayton, Ohio. He had been scheduled to transfer to the Washington area to take command of the Defense Fuel Supply Center, a unit of the Defense Logistics Agency. That transfer, an Air Force spokesman said, has been delayed pending the inquiry.

Air Force officials said today that the complaints about General Campbell stemmed from a speech he gave to 250 American service members and their spouses on May 24 at an awards banquet near a Dutch air base where United States troops are stationed.

Shortly after the speech, word of General Campbell's remarks filtered back to Air Force officials in the United States. Last Sunday, the service dispatched Lieut. Gen. Dale W. Thompson Jr., vice commander of the Air Materiel Command, to interview people who had attended the banquet. General Thompson is expected to give his recommendations in mid-June to Gen. Ronald W. Yates, the head of the Matériel Command, who would be responsible for any disciplinary action.

Some Air Force generals expressed amazement at what General Campbell is reported to have said, especially since Air Force officers had been warned to be careful of remarks about the President.

After some sailors on the Roosevelt criticized Mr. Clinton during his visit in March, Gen. Merrill A. McPeak, the Air Force Chief of Staff, issued a warning not to allow "the debates about a new national military strategy" or "social issues to divide us from the society we serve or to undercut the strength and integrity of the chain of command."

THE NEW YORK TIMES NATIONAL WEDNESDAY, JUNE 9, 1993

Chron

THE WHITE HOUSE
WASHINGTON

DATE: 06/09/93

TO: VICE PRESIDENT
MACK McLARTY
DAVID GERGEN
GEORGE STEPHANOPOULOS
MARK GEARAN
BOB RUBIN

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

The attached has been forwarded
to the President.

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

THE CHAIRMAN

June 7, 1993

7 P5:44

MEMORANDUM FOR THE PRESIDENT

FROM: LAURA D'ANDREA TYSON DT

SUBJECT: Blue Chip Economic Indicators, Embargoed Until Thursday, June 10, 1993

The June Blue Chip consensus forecast for real GDP growth in 1993 fell to 2.7 percent. This marks the second consecutive monthly decline of 0.3 percentage point and one of the sharpest 2-month adjustments in the 17-year history of the Blue Chip forecast. The forecast for 1994 remained at 3.0 percent. The June forecast for unemployment remained at 6.9 percent for 1993, but rose from 6.5 to 6.6 percent for 1994.

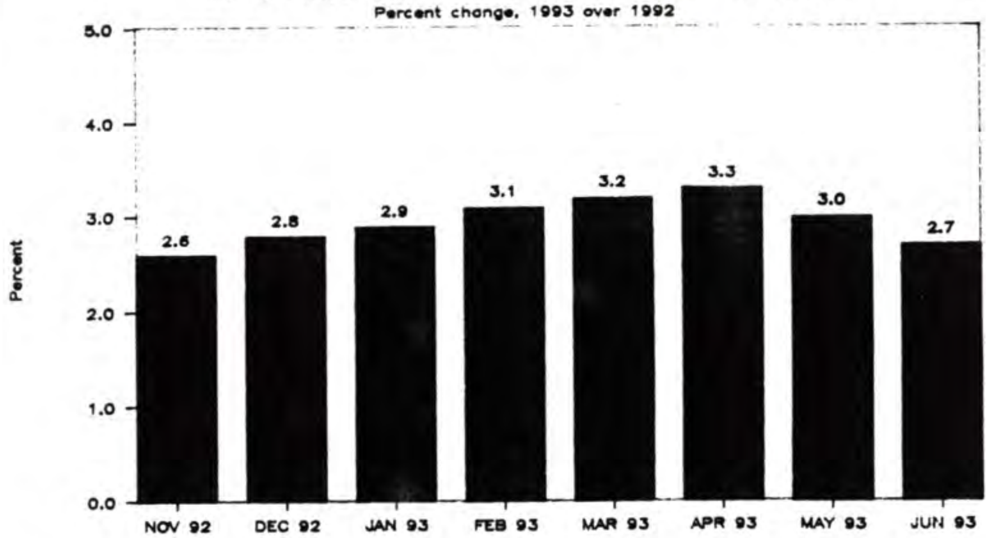
The downward revision for June was blamed on three factors: (1) potential effects of retroactive tax increases on fourth-quarter growth, (2) worsening trade figures, and (3) a recent Labor Department study that projects an additional 1.9 million defense-related job losses by 1997. The May revision was attributed to the weaker-than-expected preliminary estimate of first-quarter GDP growth and the failure to adopt a stimulus package.

The chart shows that the last 2 months of decline leave the forecast for 1993 growth only 0.1 percentage point above where it was in November.

When translated to a fourth-quarter-to-fourth quarter basis, the Blue Chip consensus forecast is now 2.4 percent growth during 1993, down from 2.7 percent a month ago. The Administration's official policy forecast made in January was for 3.1 percent growth, which included 0.3 percentage point due to the stimulus. A new Administration forecast will be presented with the mid-session review of the budget.

Forecast for 1993 Real GDP Growth

Percent change, 1993 over 1992



[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 6/8

TO: Will Itoh

[redacted]

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

Can you have
Kent call this
guy

John

[redacted]

June 4, 1993

Dear Mr. Podesta,

Realizing the volume of mail received by the president daily, I assumed that the enclosed material would never reach him if I sent it directly. Thus, I am soliciting your help, hoping that you will expedite the forwarding of the information.

Please peruse the material and use your judgment. I will respect your decision. I personally feel that my request merits consideration.

Sincerely,

Hay Dahli

93 JUN 7 A11 : 41

8 October, 1992.

Raymond D. Dahlin, Ph.D.
Department of Speech Communication
Forensics, and American Sign Language
Palomar College
1140 West Mission Road
San Marcos
CA 92069-1487 619/744-1150
or 619/727-7529.

Dear Sir,

I have been directed to acknowledge receipt of your letter dated 4 August addressed to the Hon. Prime Minister and to thank you most sincerely for your interest in Fiji and its internal affairs. The points you have raised have been noted and will be raised in the proper forum at the right time.

The Prime Minister will be glad to meet you when you next visit Fiji but you are requested to give him ample notification of your schedule and he will inform you if it will fit his busy schedule.

May God be with you.

Yours faithfully,

[A. QERA]
for PERMANENT SECRETARY, PRIME MINISTER'S OFFICE

PALOMAR COLLEGE
Founded 1946
Educational Excellence

Dr. George R. Boggs
Superintendent/President

RAYMOND D. DAHLIN

AWARDS AND HONORS

Read into the Congressional Record by U. S. Congressman Clair Burgener, 1978.

National Service Award at the U. S. National Championship Tournament at St. Paul, Minnesota, 1979.

"Coach of the Decade" at Governor's Cup Tournament, Sacramento, 1976.

"Continued Excellence in Forensics" at Governor's Cup Tournament, Sacramento, 1985 and 1986.

"Award of Merit" at U. S. National Speech Tournament, Kansas City, Missouri, 1980.

"Excellence in Forensics" Biola University, La Mirada, California, 1986.

Faculty Award, Associated Students of Palomar College, 1975, 1976, 1983, 1987.

Outstanding Educators of America, 1972, 1974, 1975.

U. S. National Forensics Championships, University of Michigan 1970, Chicago 1976, Sacramento 1978.

Distinguished Coach of the Nation, El Paso, Texas, 1983.

National Teacher of the Year, Austin, Texas, 1989.

Certificates of Appreciation from:

San Marcos Rotary
Exchange Club, Escondido
Vista High-Twelve Club
Solamar Toastmistress Club
Optimist International
Lions International
Kiwanis, Lake San Marcos
Award Citation, VFW
National University Certificate of Leadership

Certificates of Recognition from state representatives:

Senator William Craven
Assemblyman Robert C. Frazee
Assemblyman William R. Bradley
Assemblywoman Sunny Mojonnier

Ron Packard, U. S. House of Representatives

1140 West Mission Road
San Marcos, CA 92069-1487
619/744-1150 or 619/727-7529

PALOMAR COLLEGE
Founded 1946
Educational Excellence

Dr. George R. Boggs
Superintendent/President

June 1, 1993

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

Dear Mr. President:

In spite of your busyness, I thought I would take a chance of my letter reaching you personally.

I am writing to you in reference to an invitation I received from Sitiveni Rabuka, Prime Minister of Fiji, while on sabbatical leave during the spring of 1992.

Only because of the recent deaths of both my Mom and Dad, have I postponed the visit. I do intend to have an audience with the prime minister!

Because I will be expressing some concerns that I have about Fiji (without getting involved in Fiji politics), I thought I should contact someone in your office.

I have been to Fiji several times and I do know that because of "minimal Bush concern" our world-wide relations are not solid.

In addition to my letter I have enclosed other material which I thought you would be interested in. Please advise.

Sincerely,

Raymond D. Dahlin

Raymond D. Dahlin, Ph.D.

1140 West Mission Road
San Marcos, CA 92069-1487
619/744-1150 or 619/727-7529

Clinton's new agenda

WASHINGTON

MARGOT O'NEILL

ONE THING is certain about the new Clinton administration — foreign policy is off the hit parade. Back when there was a Cold War (was it just three years ago?) and Washington used to be the capital of the Free World, international politics was this city's prime currency.

But the fact that George Bush became known as the "foreign policy President" was a key reason why he lost the election.

President Bill Clinton is going to spend his first year focussing on reviving the American economy and other aspects of domestic policy that voters believe Bush neglected.

That means the islands states of the South West Pacific will attract even less attention.

"Foreign policy was not even talked about in the election. The South Pacific is regarded as a sideshow," observed a South Pacific official in Washington.

But the new administration poses no threat to the region. Its catchery in foreign policy has been "continuity".

"There will be no fundamental changes," said Dick Baker, with the Hawaii-based East-West Center. "Just don't expect policy initiatives."

A South Pacific official agreed: "It remains in their basic strategic interest to keep the sea lanes open and to deny the region to others — although of course no one really wants to move into there anymore."

There will be, however, an automatic and comprehensive review of all State Department policies. And that provides several opportunities for President Clinton and his new foreign policy team to re-orient US policy.

For instance, they will be more likely to sign the South Pacific Nuclear Free Zone treaty.

The US already complies with the treaty's principles, Clinton supports a Comprehensive Test Ban and the end of the Cold War has diminished the resonance of many opponents.

"It won't be a front-burner but there is no political cost," said Jim Baker.

But they are unlikely to rush to repair the security alliance with New Zealand, according to Dick Baker.

"For a couple of reasons. First, I'm not sure what they could do anyway. And they will want to reaffirm the principle (of no-confirm-no-deny regarding nuclear weapons).

"Second, if the Clinton administration comes in with any negative baggage in foreign affairs it is that Democrats have to fight perceptions of being too soft," he said.

Thus, the new White House is unlikely to "kiss and make up" with New Zealand's Beehive because it won't want to incur any political cost.

New Zealand is hoping, however, a brand new team at State Department headquarters at Foggy Bottom will replace many of the personalities involved in the original dispute with New Zealand.

That could provide the best chance in years to improve defence relations even if it means meagre efforts to establish some form of joint training and military exchanges. But it remains just a chance.

Regional officials also speculated the Joint Commercial Commission initiative under former President Bush, designed to promote increased American investment and business in the South Pacific, could be ditched.

"I don't think Clinton will be interested in pursuing this. There was nothing in it anyway. It was a hollow shell all along," said a South Pacific official.

But the new regime may be more inclined to sign the Law of the Sea Convention and formally accept the expanded territorial boundaries coveted by island nations — although there would still probably have to be some resolution of US opposition to provisions for deep seabed mining.

There is at least one other key indicator of how the Clinton regime will treat the Pacific islands.

Who will President Clinton appoint as Assistant Secretary For Territorial and International Affairs in the Interior Department, a position responsible for Pacific territories?

It covers Guam, American Samoa, Palau, the Northern Marianas and the Compact Nations, the Marshall Islands and the Federated States of Micronesia, both of which are members of the South Pacific Forum.

Whoever occupies the job is at the coal-face of US-Pacific policy-making and is appointed by the President.

A South Pacific official complained that during the Reagan/Bush years,the job was usually given to a minority, i.e. a woman or an ethnic minority, to boost the administration's appearance of being an equal opportunity employer.

"It has been tokenistic," the official said. "Competence was not" the main criterion.

But Pacific leaders have at least one powerful and emphatic ally close to the White House. Hawaii Governor Waihee is good friends with Clinton and was among his early backers in the presidential race. They forged strong ties when Clinton was Araknsas Governor.

Governor Waihee, whether he joins the Clinton administration or remains in Hawaii, will be a vital advocate for the Pacific and will become a powerful channel through which the island states can get to the White House.

At the time of writing there was also some speculation about whether former congressman Stephen Solarz, a proven friend of the region, might also be given a key post in the administration.

Some regional officials also see exciting opportunities for the Pacific via the new Vice President, Al Gore. He is an ardent environmentalist who could be attracted to the increasingly prominent green agenda of the South Pacific.

But in the meantime, the Pacific has to get used to the new agenda in Washington.

Weathering cyclones

THE FORUM

ALFRED SASAKO

BILL was enjoying a conversation with his neighbours on a moonless night when suddenly the light north easterly blowing that evening intensified and turned into a killer hurricane. There was no warning on the local radio station about the approaching hurricane.

His family of five were left homeless along with hundreds of others. Thankfully, none of his family members was hurt or injured. One family at the other end of this beachfront village was not so lucky. A 13 year-old girl was killed as she rushed outside to avoid a falling tree. Several fishermen at sea were missing — their fate unknown.

Had the villagers been warned of the approaching cyclone, they would have taken some precaution, but there was no warning.

While this anecdote is fictitious, too often, this depicts the reality in most, if not, all Forum Island Countries. Until recently, there was little advance warning of natural disasters, particularly tropical cyclones and hurricanes. And, some warnings were way off the mark.

This has been due, in large measure, to either out-dated technology used in weather forecasting or to none at all. This, however, will be a thing of the past, thanks to the Australian government and new technology.

An early warning system to help Forum Island Countries respond to a number of weather phenomena including changes in sea level and climate is being put in place in 12 regional countries. The first of these stations, funded by the Australian government as part of its major environmental project in the South Pacific, was commissioned in Fiji last October. It was installed at Lautoka, in the country's western sugar belt.

Similar stations have been or are being installed in Marshall Islands, Cook Islands, Kiribati, Tonga, Tuvalu, Vanuatu, Nauru, Niue, Papua New Guinea, Solomon Islands and Western Samoa.

This $A7-million Australian government-funded South Pacific Sea-Level and Climate Monitoring Project, administered by the Australian International Development Assistance Bureau (AIDAB) is part of Australia's regional development assistance program. Its primary aim is long term sea level monitoring that may require 20 years to be meaningful.

However, there will be some information of immediate relevance to the Pacific Island Countries. These short-term features must be identified and understood if the "greenhouse" sea level trend is ever to be qualified.

These monitoring stations are equipped to provide information on local tidal characteristics and predictions, advance warning of anomalies in sea levels, investigation into storm surges and tropical cyclones, features indicating yearly climate variability, regional sea-level topography and features of large-scale water density.

Scientists working on the project admit much still needs to be learned about the mechanism of climate change, especially in the South Pacific. They are banking on the monitoring stations to provide answers to some important questions, such as, how it is possible to identify sea level rise when there are also movements in the earth's crust. Other questions, such as the extent of sea level rise due to thermal expansion of the ocean as the climate gets warmer, the shift in latitude of zonal differences in water temperature and salinity, and more water in the oceans as land ice melts, are being looked into.

Each station contains accurate instruments which will constantly measure sea levels and associated weather conditions, provide a range of useful information, such as the pattern of the local weather and material on the incidence of extreme sea level and weather events which may help in predicting tropical cyclones.

This information may also help with studies of the "El Nino" effect which influences weather and seasonal conditions across the Pacific Ocean. It will also serve as navigational aid for vessels and will assist the operations of ports and harbours.

As the data is gathered by each monitoring station, it will be sent to the National Tidal Facility at Flinders University in Adelaide, South Australia, for analysis. The result will then be fed back to scientists and government planners in Forum Island Countries to keep them fully informed about changing weather conditions and patterns.

Each station has a 20-year life, ensuring a continuous flow of climatic information to the region over that period.

The idea which gave birth to the South Pacific Sea Level and Climate Monitoring Project was first discussed by Forum leaders at their annual summit in 1989. Leaders of Forum Island Countries saw an urgent need to monitor and collect vital scientific data on climate and sea-levels.

Forum Island leaders were concerned that if the prediction on sea-level rise proved correct, many lives would be at risk. Many Forum Island Countries are low-lying atolls and any slight upward change in sea-level would wreak havoc, needing a massive operation to evacuate and resettle people.

Forum Island Countries do not have the resources to mount large scale emergency operations.

The Secretary General of the Forum Secretariat, Ieremia Tabai, highlighted the gratitude of the Forum Island Countries in a recent statement when he thanked the Australian government for investing in this area. Tabai said Forum Island Countries are prone to natural disasters such as cyclones, earthquakes and tidal waves and the installation of this early warning system will be very useful.

"We in the islands are indebted to the Australian government and people for funding this worthy project," Tabai said.

A committee comprising the Forum Secretariat, the South Pacific Regional Environment Programme (SPREP), Kiribati, representing the Forum's Small Island States, AIDAB, Flinders University's National Tidal Facility, the firm, Kinhill Reidel, and the Australian National Bureau of Meteorology, is co-ordinating the project.

There is no doubt we shall know a lot more than we do now about our climatic surroundings as these stations swing into full operation, helping islanders get advance warnings about sea-level rise, cyclones and other abnormal weather conditions.

□

Funda

By David North

The Democrats not only elected Governor Bill Clinton to the White House, and replaced Vice President Dan Quayle with Senator Al Gore, they also elected both the Governor and the Congressman from American Samoa, and a new Congressman from Guam. The sitting Republican governors of Guam and the Northern Marianas were not up for re-election.

Will the Clinton Administration treat the islands differently than the Reagan-Bush Administrations? There was little said directly on this point during the presidential campaign but the fundamental tendencies of the two different camps are well known. I think it is safe to predict that:

- The Clintons will be somewhat more knowledgeable about the islands than the Republicans were;
- They will be much more sympathetic to workers' issues; and
- A little more generous with federal funds.

The Democrats also will probably be more sensitive to ethnic and self-government considerations than their predecessors (remember Dan Quayle's quick stop in Pago Pago in which he managed, in a matter of minutes, to mispronounce the name of the territorial capital and to refer to the Samoans as "happy campers" to the annoyance of his audience).

On the other hand, the continuing, critical, Washington-based audits of island mismanagement of public funds (which is sometimes a problem in Guam and has been a constant one in the Marianas and American Samoa) will go on without interruption.

As for the independent nations of the Pacific, Democrats tend to be more interested in, and sympathetic to the Third World than Republicans and that should be useful. Finally, though it is now a largely passe issue, Democrats are less enthusiastic about nuclear testing than Republicans, so we can expect less pressure on New Zealand to accept nuclear warships, and more on France to make its testing pause a permanent policy.

Back to the US flag islands — it is likely the Clintons will break the Republican pattern of the last 12 years, and appoint at least some people to the islands-relations jobs in the Department of Interior who will arrive with some knowledge of the islands.

mental Differences

Further, a Democratic Congress and a Democratic Labor Department will insist on higher wages for the garment workers on Saipan if the "Made in USA" label continues to be attached to the clothing made there. Stateside unions will see to that. Further, the two Congressmen most interested in this issue, Lewis Payne (D — Virginia) and George Miller (D — California), chair of the Interior and Insular Affairs Committee — were re-elected in the recent election, while the House member most likely to speak up for CNMI's establishment, Robert Lagomarsino (R — California) was defeated by a Republican who spent money like water in the primary.

Similarly, the Clintons will approach social issues with more sympathy. It will be easier to introduce food stamps, and maybe there will be a totally different stance — no appointments will be made of any judges or lawyers who would agree with the tough anti-abortion position taken by Guam.

How will the new Democratic appointee handle the continuing desire of the Marianas for more freedom, and of Guam for Commonwealth status? That is hard to say; it depends on who is appointed to what position. While Mainland Democrats routinely have a range of predictable views on the status of women and of ethnic minorities, on workers' rights, and on the need to be supportive of the poor, they do not come with a predictable view about self-government-short-of-statehood within the US system.

One thing is sure, however — securing statehood for the heavily Democratic (and Black) District of Columbia, and for the Hispanic island of Puerto Rico, will be much more pressing issues to the Clinton White House than concerns regarding levels of self-government in any of the Pacific territories.

Here are some specifics about the US-flag islands:

American Samoa — With the President (Clinton) and the new Governor (A. P. Lutali) and the Congressman (Eni F. H. Faleomavaega) all allied to one another, there should be relatively smooth sailing in Mainland-American Samoa relations. Samoa (unlike Guam and CNMI) is not seeking to change its basic relations with Washington, so those thorny problems are avoided.

While in the past there had been a series of battles between Faleomavaega and former Governor Peter Tali Coleman, often over who was to get credit for certain federal-island programs, these differences presumably will disappear. The Congressman, the Governor and the Clintons can now move ahead together on such bread-and-butter issues as getting food stamps (a specialized welfare program) for older and disabled Samoans; similarly there will be no barriers to the introduction of a Mainland-subsidised housing program for military veterans. (Many Samoans enlist in the US armed services, retire after 20 years while still relatively young, and then return to the islands with nice pensions.)

How will the Democratic victories affect relations between Washington and the Pacific Islands?

Guam — Things will be a little more complicated in the Guam-Mainland scene, as there is a Republican Governor, Joe Ada, along with the newly-elected Democratic Congressman, Robert Underwood. They probably will wrestle with each other. It is expected Underwood will be far more vigorous in his pursuit of Chamorro rights than his predecessor, Ben Blaz.

But, in contrast to American Samoa, Guam is largely self-sufficient financially (thanks to all those Japanese tourists) and no Mainland interests are trying to attack a major Guam industry, as is the case with the Marianas. So relations between the island and the Mainland should rock along easily, except for the persisting dispute about Commonwealth status.

The Marianas — The outcome of the 1992 elections left the political leadership of the Commonwealth of the Northern Marianas in even worse shape than before.

While both American Samoa and Guam have delegates to the House of Representatives, with large federally-funded staffs busily promoting the interests of their islands (though no vote on the floor of the House) CNMI's able envoy to Washington, Juan N. Babauta, is little more than an elected lobbyist. A Republican, Babauta has one more year to serve of his four-year term as CNMI's Washington Representative.

CNMI, for reasons that are hard to understand, has not opted for the seat in the House of Representatives that it could have for the asking. The seat would give CNMI a place at the table where decisions are made, but apparently the Republican leadership views asking for a seat in the House as committing itself too closely to Washington.

Meanwhile, in addition to this structural problem, the CNMI Governor, Larry Guerrero, has little credibility in Washington. First there was his listless performance last summer at a rare House Committee hearing devoted to his islands, and to the scandalous wages paid to the foreign workers brought into Saipan's garment factories. The Governor showed no signs of appreciating the extent to which his territory was in serious trouble with the Congress over this issue. The clothes, with "Made in USA" labels are brought to the Mainland, while the jobs in question have moved from the Mainland to the islands, irking many Stateside Congressmen who formerly had the jobs in their districts (*PIM* July, 1992).

Then, in a manoeuver that left Washington heads shaking in disbelief, his press office said Governor Guerrero had held a very fruitful, one-on-one meeting, after the hearing, with the Committee chair, Congressman Miller. But the meeting never happened.

Apparently believing that things said to the media in the islands would never get back to Washington, the Governor's office basked in favourable local press for a couple of days. Then all hell broke loose when the strong-minded Chairman found out about the story; his office issued a furious press release and he immediately sent a team of investigators to find out what was happening on the islands, in the garment factories, and in the barbed-wire enclosed camps where many of the workers live.

So the next time the Marianas want to make their case to the Congress they will not have a Congressman to help them (as Samoa and Guam do), will have a Governor whose word means little to the chairman of the all-powerful House Interior and Insular Affairs Committee, and will find the White House is no longer in the hands of their political party.

The new decision-makers

By David North

As the Clinton administration prepares to settle in, speculation is rife on who will succeed Stella Guerra.

THERE will be a number of new island-focussed decision-makers as a result of Bill Clinton's election as President of the US

Of particular interest to the US flag islands and Palau, and to some extent FSM and the Marshalls, will be the Assistant Secretary of Interior for Territorial and International Affairs. This is a presidential appointment, and is currently held by Stella Guerra.

Washington speculation is that it is highly unlikely that the Clintons will do what the Republicans have done for over a decade — give that job to a deserving Mainland Hispanic politician with no previous contact with the region.

Pedro San Juan (a one-time John Kennedy appointee who switched to Reagan), Rick Montoya, a New Mexican, and Stella Guerra, a Texan, had some good Washington connections, all wanted to be an assistant secretary of something, and none knew much about the Pacific when they were appointed. (There is some speculation the personnel people at the Republican White House thought the job dealt with Puerto Rico, and its Hispanic residents; it does not, but that did not prevent successive appointments of the Hispanics. It was also regarded as a position in which little harm could be done.)

In contrast, the Clintons might very well appoint someone who actually knows the territory. The principal name discussed currently in Washington, for the Assistant Secretaryship, is that of Muliufi (Mufi) Hanneman. Of Samoan descent, he holds a degree from Harvard, won a prestigious White House Fellowship (there are about a dozen a year), and twice sought the Democratic nomination for Congress from Hawaii. Currently he holds a Cabinet post in the administration of a Clinton ally, Governor John D. Waihee III of Hawaii, who is a native Hawaiian and and has himself been mentioned for Secretary of Interior.

Another name heard is that of Jeff Farrow, once the Chairman of the Democratic Party in the US Virgin Islands (in the Caribbean), a one-time staffer to the late, legendary Congressman Phil Burton (D - California) and currently staff director of the House Subcommittee on Insular Affairs. Farrow managed, among other things, the recent hearings in which the Marianas were politely dragged over the coals for the treatment of alien garment workers.

Hanneman, however, is said to prefer a comparable job in the Department of Commerce, because of his background in business, and Farrow has irked some people in Washington, so the race is still open. It is highly unlikely to be settled until the new Secretary of Interior makes his or her recommendation, and no one has been named to that spot at this writing.

It has been a lonely four years for Guerra. Although she had enough political connections to secure the appointment (being both a woman and a Hispanic helped) she did not have enough allies elsewhere in town (on Capitol Hill, at the White House, and in the other departments) to help her win the inevitable battles. Further, the position of the Bush Administration, or at least that of its budget people, was often at odds with the interests of the islands, so she had scratchy work to do while on business in the Pacific. Back at the department she had a laid-back and not-terribly-supportive boss, Secretary Manuel Lujan, and she had a reputation of giving her subordinates little freedom of operation.

The Interior jobs are worth struggling for. The assistant secretaryship pays $112,000 a year, while the pay of the politically-appointed deputies varies; Houston was paid $68,000 and the other deputy $98,000. And one is obligated, of course, to travel to the islands from time to time, a pleasant duty during Washington's long, cold, and wet winter.

Washington-based salaries are much higher than those in the islands; the Governor of Guam is paid $75,000 a year, and in American Samoa the governor's salary is $50,000 a year. Both also occupy territorially-provided gubernatorial mansions.

There will be other personnel shifts as by-products of the November elections. There is some possibility that the delegate from American Samoa, Eni F. H. Faleomavaega, although he has only two terms under his belt, may, just may have enough seniority and luck to move into a sub-committee chairmanship on the House Foreign Affairs Committee, if several of the longer-termed Democratic members of the Committee choose to accept other sub-committee chairs in other committees. (In the House one cannot hold more than one sub-committee chair.)

Falemovaega had been deputy sub-committee chair to Congressman Stephen Solarz (D - New York) who was essentially redistricted out of a chance to return to the House. Solarz, who knows a lot about the South Pacific, and who is regarded as very competent, may get a major position in the State Department.

The elections will, indirectly and ultimately, probably remove from the government several old Pacific hands now working at the Overseas Private Investment Corporation (OPIC). The agency provides insurance to US companies investing in what they regard as risky foreign environments. While OPIC, per se, has only a minor role to play in the Pacific, its President, Fred Zeder, had been the Reagan Administration's ambassador in charge of working out the Associated States' relationships with FSM and the Marshalls.

Working with Zeder on the Micronesian arrangements were Jim Berg and Howard Hills, both now ranking officers of OPIC.

Unaffected by the election, at least directly, is Zeder's son, Fred Jr., who runs the Marshall's successful effort to license giant tankers. Both the Marshalls and Vanuatu have entered the ship-licensing business, once the specialty of Panama and Liberia (both recently racked with revolutions and invasions.)

Another Republican about to lose his government job is Grover J. Rees III, currently general counsel to the US Immigration and Naturalisation Service, in the Justice Department. Young, brilliant and very conservative, his first job in the Pacific was as Chief Justice of the High Court of American Samoa, to which he was appointed by Interior Secretary Lujan. (A lawyer, Rees' previous job for Ronald Reagan's Justice Department had been finding staunch conservatives to serve as federal judges.) □

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RAYMOND D. DAHLIN

AWARDS AND HONORS

Read into the <u>Congressional Record</u> by U. S. Congressman Clair Burgener, 1978.

National Service Award at the U. S. National Championship Tournament at St. Paul, Minnesota, 1979.

"Coach of the Decade" at Governor's Cup Tournament, Sacramento, 1976.

"Continued Excellence in Forensics" at Governor's Cup Tournament, Sacramento, 1985 and 1986.

"Award of Merit" at U. S. National Speech Tournament, Kansas City, Missouri, 1980.

"Excellence in Forensics" Biola University, La Mirada, California, 1986.

Faculty Award, Associated Students of Palomar College, 1975, 1976, 1983, 1987.

Outstanding Educators of America, 1972, 1974, 1975.

U. S. National Forensics Championships, University of Michigan 1970, Chicago 1976, Sacramento 1978.

Distinguished Coach of the Nation, El Paso, Texas, 1983.

National Teacher of the Year, Austin, Texas, 1989.

Certificates of Appreciation from:

- San Marcos Rotary
- Exchange Club, Escondido
- Vista High-Twelve Club
- Solamar Toastmistress Club
- Optimist International
- Lions International
- Kiwanis, Lake San Marcos
- Award Citation, VFW
- National University Certificate of Leadership

Certificates of Recognition from state representatives:

- Senator William Craven
- Assemblyman Robert C. Frazee
- Assemblyman William R. Bradley
- Assemblywoman Sunny Mojonnier

Ron Packard, U. S. House of Representatives

1140 West Mission Road
San Marcos, CA 92069-1487
619/744-1150 or 619/727-7529

8 October, 1992.

Raymond D. Dahlin, Ph.D.
Department of Speech Communication
Forensics, and American Sign Language
Palomar College
1140 West Mission Road
San Marcos
CA 92069-1487 619/744-1150
or 619/727-7529.

Dear Sir,

I have been directed to acknowledge receipt of your letter dated 4 August addressed to the Hon. Prime Minister and to thank you most sincerely for your interest in Fiji and its internal affairs. The points you have raised have been noted and will be raised in the proper forum at the right time.

The Prime Minister will be glad to meet you when you next visit Fiji but you are requested to give him ample notification of your schedule and he will inform you if it will fit his busy schedule.

May God be with you.

Yours faithfully,

[A. QERA]
for **PERMANENT SECRETARY, PRIME MINISTER'S OFFICE**

PODESTA ASSOCIATES, INC.

93 JUN 8 P3:22

June 7, 1993

John,

I thought you'd be interested in the Danforth-Inouye local competition infrastructure bill which will be introduced this week.

Claudia

Tom Kalil
Have you seen?

John
6-8-93

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(STAFF WORKING DRAFT)
(JUNE 2, 1993)

103D CONGRESS
1ST SESSION

S. ____

IN THE SENATE OF THE UNITED STATES

Mr. __________ introduced the following bill; which was read twice and referred to the Committee on

---

A BILL

To foster the further development of the Nation's telecommunications infrastructure through the enhancement of competition, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Universal Service and Telecommunications Infrastructure Development Act of 1993".

SEC. 2. FINDINGS.

The Congress finds that--

(1) it is in the public interest to encourage the further development of the Nation's telecommunications infrastructure as a means of enhancing the quality of life and promoting economic development and international competitiveness;

(2) telecommunications infrastructure development is particularly crucial to the continued economic development of rural areas that may lack an adequate industrial or service base for continued development;

(3) advancements in the Nation's telecommunications infrastructure will increase the public welfare by helping to speed the delivery of new services, such as distance learning, remote medical sensing, and distribution of health information;

(4) greater infrastructure development is needed to bring advanced telecommunications services to small business, disadvantaged, residential, low-income, educational, medical, and rural users;

(5) increased competition in telecommunications services will encourage infrastructure development and have beneficial effects on the price, universal availability, variety, and quality of telecommunications services;

(6) the emergence of competition in telecommunications services has already contributed, and can be expected to continue contributing, to the modernization of the infrastructure; competition in the long distance industry and the communications equipment market has brought about lower prices and higher quality services;

(7) competition for local communications services has already begun to benefit the public; competitive access

providers have deployed thousands of miles of optical fiber in their local networks; local exchange carriers have been prompted by competition to accelerate the installation of optical fiber in their own networks;

(8) a diversity of telecommunications carriers aids network reliability by providing redundant capacity, thereby lessening the impact of any network failure;

(9) competition must proceed under rules that are fair to all telecommunications carriers and protect consumers;

(10) all telecommunications carriers, including competitors to the telephone companies, should contribute to universal service and should make their networks available for interconnection by others;

(11) national policy is needed to advance competition in the provision of telecommunications services and to remove the barriers to entry into the telecommunications services market;

(12) current Federal and State regulatory policies must be revised and supplemented to advance the development of competition in the telecommunications services market;

(13) increasing the availability of interconnection and interoperability among the facilities of telecommunications carriers will help stimulate the development of competition among providers;

(14) telecommunications number portability will eliminate a significant barrier to competition in the provision of telecommunications services;

(15) restrictions on resale and sharing of telecommunications networks retard the growth of competition and restrict the diversity of services available to the public;

(16) additional regulatory measures are needed to allow consumers in rural markets and noncompetitive markets the opportunity to benefit from high-quality telecommunications capabilities;

(17) regulatory flexibility for existing providers of telephone exchange service is necessary to allow them to respond to competition;

(18) the Commission should take steps to ensure network reliability and the development of network standards;

(19) access to switched, digital telecommunications service for all segments of the population promotes the core First Amendment goal of diverse information sources by enabling individuals and organizations alike to publish and otherwise make information available in electronic form;

(20) a clear national mandate is needed for full participation in access to telecommunications networks and services by individuals with disabilities;

(22) the obligations of telecommunications carriers includes the duty to furnish telecommunications services which are designed to be fully accessible to individuals with disabilities in accordance with such standards as the Commission may prescribe;

(23) it is in the public interest to encourage competition to existing cable television service providers; and

(24) amending the legal barriers to telephone company provision of video programming will encourage competition to existing cable television service providers and encourage telephone companies to upgrade their telecommunications facilities to enable them to deliver video programming, as long as telephone companies are prohibited from buying or combining with existing cable companies.

SEC. 3. PURPOSES.

The purposes of this Act are to--

(1) encourage private investment in, and advancement of, the Nation's telecommunications infrastructure;

(2) ensure the availability of the widest possible range of competitive choices in the provision of telecommunications and cable television services;

(3) eliminate the existing regulatory barriers to competition in the provision of telecommunications and cable television services;

(4) encourage interconnection and interoperability among telecommunications carriers;

(5) ensure the universal availability of telephone service;

(6) encourage the continued development and deployment of advanced and reliable capabilities and services in telecommunications networks; and

(7) protect the privacy interests of users of telecommunications services.

SEC. 4. DEFINITIONS.

Section 3 of the Communications Act of 1934 (49 U.S.C. 153) is amended by adding at the end the following new subsections:

"(hh) 'Local exchange carrier' means a provider of telephone exchange service that is classified by the Commission as a dominant carrier.

"(ii) 'Telecommunications' means the transmission, between or among points specified by the user, of information of the user's choosing, without change in the form or content of the information as sent and received, by means of electromagnetic transmission, with or without benefit of any closed transmission medium, including all instrumentalities, facilities, apparatus, and services (including the collection, storage, forwarding, switching, and delivery of such information) essential to such transmission.

"(jj) 'Telecommunications service' means the offering of--

"(1) telecommunications facilities that (A) are owned or controlled by a provider of telephone exchange service or (B) interconnect with the network of a provider of telephone exchange service; or

"(2) telecommunications by means of such telecommunications facilities.

Such term does not include information services.

"(kk) 'Telecommunications carrier' means any provider of telecommunications services, except that such term does not include hotels, motels, hospitals, and other aggregators of telecommunications services as defined in section 226.

"(ll) 'Telecommunications number portability' means the ability of users of telecommunications services to retain existing telecommunications numbers without impairment of quality, reliability, or convenience when switching from one telecommunications carrier to another.

"(mm) 'Information service' means the offering of a capability for generating, acquiring, storing, transforming, processing, retrieving, utilizing, or making available information which may be conveyed via telecommunications, except that such service does not include any use of any such capability for the management, control, or operation of a telecommunications system or the management of a telecommunications service.

"(nn) 'Electronic publishing service' means any information service providing information--

"(1) that the provider of the service has, or has caused to be, originated, authored, compiled, collected, or edited; or

"(2) in which such provider has a direct or indirect financial or proprietary interest.".

SEC. 5. TELECOMMUNICATIONS COMPETITION.

Title II of the Communications Act of 1934 (47 U.S.C. 201 et seq.) is amended by adding at the end the following new section:

"SEC. 229. TELECOMMUNICATIONS COMPETITION.

"(a) REMOVAL OF BARRIERS TO ENTRY.--Subject to the provisions of section 301 of this Act, and after 1 year has elapsed following the date of enactment of this section, no State or local statute or regulation, or other State or local legal requirement, shall prohibit or limit in a manner inconsistent with this Act the ability of any entity to provide telecommunications services.

"(b) REGULATORY AUTHORITY.--The Commission shall retain full authority to regulate the entry and operations of foreign entities or domestic affiliates of foreign entities seeking to provide telecommunications services. Notwithstanding section 332(c)(2), to the extent that they provide telecommunications services, telecommunications carriers shall be deemed common carriers under this Act, except where the provision of telecommunications services by such carriers is de minimis.

"(c) OBLIGATIONS OF TELECOMMUNICATIONS CARRIERS.--Notwithstanding any other provision of this Act, States shall prescribe regulations to require each telecommunications carrier, upon bona fide request, to provide to any entity seeking to provide telecommunications services or information services, on reasonable terms and conditions--

"(1) interconnection to the carrier's telecommunications facilities at any technically feasible point within the carrier's network;

"(2) nondiscriminatory access to any of the carrier's telecommunications facilities and information necessary to the transmission and routing of any telecommunications service or information service and the interoperability of both carriers' networks;

"(3) nondiscriminatory access, where technically feasible, to the poles, ducts, conduits and rights of way owned or controlled by the carrier;

"(4) nondiscriminatory access to the network functions of the carrier's telecommunications network, which shall be offered on an unbundled basis; and

"(5) telecommunications services and network functions without any restrictions on the resale or sharing of those services and functions.

"(d) UNIVERSAL SERVICE.--

"(1) ROLE OF TELECOMMUNICATIONS CARRIERS.--All telecommunications carriers shall contribute to the preservation and advancement of universal service.

"(2) ROLE OF STATES.--The States, in coordination with the Commission, shall ensure the preservation and advancement of universal service.

"(3) ASSISTANCE TO CERTAIN PERSONS.--In administering this subsection, the States and the Commission shall have as their goal directly assisting individuals or entities that cannot afford the cost of their telecommunications service or equipment.

"(e) CONSUMER INFORMATION.--As competition for telecommunications services develops, the Commission and State regulatory authorities shall take action to ensure that consumers are given the information necessary to make informed choices among their telecommunications alternatives.

"(f) TELECOMMUNICATIONS NUMBER PORTABILITY.--The Commission shall prescribe regulations to ensure that--

"(1) telecommunications number portability shall be available, upon request, as soon as technically feasible; and

"(2) an impartial entity shall administer telecommunications numbering and make such numbers available on an equitable basis.

"(g) RECIPROCAL COMPENSATION AGREEMENTS.-- Telecommunications carriers shall compensate each other on a reciprocal and equivalent basis for termination of telecommunications services on each other's networks. Compensation shall be determined by negotiation between carriers, or by the Commission's decision if negotiation fails.

"(h) REGULATORY FLEXIBILITY FOR COMPETITIVE SERVICES.--

"(1) EXEMPTION FROM REQUIREMENT TO FILE SCHEDULES OF CHARGES.--The Commission may exempt a telecommunications carrier from the provisions of section 203 to the extent that the carrier does not have market power.

"(2) PRICING FLEXIBILITY.--The Commission and the States may permit telecommunications carriers to have pricing flexibility for services that the Commission finds are competitive. In implementing this subsection, the Commission and the States shall ensure that rates for basic telephone service and for services that are not competitive remain just and reasonable and that universal service is preserved and advanced.

"(i) RULES FOR FOREIGN OWNERSHIP.--The provisions of section 310(b) shall not apply to any lawful foreign ownership in a telecommunications carrier prior to May 24, 1993, if that carrier was not regulated as a common carrier prior to the date of enactment of this section and is deemed to be a common carrier under this Act.".

SEC. 6. INFRASTRUCTURE INVESTMENT.

Title II of the Communications Act of 1934 (47 U.S.C. 201 et seq.), as amended by this Act, is further amended by adding at the end the following new section:

"SEC. 230. INFRASTRUCTURE INVESTMENT.

"(a) RURAL MARKETS AND NONCOMPETITIVE MARKETS.--State regulatory authorities shall ensure that consumers in rural markets and noncompetitive markets have access to high quality telecommunications network facilities and capabilities which--

"(1) provide subscribers with sufficient network capacity to access information services that provide a combination of voice, data, image, and video; and

"(2) are available at rates that are based on reasonably identifiable costs of providing such services.

"(b) FULL EFFECTUATION.--The Commission shall have the authority to preempt any State or local statute or regulation, or other State or local legal requirement, that prevents the full effectuation of the mandate embodied in subsection (a).

"(c) STATE REGULATORY INCENTIVES.--The States shall implement regulatory incentives to encourage the development of high quality telecommunications network facilities and capabilities. If regulatory incentives fail to result in the deployment of high quality telecommunications network facilities and capabilities in rural markets and noncompetitive markets, the States shall adopt other methods to ensure that the mandate of subsection (a) is achieved.

"(d) NETWORK STANDARDS AND PLANNING.--

"(1) NETWORK STANDARDS.--

"(A) INTERCONNECTION AND INTEROPERABILITY STANDARDS.--The Commission shall encourage telecommunications carriers and telecommunications equipment manufacturers to develop standards to ensure interconnection and interoperability of telecommunications networks.

"(B) INDUSTRY ASSISTANCE.--The Commission shall, when necessary, establish deadlines, create incentives, or use other mechanisms to assist the industry to develop and implement such standards.

"(C) COMMISSION AUTHORITY TO ESTABLISH STANDARDS.--The Commission may establish standards when industry participants fail to reach agreement.

"(2) NETWORK PLANNING.--The Commission shall prescribe regulations establishing procedures to ensure that--

"(A) telecommunications carriers shall make available timely information to other such carriers and information service providers in the same geographic area about the deployment of telecommunications equipment, including software integral to such telecommunications equipment, including upgrades, that will affect a telecommunications carrier's or information service provider's ability to interconnect or interoperate in the same geographic area;

"(B) telecommunications carriers shall not be required to share information required under subparagraph (A) with anyone, including carriers with whom they directly compete, except as may be necessary to meet the interconnection and interoperability requirements set forth in this paragraph; and

"(C) the recipient of any information described in subparagraph (A) shall use it only for its own interconnection and interoperability.

"(3) DISABILITY ACCESS.--The Commission and the States shall ensure that advances in network capabilities and telecommunications services deployed by telecommunications carriers are designed to be accessible to individuals with disabilities.".

SEC. 7. IMPLEMENTING REGULATIONS AND RURAL DEVELOPMENT.

(a) COMMISSION REGULATIONS.--The Commission shall issue regulations to implement this Act within 12 months after the date of enactment of this Act. Such regulations shall take effect within 6 months after their issuance, except that the Commission may extend such effective date for up to 24 additional months for any small carrier providing telephone exchange service in rural areas, upon a showing by the carrier that compliance would not be technically feasible without additional time.

(b) STATE REGULATIONS.--The States shall issue regulations to implement this Act within 12 months after the date of enactment of this Act. Such regulations shall take effect within 6 months after their issuance, except that the States may extend such effective date for up to 24 additional months for any small carrier providing telephone exchange service in rural areas, upon a showing by the carrier that compliance would not be technically feasible without additional time.

SEC. 8. RESTRICTIONS ON OWNERSHIP AND CONTROL OF CABLE TELEVISION SYSTEMS BY TELEPHONE COMPANIES.

Section 613(b) of the Communications Act of 1934 (47 U.S.C. 533(b)) is amended to read as follows:

"(b)(1) No common carrier, subject in whole or in part to title II of this Act, nor any affiliate of such carrier, owned by, operated by, controlled by, or under common control with such carrier, may--

"(A) purchase or otherwise acquire, directly or indirectly, more than a 5 percent financial interest, any management interest, or any other interest, in any cable system that is providing service within the carrier's telephone exchange service area and is owned by an unaffiliated person; or

"(B) enter into any joint venture or partnership with such cable system.

"(2) A common carrier shall not provide video programming directly to subscribers in its telephone exchange service area unless--

"(A) such video programming is provided through a separate subsidiary as required under section 233; and

"(B) a tariff filed in compliance with the regulations prescribed under section 229 has been approved by the State in which the common carrier provides telephone service, or the State has failed, within 12 months, to act upon such a tariff.

"(3) A common carrier that provides telephone exchange service shall not engage in practices prohibited by the Commission or by a State (including but not limited to the improper assignment of costs) that subsidize directly or indirectly its video programming operations.

"(4) Paragraphs (1) and (2) shall not apply to a common carrier to the extent that such carrier provides telephone exchange service in an area to which an exemption applies under section 63.58 of title 47, Code of Federal Regulations (as in effect on the date of enactment of the Universal Service and Telecommunications Infrastructure Development Act of 1993).".

SEC. 9. INTEREXCHANGE SERVICES ASSOCIATED WITH CABLE TELEVISION SERVICE.

Title II of the Communications Act of 1934 (47 U.S.C. 201 et seq.), as amended by this Act, is further amended by adding at the end the following new section:

"SEC. 231. INTEREXCHANGE SERVICES ASSOCIATED WITH CABLE TELEVISION SERVICE.

"(a) AUTHORITY.--Subject to the requirements of this section and any regulations prescribed thereunder, but notwithstanding any restriction or obligation imposed before the date of enactment of this section pursuant to the Modification of Final Judgment on the lines of business in which a Bell Telephone Company may engage, a Bell Telephone Company may, solely for the purpose of providing cable service, own and operate--

"(1) receive-only antennas, satellite master antenna television facilities, and satellite earth stations; and

"(2) inter-LATA distribution facilities.

"(b) RESTRICTIONS.--A Bell Telephone Company--

"(1) may own and operate the antennas, stations, and facilities described in subsection (a)(1) and (2) only through one or more affiliates that are totally separate from the Company;

"(2) may use inter-LATA distribution facilities only insofar as such use is necessary to provide cable service across LATA boundaries; and

"(3) may neither select nor recommend--

"(A) the satellite uplink service, or

"(B) the satellite transponder service that receives the uplink transmission and provides the downlink transmission,

used for any of the receive-only antennas, satellite master antenna television facilities, or satellite earth stations owned and operated by the Company as authorized by this section.

"(c) DEFINITIONS.--As used in this section:

"(1) The term 'Bell Telephone Company' means any of the companies listed in appendix A of the Modification of Final Judgment, and includes any successor or assign of any such company, but does not include any affiliate of any such company.

"(2) The term 'Modification of Final Judgment' means the decree entered August 24, 1982, in United States v. Western Electric, Civil Action No. 82-0192 (United States District Court, District of Columbia).

"(3) The term 'LATA' means the local access and transport area as defined in the Modification of Final Judgment.

"(4) The term 'cable service' has the meaning given that term under section 602.".

SEC. 10. INTEREXCHANGE SERVICES RELATING TO CELLULAR MOBILE RADIO SERVICES.

Title II of the Communications Act of 1934 (47 U.S.C. 201 et seq.), as amended by this Act, is further amended by adding at the end the following new section:

"SEC. 232. INTEREXCHANGE SERVICES RELATING TO CELLULAR MOBILE RADIO SERVICES.

"(a) PROVISION OF INTEREXCHANGE SERVICES.--

"(1) AUTHORITY.--Notwithstanding any restriction or obligation imposed before the date of enactment of this section pursuant to the Modification of Final Judgment on the lines of business in which a Bell Telephone Company may engage, a Bell Telephone Company or its cellular affiliate may provide the interexchange services authorized under this section solely as necessary to provide cellular mobile radio services.

"(2) INTERSYSTEM HANDOFF.--A Bell Telephone Company or its cellular affiliate may provide intersystem handoff, across LATA boundaries, of cellular mobile radio transmissions between adjacent cellular systems, including the provision of such transmission facilities as are necessary to allow the continuation of calls in progress without interruption or degradation of service due to the movement of the mobile telephone unit or the characteristics of radio propagation.

"(3) AUTOMATIC CALL DELIVERY.--A Bell Telephone Company or its cellular affiliate may provide the routing of cellular transmissions between a cellular system located in one LATA and an interconnected cellular system located in another LATA.

"(4) USE OF LEASED FACILITIES.--Interexchange facilities necessary for intersystem handoff across LATA boundaries or inter-LATA routing of cellular transmissions, as permitted under paragraphs (2) and (3), shall be leased by a Bell Telephone Company or its cellular affiliate from a carrier (other than a Bell Telephone Company or its affiliate) authorized to provide interexchange telecommunications.

"(b) EQUAL ACCESS AND PRESUBSCRIPTION.--Notwithstanding any restriction or obligation imposed pursuant to the Modification of Final Judgment before the date of enactment of this section, the Commission shall prescribe uniform equal access and long distance presubscription requirements for providers of all cellular and two-way wireless services.

"(c) DEFINITIONS.--As used in this section, the terms 'Bell Telephone Company', 'Modification of Final Judgment', and 'LATA' have the meaning given those terms under section 231.".

SEC. 11. PROVISION OF INFORMATION SERVICES.

Title II of the Communications Act of 1934 (47 U.S.C. 201 et seq.), as amended by this Act, is further amended by adding at the end thereof the following new section:

"SEC. 233. PROVISION OF INFORMATION SERVICES.

"(a) PROVISION OF INFORMATION SERVICES.--A Bell Telephone Company or an affiliate thereof may provide information services only subject to this section and title VI.

"(b) SEPARATE SUBSIDIARY.--

"(1) IN GENERAL.--A Bell Telephone Company or affiliate thereof may provide electronic publishing services only through a subsidiary that is separated from the telephone exchange service operations of the Company, in accordance with the requirements of this subsection and the regulations prescribed by the Commission to carry out this subsection.

"(2) TRANSACTION REQUIREMENTS.--Any transaction between a subsidiary required by this section and any Bell Telephone Company or between such subsidiary and any other affiliate of the Company shall not be based upon any preference or discrimination in favor of the subsidiary arising out of the subsidiary's affiliation with the Company.

"(3) SEPARATE OPERATION AND PROPERTY.--A subsidiary required by this subsection, except for the provision of enhanced emergency services, may not enter into any joint venture or partnership with the Bell Telephone Company or any affiliate of the Company.

"(4) SEPARATE COMMERCIAL ACTIVITIES.--A subsidiary required by this subsection shall carry out directly and separate from the Bell Telephone Company its own marketing and sales.

"(5) BOOKS, RECORDS, AND ACCOUNTS.--Any subsidiary required by this subsection shall maintain books, records, and accounts in a manner prescribed by the Commission which shall be separate from the books, records, and accounts maintained by the Bell Telephone Company and the other affiliates of the Company, and which shall identify any conduct of business with the Company and any such affiliates.

"(6) PROVISION OF SERVICES AND INFORMATION.--A Bell Telephone Company may not provide any services or information to a subsidiary required by this subsection unless such services or information are made available to others on the same terms and conditions.

"(c) PREVENTION OF CROSS SUBSIDIES.--Any Bell Telephone Company that provides information services, or which has an affiliate that is engaged in the provision of such services, shall establish and administer, in accordance with the requirements of this subsection and the regulations prescribed thereunder, a cost allocation system that, together with the subsidiary requirements of subsection (b), is intended to prohibit any cost of providing such services from being subsidized by revenue from telephone exchange service or telephone exchange access services.

"(d) PROVISION OF GATEWAY SERVICES.--Any Bell Telephone Company or affiliate thereof that offers a gateway service shall make such service available concurrently to all of its subscribers under nondiscriminatory rates, terms, and conditions.

"(e) DEFINITIONS.--As used in this section:

"(1) The term 'affiliate' means any organization or entity that, directly or indirectly, owns or controls, or is owned or controlled by, or is under common ownership or control with, a Bell Telephone Company. For purposes of this paragraph, the terms 'own', 'owned', and 'ownership' mean a direct or indirect equity interest (or equivalent thereof) of more than 5 percent of an organization or entity, or the right to more than 5 percent of the gross revenues of an organization or entity under a revenue sharing or royalty agreement, or any substantial management or financial interest.

"(2) The term 'Bell Telephone Company' has the meaning given that term under section 231.

"(3) The term 'gateway service' means an information service that, at the request of the provider of an electronic publishing service or other information service, provides a subscriber with access to such electronic publishing service or other information service, utilizing the following functions: data transmission, address translation, billing information, protocol conversion, and introductory information content.".

SEC. 12. PRIVACY OF CUSTOMER PROPRIETARY NETWORK INFORMATION.

Title II of the Communications Act of 1934 (47 U.S.C. 201 et seq.), as amended by this Act, is further amended by adding at the end the following new section:

"SEC. 234. PRIVACY OF CUSTOMER PROPRIETARY NETWORK INFORMATION.

"(a) PRIVACY REQUIREMENTS FOR TELECOMMUNICATIONS CARRIERS.--A telecommunications carrier--

"(1) shall not disclose any customer proprietary network information to any person, except--

"(A) as required by law; or

"(B) upon affirmative request by the customer to which it relates;

"(2) shall disclose such information, upon affirmative request by the customer, to a service provider designated by the customer;

"(3) shall, whenever such telecommunications carrier provides any aggregate information based on customer proprietary network information or any data base or other compilation of customer proprietary information to any person, notify the Commission of the availability of such aggregate or compiled information and shall provide such aggregate or compiled information on the same terms and conditions to any other service provider upon reasonable request therefor; and

"(4) shall not discriminate between affiliated and unaffiliated service providers in providing access to, or in the use and disclosure of, individual and aggregate or compiled information made available consistent with this subsection.

"(b) PROVISION OF SUBSCRIBER LIST INFORMATION.--Notwithstanding subsection (a), a local exchange carrier shall provide subscriber list information under nondiscriminatory ~~rates,~~ terms, and conditions to any person upon reasonable request. A local exchange carrier shall provide each of its subscribers with the opportunity to prohibit or limit disclosure of his or her subscriber list information.

"(c) DEFINITIONS.--As used in this section:

"(1) The term 'customer proprietary network information' means--

"(A) information which (i) relates to the quantity, technical configuration, type, destination, and amount of use of telecommunications service subscribed to by any customer of a telecommunications carrier, and (ii) is available to the telecommunications carrier by virtue of the telecommunications carrier-customer relationship;

"(B) information contained in the bills for telecommunications service received by a customer of a telecommunications carrier; and

"(C) such other information concerning the customer as is (i) available to the telecommunications carrier by virtue of the customer's use of the carrier's services, and (ii) specified as within the definition of such term by such rules as the Commission shall prescribe consistent with the public interest.

"(2) The term 'aggregate information' means collective data that relates to a group or category of services or customers, from which individual customer identities or characteristics have been removed.

"(3) The term 'subscriber list information' means information identifying a local exchange carrier subscriber's name, address, billing name and address, or primary directory advertising listing, or any combination thereof.".

SEC. 13. JURISDICTION.

Section 2 of the Communications Act of 1934 (47 U.S.C. 153) is amended--

(1) in subsection (b), by inserting "and sections 229 and 233" immediately after "sections 223 through 227, inclusive,"; and

(2) by adding at the end the following new subsection:

"(c)(1) Notwithstanding subsection (b), a State may not regulate the rates, terms, or conditions for the offering of information services, except as provided in title VI.".