Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. letter	Prime Minister Miyazawa to POTUS (2 pages)	07/02/1993	P1/b(1)

COLLECTION:

Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 1039

FOLDER TITLE:

July 11-17, 1993 [1]

2018-0662-S
rs3060

RESTRICTION CODES

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

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

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

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

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

THE WHITE HOUSE
WASHINGTON

DATE: 07/16/93

NOTE FOR: NANCY HERNREICH
MARCIA HALE

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

Information ☒X

Action ☐

For Golf File.

Thank you.

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

cc:

THE WHITE HOUSE

WASHINGTON

July 16, 1993

Thomas F. O'Neil, Jr.
Sixth Floor, Latrobe Building
2 East Read Street
Baltimore, Maryland 21202

Dear Thomas:

Thank you for your letter. I'm so happy you and Pam were able to be here for the reunion. Everybody had fun, I think.

I appreciate your kind invitation to play at the Caves Valley Golf Club. It sounds like a great course, and I hope that I am able to accept your generous offer sometime soon.

I look forward to seeing you again.

Sincerely,

Bill Clinton

MF
FOB

DENT
AND COMPANY, INC.
INVESTMENT COUNSEL

THOMAS F. O'NEIL, JR.

June 22, 1993

(301)837-2545

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

Dear President Clinton:

Pam and I would just like to thank you for the wonderful party you threw for your fellow classmates as part of our 25th reunion at Georgetown University. Obviously, it was a night to remember and you were very gracious to share your new home with us. It was nice to see you again and have a chance to say hello since we last saw each other at our 20th reunion.

The following day I had the opportunity to play in an invitational golf tournament with Dan Quayle. I learned that you had been in touch with him about his favorite spots for playing golf in the greater D. C. area. As I know he told you, our course, Caves Valley Golf Club, located in Baltimore, Maryland is one that he enjoys. Security is quite good as both former President Bush and the former vice president both played at our course in the last twelve months of their administration. Access to the facilities is fairly easy as they landed their helicopters right by the course. Selected as site of the 1995 U. S. Golf Association's Mid-Amateur Championship, we believe we have one of the finest if not the best golf course in the State of Maryland.

Should you need a few hours away from the pressures of your office, I would be glad to make the necessary arrangements for my fellow classmate to get in a few holes of leisurely golf. As I am sure the former vice president related to you, the course is in a magnificent setting with a championship layout. If I can be of any assistance on short notice, please let me know.

Obviously, living next door to Joe McGuiness and I sophomore year in Harbin Hall has not held your career back. We are all very proud of you and wish our fellow classmate continued success in your endeavors. Thank you again for a wonderful evening in early June.

Sincerely,

Thomas F. O'Neil Jr.

Thomas F. O'Neil, Jr.

TFO/mmk

THE WHITE HOUSE
WASHINGTON

DATE: 07/16/93

NOTE FOR: THE FIRST LADY

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

Information	☒X
Action	☐

Thank you.

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

cc:

THE WHITE HOUSE

WASHINGTON

July 15, 1993

Michael M. Conway
Suite 3700
Three First National Plaza
Chicago, Illinois 60602

Dear Mike:

Thank you for your wonderful letter. I appreciate your continuing interest in serving the nation during this important period in our history. We do face many critical challenges, and your offer to serve is gratifying to me.

Thanks, too, for the description of your family's Fourth of July agenda. It's always the most inspiring and perhaps most important of all our holidays.

I look forward to seeing you before long.

Sincerely,

Bill

I loved your letter —
I too enjoyed dinner
at Mayor Daley's and I'll
try to get to Chicago for
golf with Dan R. —

MICHAEL M. CONWAY
THREE FIRST NATIONAL PLAZA
SUITE 3700
CHICAGO, ILLINOIS 60602
(312) 558-6742

July 3, 1993

President Bill Clinton and Ms. Hillary Rodham Clinton
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500-2000

Dear Bill and Hillary:

Having spoken with Bernie and Kevin during the past few weeks, presumably the possibility no longer exists to serve as an assistant attorney general. I wouldn't be being honest, if I did not acknowledge some keen disappointment -- most of which really flows from a strong desire to help, in my small way, to meet the many challenges which you have been willing to confront.

However, if some other opportunity arises, I wanted to emphasize my willingness to serve your Administration in Washington.

In the meantime, I have enjoyed so much having been included in your activities in Chicago. The dinner at Myron & Phils was one of the most interesting evenings of my life as I, for once, kept still and watched Congressman Rostenkowski hold forth. I have to confess I was befuddled the following Thursday when he called me to report his Committee's passage of your package, until I realized that he really was angling for a golf game with you in Chicago. When I passed along this message to Kevin, Kevin rightfully asked why I had been called instead of a thousand more-likely persons. Obviously, the Chairman was choosing a circuitous route.

Hillary, you were masterful at the AMA meeting. Jack Fuller was very glad to have been included, too. When a lifetime of your friends and supporters are drawn together at these events, new connections are made. For example, I was able to introduce Jack to Judy Osgood at your reception, so that Hillary stories are exchanged "across the years." Of course, the Betsy stories are the best.

Mary, who is turning 12 today, is currently in the throng in Grant Park for Taste of Chicago, under the supervision of her sister Cara. This is her birthday party outing with two friends (Jenny and Lauren), Cara, Cara's Notre Dame roommate Susie and their classmate from Georgia, Pete. At 8 p.m., they will join me here in my office to watch the fabulous Chicago fireworks (Richard M. Daley, Mayor). One improvisation is required, however, to duplicate the effect of actually being among the 500,000 people in the park. We tune in WFMT-FM, which broadcasts the event, and hear the Chicago

MCA JUL 1 1 1993

Symphony and fireworks sounds, which otherwise don't penetrate the modern, hermetically-sealed office building. Nonetheless, these 4th of July traditions remind us how great our country is and how great we want it to be. Thanks for devoting your lives to that effort.

My thoughts and prayers are with you.

Your friend,

Mike

THE WHITE HOUSE
WASHINGTON

DATE: 07/16/93

NOTE FOR: JACK QUINN

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

Information ☐

Action ☒X

Please see the President's note.

Please let me know the answer.
Thanks.

Thank you.

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

cc:

Has VP seen?
I think we
have to do this -
don't we?

Has VP seen?

I think we
have to do this -
don't we?

THE WHITE HOUSE

WASHINGTON

Dear Bill:

Thank you for your letter recommending the imposition of a moratorium on oil and gas leasing on the outer continental shelf off the mid-Atlantic coast until the year 2000. I share your concern regarding the federal government's stewardship of our coastal waters and beaches, and I recognize that we must balance the future energy needs of our nation with very real concerns about protecting our environment.

Energy Secretary O'Leary has recently taken on the assignment of reexamining key strategic issues concerning our domestic gas and oil industries. The ultimate goal of this "Domestic Energy Initiative" is to present a list of recommendations to me on the highest priority actions we could undertake to promote the efficient and environmentally sensitive production and use of our vital domestic oil and gas resources.

Secretary O'Leary will coordinate her efforts with other relevant agencies, including the Department of the Interior's Minerals Management Service, and with Congress. The effort under way at the Department of Energy will also actively solicit the views of interested outside parties. I have conveyed your letter to the Secretary so that it can be made part of this process.

My FY 1994 budget proposes to extend the current moratorium on preleasing and leasing activities off the mid-Atlantic coast, with the exception of environmental studies. This will provide an opportunity for the Department of the Interior to focus its attention on resolving the issues associated with the proposed exploratory drilling off the North Carolina coast and to help assure the use of quality science in decision making.

I believe it is logical to wait for Secretary O'Leary's policy review on these issues before we commit to new moratoria.

With best wishes,

Sincerely,

Bill

The Honorable Bill Bradley
United States Senate
Washington, D.C. 20510

FRANK R. LAUTENBERG
NEW JERSEY

COMMITTEE:
APPROPRIATIONS

SUBCOMMITTEES:
TRANSPORTATION, CHAIRMAN
COMMERCE, JUSTICE, STATE AND JUDICIARY
DEFENSE
FOREIGN OPERATIONS
VA, HUD AND INDEPENDENT AGENCIES

United States Senate

WASHINGTON, DC 20510-3002

019627

COMMITTEE:
BUDGET

COMMITTEE:
ENVIRONMENT AND PUBLIC WORKS

SUBCOMMITTEES:
SUPERFUND, OCEAN AND WATER PROTECTION, CHAIRMAN
ENVIRONMENTAL PROTECTION
WATER RESOURCES, TRANSPORTATION AND INFRASTRUCTURE

HELSINKI COMMISSION

93 MAY 24 19

May 20, 1993

The Honorable William J. Clinton
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Mr. President:

We are writing to ask that you reverse the policy of the last Administration and impose a moratorium on oil and gas leasing on the outer continental shelf off the Mid-Atlantic coast until the year 2000.

In 1990, President Bush imposed moratoria through the year 2000 on offshore lease sales off a large portions of the nation's coasts. These moratoria addressed almost all controversial oil and gas lease sales except for the proposed sales off the Mid-Atlantic. Despite our requests, President Bush refused to include the Mid-Atlantic in his moratoria decisions.

The New Jersey coastline is one of our most precious resources. In 1991, 8.8 million people stayed overnight at the New Jersey shore and an additional 59 million made day trips to New Jersey's beaches. Coastal tourism at the shore--fishing, swimming, or just walking along the beach--generated $8.9 billion in New Jersey in 1991.

New Jerseyans have been working hard to protect our coast and have made significant strides against various forms of pollution. But the threat posed by offshore oil and gas development to our efforts is obvious.

We fail to understand why our coastline is being treated differently from coastlines around the country. New Jersey beaches and coastal waters are every bit as precious and threatened as those waters in which President Bush banned oil and gas activities.

Oil and gas drilling off the New Jersey coast is expected to produce no more than 13 days of the nation's energy needs. We believe that the risks posed to our coast by oil and gas development off our coasts are not worth 13 days of the nation's energy needs.

We urge you to reverse President Bush's policy and establish the same moratoria on outer continental shelf drilling off the New Jersey coast that President Bush established for most of the rest of our coastline.

Sincerely,

Bill Bradley

Frank R. Lautenberg

Frank Pallone Jr.

William J. Hughes

Department of Energy
Washington, DC 20585

July 6, 1993

MEMORANDUM FOR THE HONORABLE HOWARD G. PASTER
Assistant to the President
for Legislative Affairs

FROM: RICHARD ROSENZWEIG
Chief of Staff

SUBJECT: Draft Letter for the President on Oil and Gas Leases

In response to your June 7, 1993, request, we have prepared the attached draft response for the President to send to the members of the New Jersey congressional delegation who are advocating a moratorium on oil and gas development off the coast of New Jersey. This response has been coordinated with the Department of the Interior.

Our recommendation is that the President defer a "yes-no" response until Secretary O'Leary has completed a review of possible domestic oil and gas initiatives. We anticipate that this review, which the Secretary first announced in late April, will be completed by late summer or early fall. It has four major themes: (1) decrease dependence on oil imports, (2) increase gas supply and demand, (3) reduce exploration and production costs, and (4) reconcile environmental/ energy differences. The latter will address the offshore moratorium issue raised by the New Jersey congressional members.

Attachment

THE WHITE HOUSE
WASHINGTON

DATE: 07/16/93

NOTE FOR: DAVID GERGEN
GEORGE STEPHANOPOULOS

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

Information ☒X

Action ☐

Thank you.

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

cc:

(2) Show you Nixon letter to Gergen, GS —
it's good —

THE WHITE HOUSE

WASHINGTON

July 15, 1993

Diana Carlin
3226 SW Skyline Parkway
Topeka, Kansas 66614

Dear Diana:

Thanks for your wonderful letter. I count on my friends to let me know when they see something that needs correcting. Your candid advice is always welcome.

A major address to call attention to what we've accomplished is probably due. Please keep your frank opinions and good ideas coming.

Sincerely,

Bill

Great letter –
I think you're right
about the speeches – though
I felt good about most of
the inaugural and several
of my foreign policy speeches –
But generally you're right –

July 1, 1993

President Bill Clinton
The White House
1600 Pennsylvania Avenue
Washington, D. C. 20500-2000

Dear Mr. President:

Your rain checks are better than your initial offers! Thanks for the note, and, more importantly, for the opportunity to visit you and Hillary in the White House. John told me shortly after you were elected that he hoped we would get invited to something during your administration for two reasons: he wanted to share a White House experience with me, and he wanted to be there with a Democrat in residence. He got his wish. You can't imagine how privileged we feel to have had so much time with you to discuss concerns we share.

There was one issue, however, that didn't work its way into our conversation that I want to comment on. It is somewhat presumptuous of me to write this since you have far better and more experienced minds than mine on your staff. However, I wanted to follow up on some conversations John has had with you, dating back, I believe, to a trip to Taiwan.

I teach speech writing and have worked as a professional speech writer. I also study, teach, and write about a variety of subjects related to political communication. In studying presidential rhetoric, it is apparent that national addresses help define the president and the presidency. Major speeches give insight into who you are, how you govern, and how you view the American people and their values in relationship to your agenda.

Successful presidents have had a clearly developed, consistent rhetorical style. To date, your rhetorical style as projected in prepared speeches lacks a clear Clinton trademark. Your State of the Union address came the closest to what I've heard you do extemporaneously, and that is probably because you deviated from the prepared text.

I don't know what your speech writing process is, but it appears to me that your speeches are not written to your natural speaking style. In fact, some of the speeches are not written in an oral style. This makes you sound as if you are reading them. At times the structure causes you to throw away important words and lines -- especially at the end of sentences. I really noticed that during your inaugural address.

I also think that you need a major address to present your own six-month report card. I heard Torrie Clark speak at a conference in Washington at the end of May (she was on a panel with Betsey Wright), and she commented that one of the mistakes the Bush administration made was not telling people what they were accomplishing throughout the term on domestic issues. Don't fall into the same trap of thinking that news conferences, town meetings, and assorted speeches to major groups will get your message out. You occasionally need the country's undivided attention unfiltered as much as possible by the media. John and I came away from our time with you convinced that you are learning and are in control. We are confident in you, but others need reinforcement and reminders.
We academic types spend a lot of class time critiquing those in power. It's incredibly safe to do because they never know what we are saying about them. However, I felt I would be remiss if I didn't relate a few of the concerns I and some of my colleagues around the country have expressed.

Once again, thank you for the experience of a lifetime. Keep up the good work. You know you can count on us to do whatever you need and to even offer unsolicited advice!

Sincerely,

Diana

Diana Carlin

Breaking the glass ceiling

Although several of Bill Clinton's nominations have become fiascos, such as Zoe Baird, Kimba Wood and, most recently, Lani Guinier, the president has done more to further the progress of women in government and politics than any other president.

Two of the president's Cabinet officers are women: the outspoken, tough Attorney General Janet Reno and Secretary for Health and Human Services Donna Shalala. Another position that is expected to be granted Cabinet status, the Environmental Protection Agency, is also headed by a woman, Carol Browner.

The present surgeon general, Antonia Novello, as well as Clinton nominee Jocelyn Elders, who will take office in July, are two more examples.

The head of the Council of Economic Advisors, Andrea D'Angelo-Tyson, is said to be influential in the formation and implementation of economic policy and legislation.

There are other women in key positions throughout the Clinton administration, U.N. Representative Madeline Albright and Press Secretary Dee Dee Myers among them.

In addition to all of the women mentioned above, there is Hillary Clinton. Perhaps the best thing Bill Clinton or anyone could have done to further the progression of women into previously unexplored regions was to bring Hillary Rodham Clinton into the White House.

Mrs. Clinton has become the symbol of a new generation of Americans. She is an intelligent and talented professional and a devoted wife and mother, trying to juggle all of her roles into one smooth whole. She has redefined the role of First Lady by accepting responsibility for the creation of the health care reform package.

Most important, President Clinton has been surrounded by strong, determined women both in his personal and his professional life and treats women with respect and admiration.

His attitude alone may do more to increase women's roles in government and politics.

Topeka Capital-Journal 6-22-93 p. 4-F

THE WHITE HOUSE
WASHINGTON

DATE: 7/16

NOTE FOR: Les Samuels

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

Information ☑

Action ☐

see the President's note.

TDP

Thank you.

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

cc:

THE WHITE HOUSE

The President requested this memo from Les Samuels, and has twice asked where it is.

93 JUL 1 P1:26

Howard thinks that it should be circulated (FYI) to:

Mack,
George
Gergen
Panetta
Rubin.

Very good!

DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

THE PRESIDENT HAS SEEN

July 1, 1993

93 JUL 1 P1:26

MEMORANDUM FOR PRESIDENT CLINTON

FROM: Leslie B. Samuels
Assistant Secretary (Tax Policy)

SUBJECT: Effect of Higher Individual Income Tax Rates on Small Business

The Republicans, NAM and NFIB have objected to the deficit reduction bill on the grounds that the higher individual tax rates will adversely affect small business. The highest rate of 39.6 percent applies to individuals with taxable income in excess of $250,000. This memorandum first provides information to respond to this argument, and then discusses a possible adjustment of the corporate tax increase. Attached articles from **The Wall Street Journal**, **The Washington Post** and **The New York Times** also discuss this issue.

Senators Roth, Wallop, Shelby, and others offered an amendment on the Senate floor to exempt from the higher rates income attributable to the earnings of "small businesses" (S corporations, partnerships and sole proprietorships with under $10 million in receipts) that are retained in the business. This proposal, which applied as well to the higher rate that would result from the repeal of the Medicare wage cap, was scored as **losing $27 billion** over the 5-year budget period ($7 billion was attributable to the Medicare wage cap exemption).

I. Effect of Higher Individual Income Tax Rates

The owners of interests in **proprietorships, partnerships, and Subchapter S corporations** are taxed on their share of the businesses' profits as though they had earned the income directly. This method of taxation has been employed for proprietorships and partnerships since the inception of the income tax, and for S corporations since 1958, when S corporation status was first recognized by the tax law. Businesses often choose these forms of doing business because it spares the owners the so-called "double tax" that may apply when income is earned through a **regular (Subchapter C) corporation**. (In the case of a regular (Subchapter C) corporation, profits are subject to the corporate income tax rate (34 percent under current law) and then again to individual income tax rates **if** distributed as dividends.)

Will the higher individual rates truly affect "small" business? The higher rates will **not affect** the vast majority of small business people, and certainly not the struggling store-owner as portrayed by the NFIB, NAM and the Republicans. Rather, the higher rates will only apply to the small number of high income individuals who operate private businesses (see attached charts).

- About 7 million tax returns reflect income (i.e., profits) in excess of wages from proprietorships, partnerships, or Subchapter S corporations. Of that number: (1) only about **300,000** -- or **4.2 percent** -- will be affected by the proposed 36 percent income tax rate ($140,000 threshold for a joint return), and (2) only about **80,000**, or about **1.1 percent**, will be affected by the 39.6 percent rate ($250,000 threshold).

- The 300,000 tax returns subject to the 36 percent rate or above show an **average income of $560,000**, while the 80,000 returns subject to the 39.6 percent rate show an **average income of $1 million**. Even the 300,000 and 80,000 figures overstate the number of "small business owners" as commonly understood: about 40 percent (or more) of the taxpayers in these categories are **investment bankers, doctors, lawyers, and lobbyists** and similar service providers, rather than store owners, manufacturers, etc.

- Shareholders of S corporations are not average small business owners. In 1990, **43 percent** of all Subchapter S corporation income was earned by taxpayers with adjusted gross income over **$1,000,000**.

Will the higher rates curtail small business activity? The argument that the higher rates will hurt small business activity is not supported by the facts.

- The Administration's proposed higher rates apply to income **after all business expenses**. Thus, they allow **full** deductions for (i) **salaries and wages** paid by small business and (ii) depreciation, including the proposed first-year writeoff of $25,000 passed by the House ($20,500 passed by the Senate). Since wages and depreciation are fully deductible, the cost of hiring new employees (and depreciation on new equipment) is not taxed at the higher rates.

- The tax rates on individuals have always been higher than the tax rates on corporations, except for the last four years -- hardly the years of the nation's most robust growth. This has been true for Subchapter S corporations, from their inception in **1958** until 1988, when the individual tax rates dropped below corporate tax rates for the first time. (For example, in 1958, the top individual rate was 91 percent, and the top corporate rate was 54 percent.) **Despite this long history, no one ever argued that having individual rates higher than C corporation rates was "anti-small business."** The fact that it has been raised **only in the last several months** suggests that the real issue is avoiding tax increases for very high income individuals, rather than a legitimate business concern.

- The proposed income tax rates for the well-to-do are **low** by historical standards. The U.S. economy has enjoyed **healthy growth when the top rates were far higher**. For example, in the 1960s, average annual (real) GDP growth was 4.1 percent, although the top marginal income tax rate averaged **78.7 percent** for the decade. (By comparison, average annual GDP growth in the 1980s was 2.5 percent when the top marginal rate averaged **48.1 percent**.)

- In 1985, President Reagan proposed a **35 percent** rate for married couples (joint returns) with taxable income over **$70,000** ($42,000 for single taxpayers). No one suggested that this proposal hurt small business. This was the **lowest** top rate President Reagan ever proposed. For most of his Administration, the top individual rate was **50 percent**, and marginal rates higher than 39.6 percent started as low as **$65,000** for married couples.

Businesses can choose to avoid the higher rates. Businesses in the form of S corporations, partnerships, or sole proprietorships can always **convert to regular C corporations**, at virtually no cost. Some might suggest that conversions to a regular corporation would be disadvantageous because earnings are taxed both at the corporate level and again when distributed as dividends. This position is inconsistent, however, with the Republicans' argument against the higher rates, which **assumes** that the small business income subject to the rates would otherwise be **reinvested** (the Roth-Wallop amendment was based on this notion). If the income **is** actually reinvested, then **only** the corporate tax rate would apply in the C corporation form.

Arbitrary distinction. Ultimately, the Republicans' argument boils down to advocating an unfair and **arbitrary distinction** between a **salary earner** making over $250,000 in taxable income and an **S corporation shareholder (or partner or proprietor)** -- including doctors, lawyers and lobbyists -- with income over $250,000. There is little to justify why one form of active income is "better" than another. Also, any proposal to tax active income at different rates would create tax shelter opportunities for taxpayers, and would add very substantial complexity to the tax laws. Taxpayers who would benefit (economically) from the proposal might well object to it vociferously once they actually attempted to comply with it.

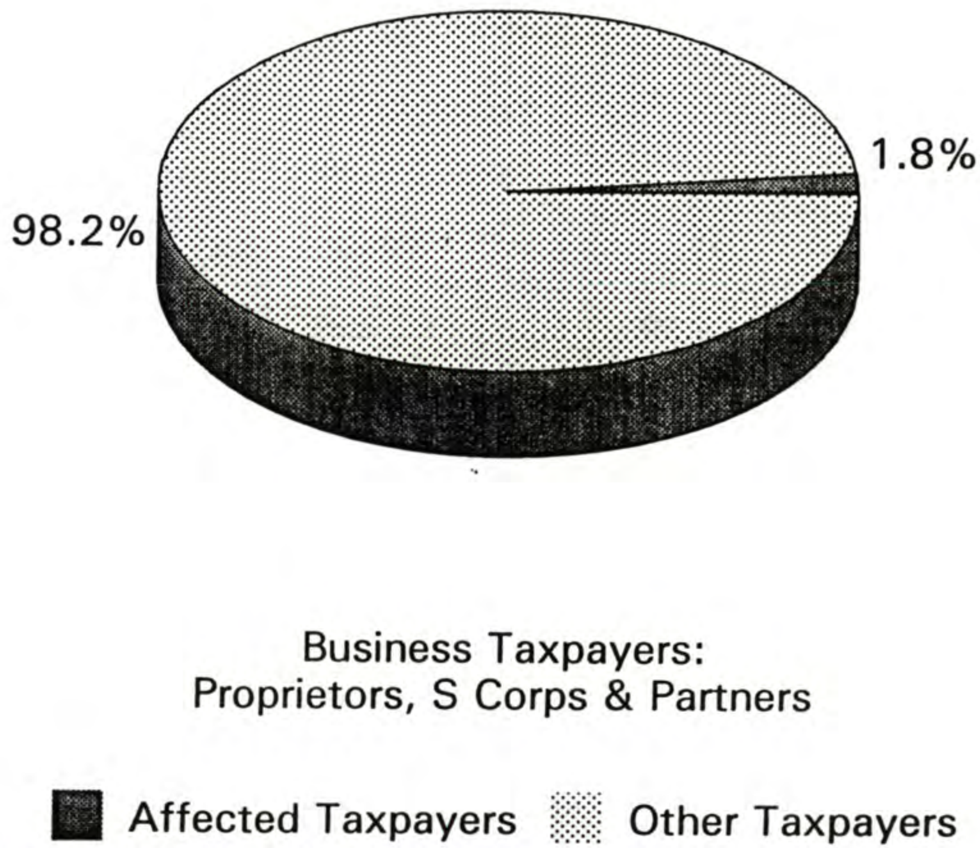
II. Possible Change in Corporate Tax Rate

The proposed increase in the maximum corporate tax rate from 34 percent to 35 percent applies to large corporations with taxable income in excess of $10 million. This threshold was chosen because those large corporations account for a very high percentage of taxable income earned by corporations. If the threshold for regular corporations was reduced from $10 million to as low as **$500,000**, the increase in revenue would be only $1.9 billion over five years. This relatively low amount of revenue could fund a small change to the proposed marginal rates for high-income individuals.

Attachments

FRACTION OF BUSINESS TAXPAYERS AFFECTED BY HIGH INCOME SURTAX, 1993 (SENATE BILL)

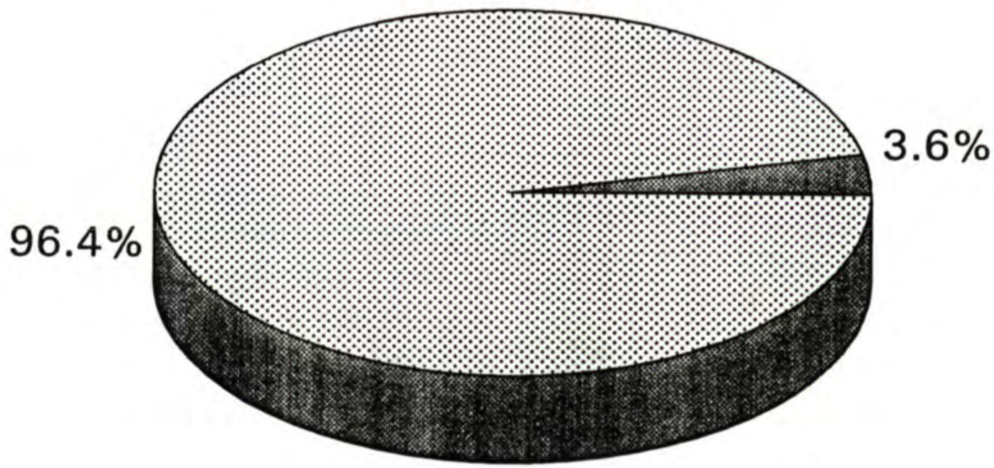
(39.6% rate for taxable income above $250,000)



Business taxpayers are returns with active positive business income. About 40% of the affected taxpayers describe themselves as service businesses, including doctors, attorneys, accountants and financial advisors.

FRACTION OF BUSINESS TAXPAYERS AFFECTED BY HIGHER INDIVIDUAL TAX RATES, 1993 (SENATE BILL)

(36% and 39.6% Rates Only)



Business Taxpayers:
Proprietors, S Corps & Partners

Affected Taxpayers   Other Taxpayers

Business taxpayers are returns with active positive business income. About 50% of the affected taxpayers describe themselves as service businesses, including doctors, attorneys, accountants and financial advisors.

THE WALL STREET JOURNAL FRIDAY, JUNE 25, 1993

B

GOP Argues Plight of Small Businesses In Tax Plan, but Point Is Questionable

By RICK WARTZMAN
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – During a Senate Budget Committee session this week on the deficit-reduction package, Texas Republican Sen. Phil Gramm objected that higher tax rates won't fall on the "John D. Rockefellers" of the nation, but "predominantly on Joe Brown & Sons Hardware Store."

Having been battered in last year's presidential campaign as defenders of the wealthy, Republicans hardly want to oppose the president's proposed income tax increases head on and bemoan the burden on the nation's richest 1.2% of the population. So they're playing up the plight of small businesses.

But critics say that the GOP is overstating the impact. What Mr. Gramm didn't mention, for example, is that Mr. Brown and his kids are probably making out pretty well themselves. They may not be the richest of the rich, but if they're going to be hit by the higher tax rates in the deficit-reduction package, chances are they aren't struggling entrepreneurs, either.

"If you were really struggling, you wouldn't be in the bracket" that's affected by the proposed change, says Alan Auerbach, a University of Pennsylvania economist who has served as a top staff member of the congressional Joint Committee on Taxation.

The tax bill pending in Congress would raise the top tax rate to 36% from 31% for individuals with taxable income of more than $115,000 and for couples with taxable income of more than $140,000. For those with taxable income of more than $250,000, the rate would increase to 39.6%.

Many small businesses, including those organized as S corporations, partnerships or sole proprietorships, pay taxes as individuals. Republican lawmakers have thus spent the last couple of weeks decrying what higher individual rates would mean for these concerns and, in turn, for job growth and the U.S. economy. Several leading business organizations, including the National Association of Manufacturers, have also taken up the cause.

They argue, among other things, that much of the income earned by small-business owners typically gets plowed back into the company, helping to generate more jobs. "These people believe in the work ethic," says Eileen O'Connor, a senior manager at the accounting firm Grant Thornton. "They aren't living lavish lifestyles."

In the Senate, three Republican senators led by William Roth of Delaware introduced an amendment that would have exempted S corporations, partnerships and sole proprietorships from the higher rates. It failed in a vote mostly along party lines.

Still, the amendment spotlighted the strategy the GOP is using to combat President Clinton. "We need to encourage entrepreneurs to rebuild this country," said Texas Republican Sen. Kay Bailey Hutchison, whose recent election campaign featured a strong antitax stance.

But many of the Republican arguments are specious. Despite GOP claims that most of the burden of the higher rates would fall on small business owners, Joint Tax Committee data show otherwise. Individuals who don't file as business owners or partnership participants would account for more than 70% of the $106.8 billion of new revenue expected over five years from the higher rates.

Moreover, the higher income tax rates wouldn't affect the vast majority of small businesses, the Treasury Department says. About 300,000, or 4.2%, of the seven million taxpayers who are actively involved in S corporations, partnerships or sole proprietorships would be subject to the higher tax rates. And many of those are upper-income investment bankers, doctors and lawyers – hardly the image of small business owners evoked by some of the Republicans.

"These are extremely well-to-do people," asserts Sam Sessions, the Treasury's deputy assistant secretary for tax policy. A department analysis shows that the 300,000 active business owners who would be affected by the higher individual rates have income before itemized deductions averaging $560,000.

26

B9

Income Tax Hike Stirs a Debate On Jobs Impact

Administration Rejects Claims Small Business Would Be Hurt

By David S. Hilzenrath
Washington Post Staff Writer

As the Senate began considering President Clinton's deficit-reduction plan yesterday, Republicans charged that the income tax increase he says is aimed at the rich would hit small businesses and jeopardize their growth.

But administration officials say the Republican lawmakers are merely inventing an issue with which to fight higher taxes on the wealthy.

"What the Republicans are saying is what they've always said: Don't tax wealthy people," said Leslie Samuels, assistant treasury secretary for tax policy.

The debate centers on Clinton's plan to raise the top personal income tax rate, a change the Treasury Department estimates would affect only the top 1.2 percent of taxpayers.

Included in that group would be the owners of businesses that are not incorporated, members of business partnerships and owners of so-called Subchapter S corporations, named after a part of the tax code.

Subchapter S status is available to businesses that have no more than 35 shareholders and meet several other criteria. Unlike ordinary corporations, these businesses do not pay corporate taxes. Instead, their owners pay personal income taxes on the profits the businesses generate.

Republicans argue that those operations are the sorts of small businesses that account for much of the nation's economic growth.

"Half the tax . . . increase because of the rate increase is going to be paid by small business, and they're not rich," Minority Leader Robert J. Dole (R-Kan.) said during yesterday's Senate debate.

According to Congress's Joint Committee on Taxation, however, taxes on income from the affected businesses would account for $29 billion, 27.2 percent of the $106.8 billion of new revenue anticipated over five years from the higher rates.

Further, the owners of small businesses that earn profits less than the income thresholds for the proposed tax increase would not be affected. "It'll only take a big bite out of rich small businesses," said Washington tax lawyer Sheldon Cohen, who was Internal Revenue Service commissioner during the Johnson administration.

The legislation would raise the personal rate to 36 percent from 31 percent for individuals with taxable income of more than $115,000 and couples with taxable [illegible] 000, and to 39.6 percent for taxpayers who earn more than $250,000.

This week, the National Association of Manufacturers (NAM)—one of the business lobbies that led the successful assault on Clinton's broad-based energy tax—joined the fray, saying it would push to protect certain classes of business owners from tax increases aimed at the rich.

The affected businesses would include such affluent professionals as doctors, lawyers and accountants. If they were exempt from the personal rate increase, they would have a lower tax rate than corporate executives and other professionals who receive income in the form of a salary.

In 1989, the latest year for which figures are available, 29.9 percent of the income from partnerships and Subchapter S corporations went to 30,821 taxpayers with adjusted gross incomes of $1 million or more, according to the Treasury Department. Taxpayers with incomes of $200,000 or more received 61.2 percent of the income.

Those taxpayers include Ronald

4

INCOME TAX HIKE

D. Bullock, chief executive of Bison Gear & Engineering Corp., a family-owned maker of electric motors in Downers Grove, Ill.

Bullock, who appeared at a NAM news conference this week, said he took a salary of $200,000 last year from the business, which earned a profit of about $1 million on sales of $24 million. While Bullock said his business reinvested $500,000 last year, he estimated that it would have had $115,000 less to reinvest had Clinton's higher rates been in effect.

"This tax and spending bill penalizes small business for succeeding in creating jobs," Sen. Conrad Burns (R-Mont.) said. "The bill takes away any incentive that small businesses have to create their jobs or to even give an excuse to expand."

But tax analysts note that businesses can deduct investments in plant and equipment over time. "Most of the higher taxes are on money that's taken out and spent," said Robert S. McIntyre, director of Citizens for Tax Justice, a labor-funded advocacy group.

While Republicans argue that the tax increase on small business would stunt job creation, the administration counters that wages and salaries paid to employees would remain tax-free business expenses.

If the affected businesses found the tax treatment of ordinary corporations more favorable under the proposed legislation, they could convert to that status at minimal expense, Treasury officials said.

A1
See next page

Budget Debate: A Primer

Cutting Through Claims and Counterclaims As Senate Ponders Ways to Curb the Deficit

By DAVID E. ROSENBAUM
Special to The New York Times

WASHINGTON, June 23 — Those watching the budget debate in the Senate on television today must have been numbed by the claims and counterclaims.

News Analysis

There were the Democrats, with their four-color charts, arguing that their budget would turn around the nation's economy by slashing Government spending, taxing the rich and lowering the deficit by more than $500 billion over the next five years.

There were the Republicans, with their own charts and graphs, calling the Democrats' plan little but a huge tax increase, especially on small businesses, and saying they could reduce the deficit as much just by lowering spending.

Looking at the Numbers

In name of cutting through the fog, here are the facts about some of the main matters in dispute.

The amount of deficit reduction. The Democrats contend that the legislation before the Senate would lower the deficit by $516 billion over five years. The Republicans say the correct figure is $347 billion.

The legislation, officially called a reconciliation bill, deals only with taxes and spending for benefit programs like Medicare and Social Security that are not subject to annual appropriations. It is projected to raise taxes by $249 billion and cut spending by $98 billion. That is where the $347 billion comes from.

But the Democrats plan to offer an amendment, backed by the White House, that would freeze total spending for all other Government programs — the military, education, the salaries of Government workers and everything else in the Federal budget. In the language of the budget, this is called discretionary spending, for which money is appropriated each year.

Unexpected Turn of Events

The freeze would save more than $100 billion, and the lower interest payments that would result from smaller deficits would amount to nearly $60 billion. Adding those figures to the $347 gives the Democrats their total deficit reduction of $516 billion.

Regardless of how precise the figures offered by the politicians seem, budget specialists say no one can predict accurately what the deficit will be five years from now.

Tax increases often raise less revenue than anticipated. For example, the large increase in revenue predicted from the higher taxes on business in the Tax Reform Act of 1986 never materialized. That was in part because businesses found ways around the new law. But the most important reason was that the economy since 1986 has been worse than expected, and business profits have been much lower.

Spending reductions also depend heavily on the turn of events. Who knows whether the state of the world in a few years will require greater military spending, or whether a slow economy will require more to be spent on social programs like unemployment compensation? This legislation has no contingency fund for emergencies, or for unforeseen circumstances.

Still, no one argues that politicians should give up the cause of deficit reduction because the precise amount achieved from various steps cannot be accurately predicted.

The ratio of tax increases to spending cuts. The Democrats say their package is evenly divided between the two. Republicans say the Democrats are most interested in raising taxes, and contend that the spending reductions may never come to pass.

In fact, the higher income taxes would go into effect this year, and most of the other taxes would become effective in January. But most of the spending cuts would come much later.

No spending would be lowered in this fiscal year, and only 7 percent of the total spending reductions proposed by the Democrats would take place in the next fiscal year, beginning Oct. 1. More than three-fifths of the spending cuts, $165 billion out of $267 billion, would be made in the fiscal years 1997 and 1998, after the end of this Presidential term.

Cutting through the claims and counterclaims.

Each year, the President and Congress could reverse these cuts, and the temptation would become greater as their effective dates draw nearer. Recent history has shown that when deficit reduction legislation begins to bite, the politicians change the rules rather than bear the pain.

Tackling Entitlements

Entitlement caps. The basis of the Republican plan to lower the deficit without increasing taxes would be to cap spending for entitlement programs beginning in the fiscal year 1996 so they could not rise faster than the growth in the eligible population, inflation and, in 1996 and 1997 only, an additional percent. These are programs like Medicare, Medicaid, pensions, unemployment compensation, farm price supports, food stamps and welfare under which benefits are paid automatically to everyone who is eligible.

The Republicans would exempt Social Security from the caps. But that a meaningless exception because Social Security is not rising faster than inflation and the growth in the eligible population. The only programs expected to rise faster are Medicare, the health insurance program for the elderly and the disabled, and Medicaid, the health program for the poor. The Republicans offered no clue how they hope to limit costs for those program

BUDGET

Would they pay doctors and hospitals less? Would they charge retired people higher premiums? Would they stop making medical insurance payments in midyear if the spending ceiling was reached?

And what if the economy turned sour, putting more people out of work? Would the Government break its promise to pay unemployment benefits?

The Republicans never say. And without such specifics, the promise is an empty one. It is like saying that the best way to avert a flood is to hold back the tide. Everyone agrees that if the tide could be stopped, the flood could be avoided. But no one knows how to keep a high tide from occurring.

Effect on Businesses

Taxing Small Business. The Republicans maintain that a large portion of the higher tax rates the Democratic plan would impose on taxpayers with taxable income above $140,000 would fall on small businesses and would inhibit the owners from pouring money back into the business so they could expand and hire new workers.

This proposition is grounded on the fact that many businesses are not themselves taxed. Rather, the proprietors, partners or shareholders pay taxes on the profits at their tax rate, which is lower than the corporate rate.

One problem with the argument is that many of these businesses are actually doctors, lawyers and other professionals — not the sort of entrepreneurs normally associated with job creation.

Another problem is that these businesses pay taxes only on their profits, after deductions are taken for expenses like paying wages to employees or making new investments to expand.

The Republicans never quite explained why surgeons, or even the owners of hardware stores or canneries, should be taxed less on their income than someone who draws a salary from, say, the United States Treasury.

THE WHITE HOUSE
WASHINGTON

DATE: 7/16

NOTE FOR: TONY LAKE

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

Information ☐

Action ☐

for your files
original to RR

Thank you.

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

cc:

Tony — for file — B.

THE PRESIDENT HAS SEEN
7/15

EMBASSY OF JAPAN
WASHINGTON, D. C.

July 2, 1993

Dear Mr. President:

I have the honor to transmit to you, enclosed herewith, a letter from Mr. Kiichi Miyazawa, Prime Minister of Japan, concerning Japan-U.S. Framework.

Allow me to extend my warmest regards.

Respectfully yours,

Takakazu Kuriyama
Ambassador of Japan

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

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. letter	Prime Minister Miyazawa to POTUS (2 pages)	07/02/1993	P1/b(1)

COLLECTION:

Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 1039

FOLDER TITLE:

July 11-17, 1993 [1]

2018-0662-S
rs3060

RESTRICTION CODES

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

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

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

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

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

THE WHITE HOUSE

WASHINGTON

July 16, 1993

MR. LINDSEY:

Per Nancy Hernreich's request, I enclosing a hand-written note the President did on 07/16 to Elizabeth Dole.

Nancy thought that since Mrs. Dole will be aboard AF1, the President would like to give her this.

If by chance the President would prefer not to, would you please make certain that this envelope is returned to John Podesta's office for dispatch.

Thanks.

Sharon Wagner/
John Podesta's office.

THE WHITE HOUSE

WASHINGTON

7/16

Dear Elizabeth

Thanks so much for your fine letter to Cong. Ford endorsing the National and Community Service legislation. I think it can really move the country in a direction we all feel it needs to go. Your letter will make a difference.

Sincerely

Bill Clinton

PS- Next time you have to come to [illegible] too.

THE WHITE HOUSE
WASHINGTON

DATE: 07/16/93

TO: THE VICE PRESIDENT
MACK MCLARTY
DAVID GERGEN
GEORGE STEPHANOPOULOS
MARK GEARAN
ROBERT 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

July 16, 1993

93 JUL 16 P7:25

MEMORANDUM FOR THE PRESIDENT

FROM: ALAN BLINDER AB

SUBJECT: Interest Rates, Stock Market, and Money Supply, Week Ending Friday, July 16, 1993

Bond yields declined this week, especially at the long end, presumably due to the favorable inflation news. Changes in Treasury borrowing rates over the week were as follows:

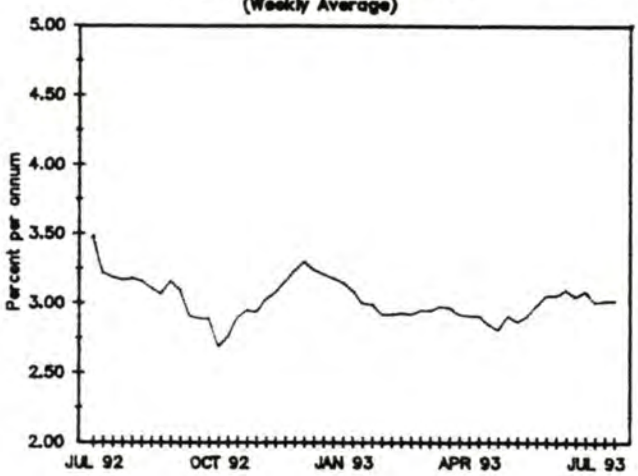
	Close 7/9/93	Close 7/16/93	Change
3-month bills	3.09	3.08	-0.01
10-year bonds	5.76	5.71	-0.05
30-year bonds	6.64	6.54	-0.10

The stock market closed virtually unchanged for the week. The S&P index closed Friday (July 16) at 445.75, down 0.5 percent from the preceding Friday's close. The Dow Jones Industrial Average increased 0.2 percent over the week to close at 3528.29.

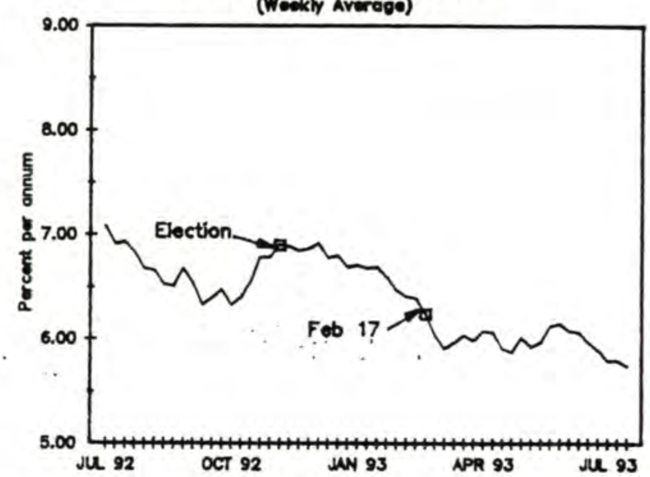
This week the Fed announced that M2 and M3 were virtually unchanged, while M1 rose moderately during the week ending July 5. Growth rates of the various monetary aggregates from June 1992 to June 1993 are as follows:

M1: +12.7 %
M2: +1.4 %
M3: -0.1 %

3-Month Treasury Bill Rate
(Weekly Average)



10-Year Treasury Note Yield
(Weekly Average)



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

July 16, 1993

93 JUL 16 P7:25

MEMORANDUM FOR THE PRESIDENT

FROM: ALAN BLINDER AB

SUBJECT: Foreign Economic Developments

Exchange Rates: The dollar finished down for the week, posting moderate declines against the yen. The multilateral exchange rate fell slightly.

	Week Ending 7/9/93	Week Ending 7/16/93	Percent Change
Deutschemark	\$1 = 1.720 DM	\$1 = 1.716 DM	-0.2%
Yen	\$1 = 109.6 Yen	\$1 = 107.4 Yen	-2.0%
Multilateral (March 1973 = 100)	94.98	94.60	-0.4%

Japan: ▸ The merchandise trade surplus in June was \$10 billion, up 11.4 percent from June 1992. Japan's June trade surplus with the U.S. was \$3.4 billion, an increase of 6.7 percent from June of last year.

▸ The wholesale price index fell 0.5 percent in June from May; this represents a 3.2 percent year-over-year decline.

Europe: ▸ **Germany's** trade surplus rose to DM 4.9 billion in March, up from DM 2.8 billion in February. The current account deficit narrowed over the same period, from DM 3.7 billion to DM 0.4 billion. West German wholesale prices rose 0.2 percent in June from May, but fell 1.8 percent on a year-over-year basis.

▸ In the **UK**, the unemployment rate held steady in June at 10.4 percent. Industrial production rose two percent in May from April; this represented a 3.9 percent increase in year-over-year terms. Retail prices in June increased 1.2 percent from June 1992--the smallest annual increase in thirty years.

Other Countries: ▸ **Canada's** leading indicator index rose 0.9 percent in June from May; this marked a 6.7 percent year-over-year increase. The consumer price index rose just 0.1 percent in June, making the year-over-year inflation rate 1.6 percent. The merchandise trade surplus was C\$0.6 billion in May, down from C\$1.2 billion in April.

▸ **South Korea's** GDP grew 4.5 percent in the second quarter of 1993 on a year-over-year basis.

THE WHITE HOUSE
WASHINGTON

DATE: 07/16/93

NOTE FOR: HOWARD PASTER

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

[redacted]

Information ☐XX

Action ☐

Thank you.

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

cc:

THE PRESIDENT HAS SEEN
7-16-93

THE WHITE HOUSE

WASHINGTON

93 JUL 2 P2:11

July 2, 1993

RECOMMENDED TELEPHONE CALL

TO: Senator Joseph Lieberman (D-CT)

DATE: As soon as possible before leaving for the G-7 Summit.

RECOMMENDED BY: Howard Paster

PURPOSE: To urge him to support the Reconciliation Conference even as its work begins.

BACKGROUND: Senator Mitchell asked that you make this call to ensure that Senator Lieberman does not move against us and box himself in by public statements made during the recess.

Please ask him to stay with us as the Conference Committee meets. Emphasize that none of us will get everything that we want, but we must finish the job.

TOPICS OF DISCUSSION: The Reconciliation Conference Committee

CONTACT PERSON AND TELEPHONE NUMBER(S): White House Operator

DATE OF SUBMISSION: July 2, 1993

ACTION: → He wants the Growth mention back in — I think he'll be OK if we do that —

— Also wants better outreach to the Small Business community

→ favors across board cut of X% ex. Defense —

THE WHITE HOUSE
WASHINGTON

DATE: 07/16/93

TO: GEORGE STEPHANOPOULOS

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

The attached has been forwarded to the President.

JOHN KERRY
MASSACHUSETTS

United States Senate
WASHINGTON, DC 20510

July 16, 1993

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

Dear Mr. President:

I am writing to you to express my strong support for a fair and effective policy that will allow gay men, lesbians, and bisexuals to serve with dignity in our armed services, without fear that their sexual orientation will be a basis for punishment or discharge. I hope and anticipate that you and the Department of Defense will present such a policy to the Congress and to the country.

As former Senator Barry Goldwater recently stated: "With all the good this country has accomplished and stood for, I know that we can rise to the challenge, do the right thing and lift the ban on gays in the military. Countries with far less leadership and discipline have travelled this way, and successfully."

I agree. I believe that two basic principles should form the foundation of any policy developed in this area.

First, regulation of an individual's private life, to the extent it does not harm others, should not be the business of our armed forces. Currently, the private, consensual sexual activity of heterosexual adult servicemembers is not investigated or prosecuted by the military. The same approach should be adopted for private, consensual sexual activity of homosexual adult servicemembers. The armed forces have no need to ask or know the sexual orientation of a service member whose sexual life is entirely private, consensual, and with adults. Further, servicemembers should be able to acknowledge their sexual orientation, when and if they feel comfortable in doing so. It is patently and unreasonably discriminatory for the military to force homosexual servicemembers to be silent when heterosexual servicemembers are allowed to talk *freely* about their sexual orientation. The Uniform Code of Military Justice should be amended so that this principle becomes the established policy of our armed services.

Second, sexual misconduct of servicemembers -- on-base, off-base, in uniform or out of uniform -- certainly legitimately *is* the business of our military. For example, sexual harassment, nonconsensual sex, sex with minors, fraternization, or public displays of affection should be strictly prohibited by our armed services for both homosexual and heterosexual servicemembers. Indeed, the recent Tailhook scandal highlights the need to develop and implement more effective methods for stopping sexual harassment within the armed services. I strongly support the strict application of a code of conduct that will regulate and punish sexual harassment and other forms of sexual misconduct regardless of the sexual orientation of those servicemembers involved.

I recognize and respect the military's need to maintain good order, discipline, and morale. I see no conflict between this military imperative and allowing gay men, lesbians, and bisexuals to serve without fear that their sexual orientation will be a basis for punishment or discharge. The military has the right to establish and enforce rules that prohibit activities that are disruptive within the military setting. But this right of the military must be used carefully so that activities that have no demonstrable impact on military order -- such as a servicemember's statement or acknowledgment of his or her sexual orientation and his or her sexual activity in private -- are not punished. Moreover, all rules pertaining to sexual activity must be applied equally to heterosexual and homosexual servicemembers. Existing military rules, such as rules regulating the type and manner of activities in which a servicemember can engage while in uniform, can and should be applied equally to homosexual and heterosexual servicemembers in a manner that will meet the military's needs for good order, discipline, and morale.

Finally, I do not believe that adopting this policy necessarily will lead to dramatic changes in the military. For example, the military will not have to grant marital benefits, including housing and health care, to the partners of gay servicemembers. Nor do I believe that a policy of nondiscrimination constitutes an endorsement of any particular sexual orientation. It simply represents a statement of tolerance, justice, and equality.

I hope you and the Department of Defense will present a proposal incorporating these principles, and I look forward to supporting such a policy.

Respectfully yours,

John F. Kerry

THE PRESIDENT HAS SEEN

7-16-93

Neel/Rubin

Fyi — B.

93 JUL 16 P6: 11

COVER STORY

Parties Drawing Battle Lines For 1994 Senate Races

Democrats see fate tied to success of Clinton programs; GOP buoyed by wins in Texas, Georgia

For all their nervousness, and there is plenty of that, Democratic senators up for re-election next year are tying their fortunes to those of Bill Clinton.

With few exceptions, the senators are voting the way the president wants them to, amid GOP giddiness that such loyalty will be the Democrats' downfall when they try to defend the 21 seats they have up in 1994.

Leading Republicans, such as Phil Gramm of Texas, the chairman of the National Republican Senatorial Committee (NRSC), are tallying each and every vote, particularly those that support tax increases. "People will know how members of the Senate are voting and they will not be happy," he warns.

But Democrats see support for Clinton's budget and other initiatives as a necessary, albeit politically risky, step in bringing about the change demanded by voters in 1992.

Many of them subscribe to the independence of their own political contests. Senate elections are more complex than House races, and they are usually determined by multiple factors. Individual Senate votes will matter, but so too will each senator's campaign skills, the popularity of the president, and — perhaps most important — the state of the economy in 1994.

That's where Clinton comes in. Democrats believe that if his economic policies work — with the benefit of some fine-tuning from Senate centrists — they can hold on to their 56-44 majority. If Clinton's recipe of tax increases and spending cuts fails to boost the economy, then the Democrats are in trouble and they know it.

"People want answers. They want change now," says Don Foley, executive director of the Democratic Senatorial Campaign Committee (DSCC).

By Rhodes Cook

MARILYN GATES-DAVIS

If that does not happen, he says, incumbent Democrats could "pay a price."

With Clinton occasionally stumbling early in his presidency, Senate Democrats have had to shoulder a plethora of policy initiatives not widely embraced by the public.

Moreover, the GOP, which must defend just 13 seats, has the momentum as the new election cycle gets under way. Since Clinton was elected, Republicans have taken away two seats from the Democrats. They won a late November runoff election in Georgia (where incumbent Democrat Wyche Fowler Jr. failed to achieve a majority on Election Day) and the June 5 special election in Texas.

"In the new cycle," says Gramm, "we're 2-0."

Issues and Answers

Gramm is confident that Republicans can maintain that momentum. The NRSC staff is carefully tracking the votes of the Democrats facing re-election in 1994. And what they are finding has been noticed elsewhere: To a remarkable degree, and in spite of all the griping within the ranks, Democrats on Capitol Hill are standing by their man in the White House. *(Chart, p. 1819)*

Gramm believes that by doing so, a number of Democratic senators have put themselves politically at risk.

Opposition researchers providing ammunition for GOP challengers in 1994 will have no problem finding votes to highlight.

When the budget-reconciliation bill came to the Senate floor late in June, there were floor votes on such hot buttons as the gasoline tax, Medicare spending cuts and higher taxes on some Social Security recipients.

Earlier, when Senate Democrats voted for the abortive economic stimulus package, they channeled money into block grants that state and local governments spend as they wish on public works.

As a result, Gramm can say that virtually every Senate Democrat voted for a bill that raised the deficit to fund "an Alpine slide in Puerto Rico" and a warming hut for an ice skating rink in Connecticut. "I don't think you can defend that," says Gramm.

Democrats, though, think they can. "What people said in November 1992 is that they were dissatisfied with the status quo," says Sen. Bob Graham of Florida, the chairman of the DSCC. And that includes the "credit-card lifestyle the government had gotten accustomed to" with its soaring deficits.

Democrats have been making the hard votes to cut the deficit, says Graham, Republicans have not. And he believes that voters will appreciate the difference. He says they are no longer apt to accept the "no pain, happy talk, let our grandchildren pay for it attitude we've had the last dozen years. [Voters in 1992] clearly put the responsibility on the Democratic Party to lead."

Watching the Class of 1994

	Clinton Budget June	Clinton Budget March	Campaign Finance Reform	Motor Voter Bill	Lift Gay Ban	Family Medical Leave	Clinton Support 1993	Bush Support 1992
DEMOCRATS								
Daniel K. Akaka, Hawaii	Y	Y	Y	Y	Y	Y	98%	30%
Jeff Bingaman, N.M.	Y	Y	Y	Y	Y	Y	93	40
Richard H. Bryan, Nev.	N	Y	Y	Y	Y	Y	98	32
Robert C. Byrd, W.Va.	Y	Y	Y	Y	Y	Y	93	27
Kent Conrad, N.D.	Y	Y	Y	Y	Y	Y	96	32
Dennis DeConcini, Ariz.	N	Y	Y	Y	Y	Y	78	28
Dianne Feinstein, Calif.	Y	Y	Y	Y	Y	Y	98	—
Edward M. Kennedy, Mass.	Y	Y	Y	Y	Y	Y	93	25
Bob Kerrey, Neb.	Y	Y	Y	Y	Y	Y	80	25
Herb Kohl, Wis.	Y	Y	Y	Y	Y	Y	89	30
Frank R. Lautenberg, N.J.	N	Y	Y	Y	Y	Y	96	22
Joseph I. Lieberman, Conn.	Y	Y	Y	Y	Y	Y	96	37
Harlan Mathews, Tenn.	Y	Y	Y	Y	Y	Y	96	—
Howard M. Metzenbaum, Ohio *	Y	Y	Y	Y	Y	Y	100	25
George J. Mitchell, Maine	Y	Y	Y	Y	Y	Y	100	25
Daniel Patrick Moynihan, N.Y.	Y	Y	Y	Y	Y	Y	100	35
Donald W. Riegle Jr., Mich.	Y	Y	Y	Y	Y	Y	100	28
Charles S. Robb, Va.	Y	Y	Y	Y	Y	Y	93	42
Paul S. Sarbanes, Md.	Y	Y	Y	Y	Y	Y	100	27
Jim Sasser, Tenn.	Y	Y	Y	Y	Y	Y	98	35
Harris Wofford, Pa.	Y	Y	Y	Y	Y	Y	96	28
REPUBLICANS								
Conrad Burns, Mont.	N	N	N	N	N	Y	11%	85%
John H. Chafee, R.I.	N	N	Y	N	Y	Y	31	62
John C. Danforth, Mo.*	N	N	N	N	N	Y	13	78
Dave Durenberger, Minn.	N	N	Y	Y	Y	Y	31	63
Slade Gorton, Wash.	N	N	N	N	N	N	11	68
Orrin G. Hatch, Utah	N	N	N	N	N	N	9	82
Kay Bailey Hutchison, Texas **	N	—	N	—	—	—	—	—
James M. Jeffords, Vt.	N	N	Y	Y	Y	Y	40	45
Trent Lott, Miss.	N	N	N	N	N	N	7	83
Richard G. Lugar, Ind.	N	N	N	N	N	N	9	87
Connie Mack, Fla.	N	N	N	N	N	N	9	83
William V. Roth Jr., Del.	N	N	N	N	N	Y	22	67
Malcolm Wallop, Wyo.	N	N	N	N	N	—	2	78

** Retiring with the 103rd Congress*
*** Elected June 5, 1993*

Veterans at Risk?

Only two of the Democratic senators running in 1994 (Robert C. Byrd of West Virginia and Edward M. Kennedy of Massachusetts) know what it is like to face the voters' verdict on one-party rule. The others have never sought re-election while a Democrat was in the White House. They have always had a Republican president to run against, and no president of their own to defend.

Clinton and the Democrats won in 1992 in large part because they were able to convince voters that with the same party in control at both ends of Pennsylvania Avenue, there would be a growing economy and an end to gridlock. "If they are judged to have failed at that," says Ted Van Dyk, the publisher of a newsletter on public policy, "[Democratic senators] will be in great difficulty."

The pay-the-price dynamic is by no means limited to the immediate campaign cycle, and senators slated to face the public in 1996 are already concerned about running on a ballot that has Clinton on top.

The class of 1996 includes 16 Democrats and 16 Republicans (plus whoever wins the election in 1994 for the last two years of Vice President Al Gore's unexpired term in Tennessee).

The 1996 group includes four past presidential candidates (Democrats Tom Harkin of Iowa, Paul Simon of Illinois and Joseph R. Biden Jr. of Delaware, and Republican Larry Pressler of South Dakota) and one

Story continues on p. 1825

Georgia, North Carolina and Texas. Yet Republicans will have only three Southern Democratic targets next year: Virginia's Charles S. Robb and the two Tennessee seats held by Jim Sasser and Harlan Mathews.

Instead, most of the seats at risk are in Frost Belt states — rimming the Great Lakes or bordering Canada. Clinton does not seem inherently unpopular in this region. All but four of the Democratic senators running in 1994 represent states that Clinton carried, and two of the exceptions — Nebraska's Bob Kerrey and North Dakota's Kent Conrad — start their re-election campaigns as strong favorites.

A number of Democratic incumbents also represent states that — for whatever reason — have not elected a Republican senator in more than two decades.

Massachusetts (Kennedy), Michigan (Riegle), Nebraska (Kerrey) and New Jersey (Frank R. Lautenberg) have not elected a GOP senator since 1972. In Hawaii (Daniel K. Akaka) and Ohio (Howard M. Metzenbaum), the Republican drought extends back to 1970. In Byrd's West Virginia, the GOP has not won a Senate race since 1956.

Reform and Perot

Several big question marks hang over the 1994 Senate picture. One is the scope of any new campaign finance legislation. Another is Ross Perot.

The campaign finance bill passed by the Senate in June makes basic changes in the way senators would have to finance their next campaign. Even if a final version delayed implementation until 1996, senators up in 1994 would be challenged to abide by the new ground rules.

The Senate-passed version calls for voluntary state spending limits and a ban on political action committee (PAC) contributions. A spending cap could significantly affect the Senate ambitions of a well-heeled aspirant such as Republican Rep. Michael Huffington of California. A PAC ban could hurt Democrats in general because in the past they have been more dependent on PAC money. The measure faces an uncertain future in the House.

As for Perot, his effect on the 1994 Senate contests depends on the angle at which he is viewed. Gramm voices confidence that on balance Perot would help Republican candidates because his supporters would mainly be casting "anti-incumbent votes."

"We're seeing a number of states where incumbency is the problem regardless of party label, and it doesn't have anything to do with who is in the White House."

—Don Foley,
DSCC executive director

Republican consultant Eddie Mahe, though, fears "a raft of third-party candidates waving their United We Stand America credentials and pulling 6, 8, 10 percent of the vote" that a number of GOP candidates might need for victory.

Democratic strategists are unsure whether Perot will play much of a role in the 1994 Senate races, given his low-key involvement in the Texas special election that featured an eleventh-hour endorsement of Republican Kay Bailey Hutchison. "His impact will be noticeable but less significant than when he himself is the candidate," says Graham.

Lingering Uncertainty

Strategists of both parties, though, agree that the electorate in 1994 is apt to be at least as volatile as in 1992. In that regard, next year's Senate races could end up being a lot like those in 1978, the last midterm election season during which Democrats controlled both Congress and the White House.

Then, Democrats lost a net of three Senate seats (dropping from 61 to 58), but that modest number obscured the fact that a quiet revolution had taken place.

Republicans picked up eight seats from the Democrats. Democrats grabbed five seats from the Republicans. In all, three senators were beaten in primaries, seven lost in the general election, and 10 retired, resulting in the largest freshman class since 1946.

Democratic consultant Geoffrey Garin believes that the current political climate could be even more volatile this time.

"I can't recall a time when public opinion was as much a moving target as right now," he says. "I'm happy the elections are in November of 1994" and not July 1993. ■

REDISTRICTING

Maine Court Issues Remap Plan

The initial process of congressional redistricting for the 1990s came to a quiet close June 29, when the Supreme Judicial Court of Maine issued a new and non-controversial map for the state's two House districts.

The new map will be in effect for the 1994 House campaign; all other multi-district states had new maps in place for the 1992 elections. Maine is the only state that defers redistricting until after the first election that follows the decennial reapportionment of House seats.

The enactment of the Maine plan does not necessarily set all the House districts in place for the rest of the decade. Several states are measuring the impact of the U.S. Supreme Court ruling June 28 in the case of *Shaw v. Reno*, in which the constitutionality of "bizarrely" shaped districts designed to increase minority representation was questioned. *(Weekly Report, p. 1761)*

Maine's new districts, however, have regular contours and few minority-group residents and are unlikely to face serious legal challenges.

The map changes the existing districts only slightly. According to the 1990 census, the 1st District had 45,044 more residents than did the 2nd District, requiring the shift of about half that many people to balance the populations. *(District descriptions, p. 1827)*

That was accomplished by reuniting Waldo County, which had been split between the districts under the previous map, within the 2nd, and by moving five small towns in Kennebec County from the 1st to the 2nd.

The swapped territory is mainly rural and Republican-leaning, so 1st District Democratic Rep. Thomas H. Andrews had no qualms about donating it to the 2nd, currently represented by Republican Olympia J. Snowe.

Although there were few hitches in redrawing the House map, it was packaged with state House and Senate redistricting plans that caused rancor among state legislators whose constituencies were being redrawn. When the Legislature's efforts to pass the package ended in stalemate, the job fell to the state Supreme Court. ■

By Bob Benenson

Popularity and Midterms

At a president's first midterm election, senators of the president's party have found it easier than House members to disconnect from the fortunes of their leader in the White House. While the president's party routinely loses House seats at the first midterm, the party has gained Senate seats on three occasions since World War II, in 1962, 1970 and 1982.

The presidential approval ratings below are the last taken by the Gallup organization before the midterm election. The seats gained or lost by the president's party in the House and Senate reflect the difference between the results of the midterm election and the previous general election.

	Year	Presidential Rating	Seats lost/gained Senate	House
Harry S Truman (D)	1946	32%	−12	−55
Dwight D. Eisenhower (R)	1954	61	−1	−18
John F. Kennedy (D)	1962	61	+3	−4
Lyndon B. Johnson (D)	1966	44	−4	−47
Richard M. Nixon (R)	1970	58	+2	−12
Gerald R. Ford (R)	1974	55	−5	−48
Jimmy Carter (D)	1978	49	−3	−15
Ronald Reagan (R)	1982	42	+1	−26
George Bush (R)	1990	58	−1	−8

SOURCES: Vital Statistics on Congress 1991-1992; The Gallup Poll

From p. 1819

White House aspirant (Gramm) whose ambitions may bring a presidential run in 1996. The class also includes some major players in the current congressional debate (Democrats David L. Boren of Oklahoma and Sam Nunn of Georgia), a frequent lightning rod for controversy (Republican Jesse Helms of North Carolina), two prominent members who were nearly beaten in 1990 (Democrat Bill Bradley of New Jersey and Republican Mark O. Hatfield of Oregon), plus Republican Strom Thurmond of South Carolina, who would reach his 100th birthday in his next term.

Much of the Senate's Democratic leadership is up in 1994. Majority Leader George J. Mitchell of Maine faces the voters. So do seven committee chairmen: Byrd (Appropriations); Donald W. Riegle Jr. of Michigan (Banking, Housing and Urban Affairs); Jim Sasser of Tennessee (Budget); Daniel Patrick Moynihan of New York (Finance); Kennedy (Labor and Human Resources); Richard H. Bryan of Nevada (Select Ethics); and Dennis DeConcini of Arizona (Select Intelligence).

Until recently, being a veteran incumbent had more advantages than disadvantages. Longtime members often had well-developed fundraising sources and a sharply defined political persona.

But tarred as part of the so-called Keating Five, DeConcini and Riegle start their re-election campaigns in trouble. And if anti-incumbent sentiment continues to percolate, a number of veteran members of both parties could find themselves embattled as the election cycle unfolds.

More than half the senators up next year (19 of 34 including retirees Howard M. Metzenbaum, D-Ohio, and John C. Danforth, R-Mo.) will have completed at least 12 years in office by the end of 1994, the maximum that authors of term-limit initiatives usually provide for Senate tenure.

Eleven Democrats up next year will have reached this target. A number of Republicans have already surpassed it, including William V. Roth Jr. of Delaware, John H. Chafee of Rhode Island, Malcolm Wallop of Wyoming and Dave Durenberger of Minnesota, all of whom face the prospect of significant challenges in 1994.

"We're seeing a number of states," says Foley of the DSCC, "where incumbency is the problem regardless of party label and it doesn't have anything to do with who is in the White House."

Declarations of Independence

Historically, Senate elections are not so closely tied to the popularity or unpopularity of the president as House races because Senate candidates tend to be much better known and financed. But that assumption could be tested next year if Clinton is still low in the polls.

"Democrats will try to run independently, but I don't think they will be able to," says Gramm. He notes that Texas Democratic Sen. "Bob Krueger tried to run independently and got 33 percent of the vote."

And even Graham says he has seen a growing link in recent years between the fortunes of the president and members of his party in the Senate. It's the "McDonaldization of American politics," he says. Voters are "making a partisan judgment on the president, and that partisan judgment is being applied down the ticket."

Yet, says University of California at Berkeley political scientist Nelson W. Polsby, "the big fallacy is to presume the president will be influential if he's not on the ticket."

While the president's party has lost House seats in every midterm election since 1938, it actually gained Senate seats in 1962, 1970 and 1982. *(Chart, this page)*

It will be noted, however, that each of those three midterm elections rewarded a president who had moved to cut taxes in his first budget. Clinton will enjoy no such boost, having proposed a budget broadly reliant on tax increases.

Slippage or Disaster?

Few people expect Democrats to show a net gain in 1994. But the net loss of seven seats that would be necessary to give Republicans control of the Senate is also unlikely.

In just one midterm election in the last quarter century has there been a shift that large, and that came in 1986, when Republicans had to defend a dozen seats they had won with the help of Ronald Reagan's coattails in 1980. Half of those seats would be lost in 1986, as the party as a whole suffered a net loss of eight seats.

By contrast, the vast majority of the Democrats up for re-election in 1994 won their current terms in 1988, when Michael S. Dukakis led the Democratic ticket. Foley says they have experience "running on their own, running on their records and running on issues affecting their states."

It can also be argued that most of the Democratic incumbents in 1994 will be running on favorable turf. The only three Senate seats that Republicans picked up in 1992-93 were in

Biden Scolds Administration On Lack Of Judicial Nominees

Senate Judiciary Chairman Biden Tuesday scolded the Clinton administration for its record on nominating fed-

JUDICIARY

eral judges, saying more than 100 vacancies now exist but that the White House has yet to advance a single name to fill a district or circuit court opening.

"It is disappointing that we are sitting here in the middle of June with not a single judicial nomination having been sent to this committee," Biden said at a Judiciary Committee hearing.

"There are literally well over a hundred — 127 — [judgeships] in the district and circuit court where the vacancy average has been well over a year," he said, adding that the problem is most acute at the district court level.

Biden's comments came during the confirmation hearing of Eleanor Dean Acheson, whom President Clinton named to head the Justice Department's Office of Policy Development — which will check credentials and backgrounds of prospective federal court appointees for Attorney General Reno.

Acheson, in turn, promised "to move as expeditiously as we can."

Biden said he is unwilling to back legislation expanding the federal courts with so many openings on the bench, saying, "I will not act to increase the size of the federal judiciary one single solitary judgeship until we fill vacancies we know have."

However, Biden urged Acheson not to flood the committee with dozens of nominations at once because that would overwhelm the capacities of his staff, saying, "If you all send us 20 to 30 judges at a crack, we cannot process that that fast."

EPA Labs Under Fire In Senate Hearing

The Senate Governmental Affairs Committee Tuesday released findings by the EPA inspector general detailing

ENVIRONMENT

abuses at the agency's research labs — including misuse of funds, lack of competition for contracts and attempts to withhold information from the inspector general.

At a hearing, EPA Inspector General John Martin said the agency repeatedly circumvented regulations to ensure a favored contractor would receive agency funding.

Martin said in many cases federal funds were put to inappropriate purposes, such as building a daycare center used mostly by contractors' children. He said EPA also used interagency agreements to increase its expenditures on items that would otherwise be limited, such as travel.

And despite EPA attempts to correct contracting abuses, Martin said segments of the agency "actively resist doing the right thing" — and that in one case, labs were told to shred documents.

While EPA Administrator Carol Browner has promised to reform contract management, Governmental Affairs Chairman Glenn said he fears "recent reforms will barely nick the hide of a bureaucracy that is resistant to change."

At the hearing, Glenn questioned Browner about a $1,000-per-day contract to teach senior-level EPA officials how to testify before Congress and appear before the media. Browner said she was unaware of the contract.

Meanwhile, Sen. Frank Lautenberg, D-N.J., Tuesday introduced legislation to reform EPA contract management.

The bill closely follows the contract reform section of a House bill being drafted to elevate the EPA to Cabinet status. The House language would apply to all contractors, but Lautenberg's proposal would only affect EPA contractors, a Senate aide said.

GOP Senate Survey Shows Sarbanes Is Top Clinton Loyalist

A survey of 159 Senate floor votes through Friday prepared by the National Republican Senatorial Committee pegs

REPUBLICANS

Sen. Paul Sarbanes, D-Md, as the most loyal supporter of President Clinton among Democrats up for re-election in 1994.

The survey — which uses Majority Leader Mitchell's votes as the baseline for judging agreement with administration positions — shows that Sarbanes voted with Mitchell 100 percent of the time.

Sens. Donald Riegle, D-Mich., and Edward Kennedy D-Mass. trailed Sarbanes with a 98 percent score.

On the lowest end of the scale among those up next year were Sens. Dennis DeConcini, D-Ariz., at 84 percent, Bob Kerrey, D-Neb., at 85 percent, and Frank Lautenberg, D-N.J., and Charles Robb, D-Va., at 86 percent each.

NRSC aides said the rating system is part of a more aggressive communications and political strategy that was in play during the special Texas Senate election earlier this month.

For example, a committee aide said the NRSC issued over 100 press releases during the Texas special election, while last year the committee put out no more than 15-20 releases.

"I think Sen. Phil Gramm [D-Texas] is committed to being more aggressive in these races," an NRSC aide said.

Responding to the NRSC survey, Democratic Senatorial Campaign Committee spokesman Ken Klein said: "It suffices to say that these mass machinations are not always effective and at times backfire ... If anything, it proves that idle time in the hands of numbers crunchers with a computer can make most any point."

On another front, NRSC Executive Director William Harris said the prospect of campaign finance reform — passed by the Senate last week — being enacted into law has yet to have an affect on fundraising or candidate recruitment.

But, should the bill become law, Harris added: "It would make it harder to raise money to beat the Democratic incumbents. I think [Republicans] are a loser. We are a big loser."

SURVEYS OF CONSUMERS
UNIVERSITY OF MICHIGAN

TELEPHONE: (313) 763-5224
FAX PHONE: (313) 764-3488

To: DONALD RIEGLE
From: Richard Curtin, Director
Subject: Preliminary results from the July 1993 survey.

Consumer sentiment fell in early July to its lowest level in nine months. Importantly, most of the July decline was recorded among residents of the flood ravaged Midwest (a 15.1 Index-point plunge). Sentiment among residents of the West, however, also declined significantly (-6.8 points), while minor gains were recorded among residents of the Northeast (+1.6 points) and the South (+0.8 points).

When asked about recent economic developments, rather than the news from the Midwest, it was news from Washington that consumers cited more frequently in early July. Overall, one-in-five consumers spontaneously cited unfavorable changes they expected to occur from the prospective changes in economic policies in early July, nearly three times the number recorded in January. Among households with incomes of $40,000 or more, one-in-four unfavorably referred to prospective changes in economic policies. Not only have the expected tax increases acted to diminished consumers' own financial prospects, consumers also expected those policies to diminish prospects for growth in the economy as a whole.

Many fewer consumers expected their financial situation to improve during the year ahead. Just 27% of all consumers interviewed in the first half of July expected their financial situation to improve, down from 36% in June, and the lowest proportion recorded since late 1990. A worsening financial situation was expected by 18% of all households in early July, unchanged from one and two months earlier. The shift in early July was toward the view that their financial situation would remain unchanged--expected by 52%.

The decline in personal financial prospects came despite a sharp improvement in the inflation outlook. In early July, consumers expected the annual rate of inflation to average 3.8%, down from 4.8% in June. Although still somewhat above the 3.5% recorded six months ago, it was just below the 3.9% recorded one year earlier. Along with lower inflation, many fewer consumers expected interest rates to increase during the year ahead--37% in early July, down from 54% in June. The shift in expectations was more toward the view that interest rates would remain at their current level (47%, up from 34% in June) than to decline (15%, up from 11% in June) during the year ahead. Importantly, consumers continued to hold favorable attitudes toward purchases of homes and vehicles due to low interest rates.

The declines in inflation and interest rate expectations reflect a growing sense among consumers that the national economy will remain sluggish. Although few expected the economy to fall into recession, most consumers thought that the economy would continue to flounder during the year ahead. Overall, bad times financially in the economy as a whole were expected by 50% of all consumers in early July, up from 46% in June and nearly twice the 27% recorded in December. The unemployment rate was expected to increase during the year ahead by 44% in early July, up from 40% in June, and the highest level since last July; just 11% expected declines in unemployment during the year ahead.

	JULY 1992	NOV 1992	DEC 1992	JAN 1993	FEB 1993	MAR 1993	APR 1993	MAY 1993	JUNE 1993	JULY PRELIM
INDEX OF CONSUMER SENTIMENT	76.6	85.3	91.0	89.3	86.6	85.9	85.6	80.3	81.5	76.9
CURRENT ECONOMIC CONDITIONS	90.6	96.4	93.4	98.6	96.0	101.6	99.9	98.7	98.7	95.1
INDEX OF CONSUMER EXPECTATIONS	67.6	78.2	89.5	83.4	80.6	75.8	76.4	68.5	70.4	65.2
INDEX COMPONENTS										
PERSONAL FINANCES--CURRENT	96	109	99	110	100	111	104	103	108	98
PERSONAL FINANCES--EXPECTED	125	124	131	127	125	119	120	115	117	109
BUSINESS CONDITIONS--12 MONTHS	78	99	126	111	103	96	95	83	89	80
BUSINESS CONDITIONS--5 YEARS	66	91	103	97	95	88	91	76	75	71
BUYING CONDITIONS--DURABLES	138	140	142	145	148	152	155	152	147	148

THE WHITE HOUSE
WASHINGTON

DATE: 07/16/93

TO: SECRETARY ESPY
CHRISTINE VARNEY
LEON PANETTA

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

The attached will be forwarded to the President.

THE WHITE HOUSE

WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: SECRETARY ESPY

FAX 720-5437

FROM: JOHN PODESTA

SUBJECT:

DATE: 07/16/93

Phone Number: 456-2702 **Fax Number:**

NUMBER OF PAGES (including cover sheet): 5

MESSAGE:

If all pages are not received, please call 202/456-2702

MEMORANDUM

To: President Clinton

From: Senator Patrick Leahy
Chairman
Committee on Agriculture, Nutrition and Forestry

Date: July 16, 1993

Re: Suggestions for Agriculture Flood Relief Effort

There are two issues related to the flood disaster in the Mississippi Valley that I want to bring to your attention.

Special Relief for the Farmers with High Losses

This disaster bill will inevitably address agricultural losses both in the Mississippi Valley and in other regions of the country. Many of the farmers in the Mississippi Valley have suffered catastrophic -- total or near total -- losses. These farmers, however, will receive at most payments covering 50% of their losses.

On the other hand, many of the farmers outside of the Mississippi Valley have suffered losses -- but not catastrophic losses.

You naturally want to do more for the farmers in the Mississippi Valley that have suffered catastrophic losses, but if you offer more to those farmers and that increased level of assistance is offered to all farmers, the budgetary costs could be very high.

You may want to consider doing what we did in the 1988 disaster relief bill. In that law, farmers who suffered catastrophic losses (above 75%) received an extra 25% in assistance (90% of losses) in assistance. Farmers with lower losses received assistance to cover 65% of their losses. Including this idea in the proposal you finally send to the Congress would recognize the special problems of the Mississippi Valley farmers without breaking the budget.

Stop Treadmill on Farmed Wet Areas

Much of the agricultural lands found in river bottoms of the midwest flood areas are wetlands that were converted to crop production many years ago. This cropland is normally kept dry through a system of dikes, levees and drainage ditches that will have been severely damaged if not destroyed by the flood waters. Much of it floods frequently -- not just in catastrophic floods. When these fields are flooded, low interest farm loans are often forgiven under one program, crop insurance payments are paid from a second program, and field and dike renovation is subsidized under a third program.

For example, the Administration plans to spend at least $45 million under the Emergency Conservation Program and Emergency Watershed Program to repair levees, dikes, drainage ditches, fences and for conservation plantings. My own estimates indicate that the final number you will spend will be much higher than this. There will also be low interest loans forgiven and crop insurance payments will be made.

Farmers should be given the opportunity to decide whether or not to enter these lands into the Wetlands Reserve Program (WRP). This program, which is entirely voluntary, was designed to restore this type of frequently flooded cropland to wetland status and to protect it with perpetual easements. You have supported this program in your budget.

There is a very good possibility that many of these cropland acres that were once wetlands would be better off returned to wetland status rather than repaired and kept in crops. **We know for a fact that there are at least 50,000 to 60,000 acres of cropland in the flood affected areas that are more or less ready to enter the WRP now.**

There should be no additional budgetary cost to using the Wetland Reserve Program because the spending for this program is assumed in both the President's budget and in Congress' budget baseline.

In fact, it may well save money in the long run because the Federal government will not pay deficiency payments on these frequently flooded acres; will not pay to repair and renovate these fields again and again; will not forgive Farmers Home loans on these acres time and again; and will not make frequent crop insurance payments on these acres.

Finally, farmers who voluntarily enter their land into the WRP will receive hundreds of dollars per acre which will provide them with badly needed financial assistance.

chron

THE WHITE HOUSE

WASHINGTON

7/16

Dear Rich

The plan you all have put together is very good — I have these observations: (1) Let's see what comparative distribution charts look like (ours vs Sen GOP vs House GOP)

(2) Let's do targeted outreach to people that endorsed me and good talk radio radio news —

(3) Rapid response to Cong. events good — must reinforce the larger theme — avoid making it look like ~~we~~ we are make sausage / abandoning principles.

(4) I question the seminar event unless clear contrast to House & Senate GOP plans —

(5) Try to get all who were surrogates in '92 campaign + Govs, Reagan, etc (Ford)

6) Rule lesson, how to get groups to lobby Congress not just go public — though local men should report their going public

7) I like the ANC coordination — if it works, we should keep it going to the extent [illegible] —

[redacted]

THE WHITE HOUSE

WASHINGTON

7/16

Dear Roger -

I am very pleased and impressed with the plan you, Ricky, and the others put together.

I think the V.P. had a good idea to have compensation distribution charts at the tables. Sec. Mitchell has.

Let's go do it!

Best,

Brian

THE PRESIDENT HAS SEEN
7/14

THE WHITE HOUSE
WASHINGTON

July 14, 1993

MR. PRESIDENT:

Attached is a Reconciliation Book assembled by Roger Altman and Ricki Seidman, the directors of the Reconciliation "War Room." The book contains strategies and tactics designed to assure passage of your economic plan. Both Roger and Ricki wanted you to have the first copy immediately upon your return from the Summit.

Paul
R. Paul Richard

THE PRESIDENT HAS SEEN
7/16/93

'93 JUL 14 P7:36

Hallelujah,
Change is Coming!

Reconciliation Strategy
July 14, 1993

chron

cc this letter
to Tony Calvin

FW ?/16/93

THE WHITE HOUSE

WASHINGTON

July 15, 1993

David Leopoulos
Five Christy Lane
Maumelle, Arkansas 72113

Dear David:

Thanks for your great letter. I'm glad about the trip to Greece, and I'm pleased your dad did well. I know it meant a lot to him.

I hope to see you soon.

Sincerely,

Bill

I <u>loved</u> your letter,
What a wonderful
trip — I hope to see
Dorica in the States —

Tony — see p. 2 —
This guy is one of my best friends, worked hard in campaign
B.

July 8, 1993

President Bill Clinton
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500-2000

Dear Mr. President,

Just a note to let you know I think you are doing a great job. You have your feet on the ground, you are hitting stride and look much more relaxed. Pip Pip!! Keep it up, we need you.

We are back from Greece. What a dream! I never thought it would be so special. The Prime Minister made sure we were treated very well. He also made sure we learned much about Greece and its history. We had cars with drivers, guides to teach us everywhere we went, lots of food, fun on the beaches, and on a great cruise ship. We spent several days in Sparti and Krokees (Dad's home town). This town is over 2,000 years old. We danced with the children of the town, saw my GREAT GREAT Grandfather's picture hanging on the wall less than 50 feet from where Dad was born. Several Greek children invited our kids to go to the ice cream store etc, etc, etc. We went to many ruins, we jogged on the first Olympic stadium as the sun was rising. You could see the Acropolis on each round. Wow!!! The food was great. Five course meals - every meal. In 15 days we had 30 Greek salads, 30 great deserts, 30 appetizer, 30 main courses, and on, and on, and on. We met with a guy named Williams in the American Embassy. He was very nice. He explained all about the operations. I met with the Prime Minister. He seems like a very wise man. I was told that the surrounding countries leaders admired him and listened to him. He took our family out to dinner and I actually ate a live clam. Mrs. Mitsotakis thought I should try it.

I made a speech at the Yacht Club in Athens to a bunch of ship owners and a group of Greek American and Jewish Americans on a mission to learn about each others country. I congratulated them on their open-mindedness and expressed how you feel its important to bring people together to communicate and that you are a person that loves people and will always fight for what is fair and right. I got great press in the paper the next day. Several in the audience had tears in their eyes after my speech. I surprised myself.

I am sending you another article that appeared the day I left Greece. Get someone to read it to you. I was told that I calmed a lot of peoples nerves about you. They very seldom get direct news. Most of their news is reworked from stories written in American papers.

Dad and the rest of the family did very well. The kids were amazingly calm and interested in Greece. We learned to love it. We learned that the Greeks are very sophisticated and well educated people. Even the very poor are proud and sophisticated. You can dress up the poorest Greek, take him or her to a fine party and he or she will never embrace you. I am very proud of my heritage. I also met relatives I never knew I had. My cousin Agis Leopoulos and his mother Roula (the Prime Minister's secretary) are wonderful people. Agis works for the Common Market in Brussels. He works on economic studies of the countries in Europe. He asked if he could write you a letter. I said sure. He is very serious about writing you a special letter. Roula told me before we left Greece to please advise the new Ambassador to Greece that she would be honored to speak with him and give him some pointers to help get him to a fast start. Her husband (my uncle as it turns out) was Ambassador to Africa and several countries before he died of cancer 2 years ago. I believe she will accompany Prime Minister Mitsotakis when he comes in a couple of months.

Well, I must get back to work. I am thinking about you. I pray for you most every night. God Bless and take care.

Your True Friend,

David

Μεγαλώνοντας με τον Κλίντον

Ο καλύτερος φίλος του, Ντ. Λεώπουλος, πιστεύει στις πολιτικές ικανότητες του Αμερικανού προέδρου

Συνέντευξη στον ΔΗΜ. ΚΑΠΡΑΝΟ

«Ποιος είναι ο καλύτερός σας φίλος;» ρωτήθηκε ο Μπιλ Κλίντον κατά τη διάρκεια του προεκλογικού του αγώνα. «Ο Ντέιβιντ Λεώπουλος» απάντησε ο -τότε υποψήφιος- πρόεδρος των ΗΠΑ. Ελληνικής καταγωγής, λοιπόν, ο «καλύτερος φίλος» του προέδρου. Παιδί μιας απλής αμερικάνικης οικογένειας, ο σημερινός ένοικος του Λευκού Οίκου, δεν είχε πρόβλημα συναναστροφής με οικογένειες μεταναστών, ανθρώπους μεσαίας τάξεως.

Ο Ντέιβιντ Λεώπουλος, γιος Ελληνα μετανάστη, με καταγωγή από το Λεβέτσοβο της Λακωνίας, ήλθε εφέτος στην Ελλάδα για πρώτη φορά, στα 46 του χρόνια, συνοδεύοντας τον πατέρα του, τη σύζυγο και τα τρία παιδιά του. Οταν τον συνάντησα, έμοιαζε μαγεμένος. Τα χρώματα της «μητέρας γης» τον είχαν θαμπώσει...

— Μέχρι τώρα αγαπούσα την Ελλάδα μόνο μέσα από τις αφηγήσεις του πατέρα και των φίλων μου. Τώρα ξέρω γιατί την αγαπούσα και γιατί θα την αγαπώ πάντα. Νιώθω ευγνωμοσύνη για τους γονείς μου που μου εμφύσησαν την αγάπη για μια άγνωστη -για μένα- πατρίδα. Ευτυχώς τα παιδιά μου γνώρισαν την Ελλάδα σε πολύ νεότερη ηλικία απ' ό,τι ο πατέρας τους!

Συμμαθητές

Παιδί μεσαίας οικογένειας, ο Ντέιβιντ είχε καλύτερο φίλο του τον Μπιλ Κλίντον. Μαζί στο σχολείο, από 8 ετών, μαζί στα παιχνίδια, μαζί στις σχολικές εκδηλώσεις.

— Είχαμε γίνει αχώριστοι. Στο ίδιο σχολείο, στην ίδια ομάδα, είχαμε τα ίδια γούστα στη μουσική. Μεγαλώσαμε μαζί. Επτά ημέρες την εβδομάδα κάναμε παρέα, μέχρι τα 18 μας, που τελειώσαμε τις σπουδές της μέσης εκπαίδευσης στο Αρκανσο. Ο Μπιλ έφυγε για το «Τζορτζτάουν Γιουνιβέρσιτι» της Ουάσιγκτον και εγώ έμεινα στο Αρκανσο για το Κολέγιο. Είχαμε, όμως, τακτική επικοινωνία. Γράμματα, τηλέφωνα, παρέα στις διακοπές. Το 1970 βρεθήκαμε και οι δύο στην Ευρώπη. Εγώ στο Λιβόρνο, στρατιώτης, και ο Μπιλ στην Οξφόρδη, για μεταπτυχιακά. Είναι η εποχή που σκοτώνεται η μητέρα μου και περνάω μια από τις πιο άσχημες περιόδους της ζωής μου. Γυρίζω στις ΗΠΑ για την κηδεία και μετά πηγαίνω κατ' ευθείαν στην Οξφόρδη, στον Μπιλ. Περνάμε μαζί μερικές μέρες και ο πόνος καταλαγιάζει. Πιστεύω ότι δεν υπάρχει καλύτερο βάλσαμο στον πόνο, από την παρουσία του καλύτερου φίλου...

Ο κ. Ντέιβιντ Λεώπουλος μεγάλωσε μαζί με τον κ. Κλίντον, ήταν οι δύο αχώριστοι φίλοι. Δεν επεδίωξε να καταλάβει κάποια κυβερνητική θέση μετά τη νίκη του φίλου του γιατί του είναι αδιανόητο το «βόλεμα» πράγμα που συμμερίζεται ο φίλος του... πλανητάρχης

Ο πρόεδρος καταλαβαίνει το λαό

Ο Ντ. Λεώπουλος δεν ασχολήθηκε ποτέ με την πολιτική. Βοήθησε, όμως, με κάθε τρόπο τον φίλο του στον προεκλογικό αγώνα για την προεδρία.

— Αποφάσισα να βοηθήσω τον πρόεδρο όταν διάβασα στις εφημερίδες ένα σωρό ανακρίβειες γύρω από το άτομό του, τη ζωή του, τις σχέσεις με την οικογένειά του.

— Δεν μπορεί να πει κανείς ότι ο φίλος σας έχει τις καλύτερες σχέσεις με τον Τύπο. Δεν νομίζετε;

— Οχι, δεν συμφωνώ. Οι δημοσιογράφοι γνωρίζουν πολύ καλά ότι ο άνθρωπος αυτός είναι απόλυτα έντιμος, ανοιχτός, φιλαλήθης, δημοκρατικός, έτοιμος να απαντήσει σε κάθε ερώτηση. Ισως οι άνθρωποι που είχε ορίσει να τον εκπροσωπούν στις σχέσεις του με τον Τύπο, να ήσαν άπειροι, ίσως πολύ νέοι και να έκαμαν λάθη, τα οποία πλήρωσε ο πρόεδρος.

— Πιστεύετε ότι η φιλαλήθεια, η εντιμότητα, το να είναι κανείς «ανοιχτός» αποτελούν προτερήματα για έναν πρόεδρο της μοναδικής υπερδύναμης;

— Ασφαλώς! Στην πλειοψηφία του αμερικανικού λαού, που είναι η μέση και η κατώτερη τάξη, αρέσει να έχει ένα πρόεδρο ο οποίος μπορεί να αντιληφθεί τα προβλήματά της. Μπορεί να καταλάβει τι σημαίνει να είναι κανείς ανασφάλιστος ή να έχει μια ασφάλιση χαμηλή, που του εξασφαλίζει την... εξαφάνιση της περιουσίας του όταν αρρωστήσει σοβαρά. Πώς να τα καταλάβαινε όλα αυτά ο Τζ. Μπους, όσο καλός και άγιος κι αν ήταν; Ο Κλίντον, αντίθετα, ξέρει τι σημαίνει φτώχεια. Και ξέρει να λέει πάντα την αλήθεια.

Προτέρημα η μικρή ηλικία

— Ομως, τον κατηγορούν ότι αργεί να λάβει αποφάσεις.

— Λάθος! Δεν παίρνει αποφάσεις εάν δεν είναι καλά πληροφορημένος. Είναι ο κλασικός τύπος του ανθρώπου που αρέσκεται στο να συγκεντρώνει πληροφορίες από πολλές πηγές και να τις διασταυρώνει. Είναι -απ' ό,τι έχω διαπιστώσει- ένας από τους καλύτερα πληροφορημένους ανθρώπους που έχω γνωρίσει. Και μπορώ να κρίνω, αφού η δουλειά μου έχει άμεση σχέση με την πληροφορική! Γνωρίζω ότι διάβαζε, κατά μέσο όρο, 400 βιβλία το χρόνο! Δεν ξέρω πόσα διαβάζει τώρα, αλλά είναι «βιβλιοφάγος».

— Λένε ότι είναι πολύ νέος και δεν θα καταφέρει να σηκώσει το βάρος που επωμίσθηκε.

— Είναι προτέρημα το ότι είναι νέος. Και μεγαλύτερο προτέρημα ακόμη είναι το ότι ένας νέος άνθρωπος δεν έχει πρόβλημα στο να παραδέχεται τα λάθη του. Οταν, όμως, ανέλαβε, αντιμετώπισε καταιγισμό προβλημάτων. Η Σομαλία, η Βοσνία, η κοινωνική ασφάλιση στις ΗΠΑ. Θα τα καταφέρει, όμως, γιατί δεν έχει μόνο δύναμη και κουράγιο. Εχει και μυαλό. Πολύ δυνατό μυαλό.

— Ποιες είναι σήμερα οι σχέσεις σας με τον πρόεδρο; Οπως πάντα ή η προεδρία τον έχει αλλάξει

— Οπως ήταν πάντα! Του τηλεφωνώ, μπορώ να πάω να τον δω. Τον είδαμε λίγο πριν φύγουμε για την Ελλάδα. Ο πατέρας μου είχε να τον δει 4-5 χρόνια και πήγαμε στον Λευκό Οίκο οικογενειακώς. Μας «γύρισε» στην προεδρική κατοικία μαζί με τη γυναίκα και τα παιδιά μου και έδειξε να ενθουσιάζεται στην ιδέα ότι είχε κοντά του ανθρώπους με τους οποίους έχει μοιραστεί τα παιδικά και εφηβικά του χρόνια. Τον είδα επίσης κατά τον εορτασμό της ελληνικής εθνικής εορτής. Πήγα στην Ουάσιγκτον και έμεινα στην «κρεβατοκάμαρα Λίνκολν». Πήραμε πρωινό και γεύμα μαζί και είμαστε σχεδόν μαζί όλη την ώρα.

Προσπάθεια για την Ελλάδα

— Του έχετε μιλήσει για την Ελλάδα;

— Αλίμονο! Και τώρα, που τη γνώρισα από κοντά, θα του μιλήσω περισσότερο! Με εντυπωσίασαν, πάντως, οι γνώσεις του γύρω από την Ελλάδα, την ιστορία, τον πολιτισμό της, καθώς και γύρω από τα Βαλκάνια, τη Σερβία, τη Βοσνία, την Τουρκία. Ολοι οι Ελληνες των ΗΠΑ προσπαθούν για το καλύτερο, σε σχέση με την Ελλάδα. Πώς θα μπορούσα να μην κάμω και εγώ το ίδιο;

— Είστε -κατά δήλωση του ίδιου του Κλίντον- ο καλύτερος του φίλος. Πώς δεν πήρατε κάποια θέση γύρω από τον πρόεδρο; Στην Ελλάδα είναι αδιανόητο ο καλύτερος φίλος κάποιου ισχυρού πολιτικού ανδρός να μείνει «εκτός παιχνιδιού».

— Μη φοβάστε και στις ΗΠΑ πολλές φορές συμβαίνει το ίδιο. Ο Κλίντον -θέλω να πιστεύω- δεν θα κοίταζε ποτέ να «βολέψει» τους φίλους του. Επιλέγει τους ανθρώπους που του κάνουν μόνο έπειτα από «ψιλό κόσκινο». Απόδειξη ότι όλοι οι υπουργοί του δεν ανήκουν στο στενό του περιβάλλον. Οσο για μένα, είμαι ένας μέσος Αμερικανός. Κερδίζω γύρω στα 50.000 δολάρια το χρόνο. Αυτό, όμως, δε σημαίνει ότι θα έπρεπε να εκμεταλλευτώ τη φιλία μου με τον πρόεδρο για να κερδίσω περισσότερα. Στο κάτω-κάτω, αν ήμουν κι εγώ πρόεδρος, ποτέ δε θα ήθελα να μου φορτώθουν οι φίλοι μου για να τους «βολέψω». Νομίζω ότι ο καθένας είναι καλός γι' αυτό που επέλεξε να κάνει. Και ο Κλίντον είναι πολύ καλός για πρόεδρος, όπως εγώ είμαι -νομίζω- καλός ως υπάλληλος σε εταιρία πληροφορικής.

[redacted]

David Leopold
5 Chesty Lane
Maumelle, AR
72113

WASH.,D.C.200 GMF DCR#8 07/10/93 23:10

USA29

President Bill Clinton
The White House
1600 Pennsylvania Avenue
Attn: Nancy Hernreich Washington, D.C. 20500-2000

[redacted]

[redacted]

Chron

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 7/16

[redacted]

TO: Howard

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

Do you want
this to go forward?
John

[redacted]

[redacted]

[redacted]

Mac Collins
Member of Congress
Third District of Georgia

1118 Longworth Building
Washington, D. C. 20515
(202) 225-5901

173 N. Main Street
Jonesboro, Georgia 30236
(404) 603-3395

1-800-REP3-MAC

[redacted]

[redacted]

I am still
waiting on
your call
Thanks!

[redacted]

[redacted]

'93 JUL 16 A11:05

July 15, 1993

John:

Today while Ed Thomas was waiting in the House chamber to deliver the President's message on Community Development, Mr. Collins wrote a note to the President on the back of the attached card and he asked Ed to give it to the President.

Thanks,

Ron Geisler

Ron Geisler

chron

THE WHITE HOUSE
WASHINGTON

DATE: 7/16

NOTE FOR: Paul Dimond

[redacted]

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

Information ☑

Action ☐

[redacted]

Thank you.

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

cc:

THE PRESIDENT HAS SEEN 7/16

THE WHITE HOUSE

WASHINGTON

July 15, 1993 '93 JUL 15 P8:42

MEMORANDUM FOR THE PRESIDENT

FROM: PAUL DIMOND PD

SUBJECT: COMMUNITY REINVESTMENT EVENT

You lifted me up today, along with one of the most diverse coalitions seen at the White House in a long time -- bankers, community and consumer groups, CDFIs, and bottom-up success stories from all across America. Having worked with you for the past five months, I have come to expect no less. But when you proceeded with equal grace and sincerity to acknowledge Reverend Jackson and Al From in almost the same breath, I was stunned.

I am proud to be a part of your team.

chron

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 7/16

TO: Clerk

[redacted]

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

Please do
1+2 Hold
on 3

[redacted]

THE VICE PRESIDENT

WASHINGTON

'93 JUL 15 A10:34

July 14, 1993

MEMORANDUM FOR JOHN PODESTA

FROM: THE VICE PRESIDENT

RE: COMMISSIONS

---

1. As you know, Jack Quinn is my new Chief of Staff. He should be commissioned as Assistant to the President and Chief of Staff and Counsellor to the Vice President.

2. My new Counsel will be Todd Campbell. He should be commissioned as Counsel to the Vice President, replacing Jack.

3. Finally, I am interested in exploring with you the granting of commissions to the following others on my staff: Greg Simon as Chief Domestic Policy Advisor to the Vice President, Elaine Kamarck as Senior Policy Advisor to the Vice President, Anthony Wilson as Director of Scheduling for the Vice President, Dennis Alpert as Director of Advance for the Vice President, and Thurgood Marshall, Jr. as Director of Congressional Relations for the Vice President.

Thank you.

said a
... have de...
...nd where they do ha...
...ives, they're input object... es, ... work go...
...t outcome." ... tionalities will ...
What's the difference? Take the HUD fiasco, in which managers blindly measured success by inputs ... Portney says. "The re... says, "is to weed out the ... ary incompetence."

Bruce — another argument for National Youth Svc at lower ages? B

THE PRESIDENT HAS SEEN 7/6/93

Younger Predators

Now Sex and Violence Link at an Earlier Age

By MELINDA HENNEBERGER

EIGHT 9- to 13-year-olds in an elementary school in Yonkers, N.Y., were charged last month with sexual assault after a 12-year-old girl told the police that she had been thrown to the ground, held down and fondled on a school playground. School officials said those involved had apparently been "playing a rape game" that got out of hand.

And seven Montclair, N.J., teen-agers were arrested last week and accused of a series of sexual attacks on two 14-year-old girls. One of them said she had been gang-raped three times — once in a school stairwell. Three of the accused were seventh graders.

While such incidents are uncommon, they are not isolated, law enforcement officials, sociologists and psychologists say, and they reflect increasingly prevalent attitudes about violence and sex.

"It's a very disturbing trend," said Michael D. Resnick, an associate professor of public health and pediatrics at the University of Minnesota who has surveyed 36,000 junior high and high school students in the state for a study on adolescent violence. "We're seeing earlier onset of behaviors that used to be reserved for late adolescence, then it was early adolescence and now it's late childhood."

And though sexual attacks by young children appear on the upswing, they are not new. What is new is children acting in groups, not just individually.

"One reason we're seeing it more is we're allowing ourselves to see what's there," said Gail D. Ryan, of the Kempe National Center for Prevention and Treatment of Child Abuse and Neglect of the University of Colorado Health Science Center in Denver. "Childhood sexuality in our culture has been denied for so long, but as adult survivors [of sexual abuse] have begun to speak out, they have opened the door to what goes on."

The center maintains a national data base of 800 programs across the country that treat adolescent sex offenders, 200 of them treating children under the age of 10. Of the 1,600 young sex abusers whose cases Ms. Ryan has analyzed, a quarter said they started sexually abusing other children before the age of 12. And in half of all reported sexual attacks on young boys, she said, the perpetrators are older children. Between 20 and 30 percent of sexually abused girls are attacked by children; girls are more often the victims of incest.

The most important predictor of sexual aggression among young people is the lack of strong ties to a parent, according to experts who study violence among the young. And almost as damaging is a parental attitude that "boys will be boys."

Television, movies, music and advertising barrage the young with messages that glamorize sexual aggression and degrade women. And there is a lack of discussion at home, in schools and in other social settings that might help the young sort through those messages as they negotiate the shoals of puberty and sexual identity.

"There is an alarming minority of young people among whom sex abuse is not seen as a criminal act, and a surprising percentage of young women who concur that a boy has a right to force himself on them," said Dr. Peter Scales, a developmental psychologist who is a spokesman for the Center for Early Adolescence of the University of North Carolina.

In rare instances, girls participate in sexual attacks on other girls. Police say six girls held the 12-year-old Yonkers student down while several boys fondled her.

"Nothing much shocks me anymore," said Detective Carol Gregston, who works in the Dallas Police Department's youth division, "but the first time I heard of girls doing something like that I was shocked."

The children often attack in groups. If asked why they joined in, many say they don't know.

In the last year Ms. Gregston has handled two cases involving girls who held down other girls who submitted to gang rape as part of a gang initiation. The victims "shrugged it off and said that's what they had to do to get into a gang," she said. "They detach themselves from it."

When young perpetrators are asked why they participate in such attacks, "a lot of them will say, 'I don't know,'" she said. "And I don't think they do know."

Psychologists say a child who attacks another is motivated by anger and a feeling of powerlessness, which the child tries to remedy by asserting control over someone weaker.

But while children who abuse other children are assumed to be victims imitating their attackers, that is not always the case with recent group assaults.

"What's the new phenomenon is the group activity," said Alice Vachss, former chief of the special victims unit in the Queens district attorney's office in New York City and author of "Sex Crimes" (Random House, 1993). "The leaders of these attacks, I'm sure they have been abused," she said, but peer pressure and cultural messages draw in other children.

"The lyrics to some of the rap music say, 'Go ahead, it's fine to rape.' I'm not saying rap causes sexual assault," she said, "but it makes it cool for the followers."

And it is the apparent normality of the other children involved in these attacks that is perhaps the most frightening aspect of their crimes. "These are not criminally insane sex assaulters," Dr. Scales said. "They're normal kids from middle-class, mainstream backgrounds that are deviating egregiously."

Gore takes the ball, runs with it

By Judy Keen
USA TODAY

This was the week Vice President Gore blossomed.

Maybe it was because President Clinton was vacationing. Maybe it was because there were no state funerals abroad. Maybe it was just inevitable.

But even Gore expresses surprise at his sudden high profile, influence and responsibility.

His role, he said Thursday, "has exceeded my expectations. I would not change anything about the working relationship" with Clinton.

Gore's week began with a Sunday TV appearance designed to demonstrate White House concern for Midwest flood victims. Then he put out political fires and hammered out policy disputes:

▶ He was dispatched to the NAACP convention in Indianapolis to mend fences over Lani Guinier's withdrawn Justice Department nomination.

▶ He visited flood sites in Illinois and Missouri while Clinton was in Hawaii. The next morning, he was on all three network morning shows.

▶ He met with the Congressional Black Caucus, which earlier rejected meetings with Clinton, to try to end a standoff over the administration's budget bill. The caucus now plans to meet with Clinton next week.

▶ He negotiated a deal with Mexico's government over stranded Chinese refugees. Mexico agreed to take responsibility for the refugees.

A year ago, after naming Gore his running mate, Clinton vowed, "I don't want Al Gore to be the kind of vice president who sits in the United States Senate waiting to break a tie. I want him to break the logjam."

Gore indeed has broken a tie: Clinton's prized budget bill.

Behind closed doors, Clinton often turns to Gore for policy advice and reality checks on how Washington works.

At Cabinet meetings, says Environmental Protection Agency administrator Carol Browner, Clinton "turns to Gore ... to explain various points of view. He helps the president see all the options."

Clinton has come to rely on Gore's foreign-policy knowledge when Bosnia-Herzegovina and Iraq became priorities. He served as the president's proxy, explaining on TV news shows the reasons for the June 27 bombing of Iraq.

Gore's initiative to "re-invent" the government sounded like classic vice presidential busy work, but he's held meetings with federal workers that have, at least, boosted morale.

Gore, 45, who represented Tennessee in the House from 1976 until 1984 when he was elected to the Senate, is having the time of his life.

"It has been even more enjoyable than I anticipated, although there is a lot more to it than I anticipated," he said in an interview.

"I've always worked hard, but I've never worked this hard. There's just one thing right after another, and the constant intensity of the disputes which come into the White House is something that's hard to appreciate until you are a part of it."

Although this week's *U.S. News & World Report* includes a story headlined, "A vice president who counts," Gore hasn't yet rewritten the job description for the nation's most-ridiculed public office.

His network news coverage was 60% negative between Jan. 20 and June 11. Among late-night TV hosts, Gore ranks second as a butt of jokes — right behind Clinton.

Gore has taken heat over costly repairs to the vice presidential mansion before he moved in this month, and some who applaud his clout quarrel with the way he's wielded it.

He advocated the use of U.S. force in Bosnia, but backed off when allies balked. Even inside the administration he's been criticized for endorsing the unpopular Btu energy tax.

"Gore was supposed to bring foreign-policy toughness to the table," says Bill Kristol, who was Vice President Quayle's chief of staff. "He was a hawk on Bosnia, but ... the administration got worst of all worlds by talking tough, then conspicuously backing down."

As long as he's No. 2, Gore will never command the same respect as the president.

"He is viewed as a person who has merited respect in his own right," says NAACP spokesman Don Rojas. "But is it the same as sending the president? Not really, no."

Clinton promised Gore they would be partners, and by all accounts they are.

"The partnership ... fits Al Gore as a person," says Nate Landow, a former Maryland Democratic chairman and Gore confidant. "It fits the way he has conducted his political life as a person of substance."

Says Gore: "We really had a good understanding right from the beginning, and a good friendship has evolved. ... It has been a great joy to have the opportunity to work so hard on things that matter."

Top photo by James A. Finley, AP; left photo by Chuck Robinson, AP; right photo by Wilfredo Lee, AP

MAN ON THE MOVE: Vice President Gore discusses flooding in Lemay, Mo., Monday in top photo. At left, he speaks to the NAACP's national convention in Indianapolis Monday. Right, he brainstorms with Justice Department employees on ways to make government more efficient. Attorney General Janet Reno looks on.

THE PRESIDENT HAS SEEN. 7/16

This is a great piece and well deserved — B

112

THE PRESIDENT HAS SEEN 7/16

To VP

THE PRESIDENT HAS SEEN 7/16

THE WALL STREET JOURNAL FRIDAY, JULY 16, 1993

Nafta: Part of the Trade-Environment Solution

The Americas

By Kathryn S. Fuller

From the window of a light aircraft a mile above the Yucatan peninsula, what may be the first environmental effects of the North American Free Trade Agreement appear on the landscape below. Orange groves, planted in anticipation of expanding U.S. citrus markets, threaten native forests and the diversity of species that depend upon them. Nevertheless, despite free trade's potentially far-reaching environmental impacts, opposition to Nafta may not be an effective way to deal with them. It may, in fact, be counterproductive.

Nafta as a political issue has been highly absorbing for the environmental community. Although assessments of the trade pact very widely, environmentalists agree that trade policy is not something they can afford to ignore. Trade-driven flows of capital and patterns of resource consumption affect virtually every facet of the environment. As a result, many of the conservation gains of the past two decades could be lost to even small shifts in international trade.

Mexico's timber industry provides a good case study. In the country's southeastern region, a number of small-scale, community-run operations manage broad tracts of native forest under a conservation model. While these operations protect a wealth of species and ecological functions, they operate in the economic margin and are endangered by shifting terms of trade.

As tariffs decline, these operations are at economic risk from timber industries in the U.S. and Canada. To minimize market losses, forest producers in Mexico face increasing pressure to cut more trees and concentrate operations in scarce old-growth forests where they can obtain the highest-value timber. The environmental cost of competing with the U.S. timber industry is simply too great. And, as is occurring now in the Yucatan, pressure to convert land to citrus and beef for American markets may accelerate forest loss.

The forest-into-citrus scenario is instructive for several reasons. First, it shows that the environmental impacts of free trade may be felt far beyond the highly-polluted border area which has so preoccupied U.S. environmental groups. Second, it demonstrates that enforcement of U.S.-style laws in Mexico is not a magic solution; trade-environment effects are too diffuse, often lying beyond the reach of existing legal regimes. Finally, it lends some needed perspective to the claim that U.S. industry standards for environmental protection are always superior to Mexican standards.

To the contrary, Mexican small-scale forestry operations are ecologically preferable to single-species tree plantations in the U.S. that support comparatively little wildlife. This last point deserves mention in the U.S. environment-trade debate, which has too often digressed into a nationalist—sometimes protectionist—dialogue, with inadequate appreciation of the economic, social, and environmental challenges faced by Mexico. The real situation is likely to be much less one-sided, with impacts, good and bad, on both sides of the border.

Still, if forest loss in Mexico is a free trade outcome, why should an environmental group support Nafta? The answer lies in the fact that the changes that many fear will ensue as a result of the treaty are happening already, even without a regional trade pact. Mexican timber producers are under pressure now from increasing imports of cheaper American wood, as a result of tariff reductions under the General Agreement on Tariffs and Trade. Furthermore, land has been cleared along its Gulf coast since the 1980s for citrus exports under a more liberalized trade regime in that sector. Much the same can be said about the *maquiladora* factories that line the heavily-polluted border region; they, too, have flourished without Nafta's help.

If we are serious about addressing these and other trade-environment impacts we must work to reform the economic forces behind them, and we must do so at the international level. But while trade agreements are a logical point to confront our economic and environmental contradictions, they are not, strictly speaking, the cause of them. This should lead environmentalists to ask: If blocking Nafta will not stem the environmental impacts of trade, can it provide the basis for beginning to resolve them?

> ***While increasing financial resources alone does not guarantee a cleaner environment, it provides an opportunity to pursue one.***

Perhaps it can. Free trade proponents often assert that an increase in financial resources flowing to Mexico will raise its environmental protection standard. Indeed it is widely recognized that poverty leads to degradation of the natural environment. While increasing financial resources alone does not guarantee a cleaner environment, it at least provides an opportunity to pursue one — given sufficient political will.

Fortunately, in Mexico the political will is strong. The environmental record of the administration of President Carlos Salinas de Gortari has been justifiably commended for its effort to harmonize environmental standards, and to enforce them more evenly. No administration in recent history has taken, at the highest levels, bolder steps for the conservation of Mexico's rich biological diversity. The receptiveness of the Mexican government to environmental concerns is an opportunity we cannot afford to lose, if we truly care about the future of environments outside our own borders.

How good is Nafta on the environment? It has been called "the greenest trade agreement ever." While this may be true, Nafta is silent on many key environmental issues, such as the environmental effects of commodity price shifts on land use and the like. These are questions that need to be addressed by all parties—Canadians, Mexicans and U.S. officials—in an open forum.

A key component of negotiations on a much-needed environmental side agreement for Nafta is the creation of a special commission on the North American environment. An important role of the commission would be to monitor the effects of free trade in order to find cooperative solutions to environmental issues across the continent. That is not everything, but it is something essential for the long term.

If Nafta is accompanied by a strong environmental side agreement, it can provide the basis for long-term environmental improvements throughout North America.

Ms. Fuller is president of World Wildlife Fund.

Bus

Eyl–

B.

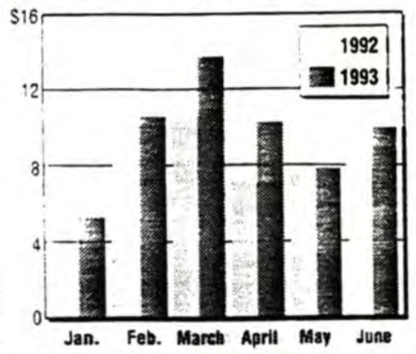
THE PRESIDENT HAS SEEN 7/16

To VP Fyi — B

THE WALL STREET JOURNAL FRIDAY, JULY 16, 1993

Japan's Trade Surplus

Surplus on merchandise trade; in billions of dollars, not seasonally adjusted



Source: Datastream International/Worldview

Japan Reports Trade Surplus Rose in June

By Yumiko Ono
Staff Reporter of The Wall Street Journal

TOKYO — Japan reported yet another rise in its global trade surplus, at a time when Tokyo and Washington are feuding over what should be done to increase Japan's imports of foreign goods.

The Finance Ministry said Japan's merchandise trade surplus for June rose 11% to $9.97 billion from $8.95 billion a year earlier. The nation's surplus with the U.S. grew 6.7% in June to $3.35 billion.

June's increase marked the 30th consecutive month of year-on-year gains in Japan's global surplus. The Finance Ministry had reported that the surplus for May fell 0.1%, but yesterday said it actually increased 1% to $7.81 billion. The ministry attributed the June gain mainly to the yen's appreciation against the dollar, which in the short term inflates the dollar value of Japan's trade surplus.

The latest trade-gap report comes just days after the U.S. and Japan agreed to set up a new "framework" for future negotiations to reduce Japan's surplus and open specific sectors of its market.

But since the agreement was reached Saturday, Japanese officials have attempted to play down the degree to which the pact commits Tokyo to taking action to cut the surplus. Prime Minister Kiichi Miyazawa yesterday expressed irritation about reports that a U.S. official called on Japan to trim income taxes as a way of reducing the surplus.

"Japan will decide Japan's [own] economic policies," the Nihon Keizai Shimbun newspaper quoted Mr. Miyazawa as saying. "This isn't the kind of matter the U.S. should say this and that about."

Private economists said it is unlikely that Japan's trade surplus will begin falling this year. That is because one of the surest ways to cut the surplus is to boost consumer demand for imports. But "there is still retrenchment in consumer spending behavior," said Donald Kimball, economist at Mitsubishi Bank Ltd. The bank estimates that Japan's economy will grow at a sluggish rate of 1.2% this year, in line with other private forecasts.

The Finance Ministry said Japanese exports rose 6.4% in June to $30.48 billion and imports increased 7% to $20.51 billion. Japan's surplus with the slumping European Community fell 26% to $1.94 billion for the month, mainly because of a drop in European imports of Japanese cars. Japan's surplus with Asia rose 39% to $5.62 billion, largely because of a rise in Japanese exports of semiconductors, automobiles and steel.

For the first six months of this year, the ministry said Japan's global surplus rose 18% from the same period last year, to $57.30 billion. Japan's surplus with the U.S.

Israel, Conceding Environmental Goof, Plans to Turn Valley Back Into Swamp

By Amy Dockser Marcus
Staff Reporter of The Wall Street Journal

HULAH VALLEY, Israel — In the 1950s, the new state of Israel's first great national project was the draining of the Hulah Valley swamps to reclaim the land for agriculture. Today, a multimillion-dollar project is under way to bring the swamps back.

The project, sponsored by the Jewish National Fund, the Israel Lands Administration and the Ministry of Agriculture, calls for reflooding a portion of the land and turning the valley's central section into a natural wetlands, complete with a safari park, boating canals, and tourist bungalows built right on the swamp and reachable by small boats and bridges.

The draining of the Hulah Valley, which lies between the hills of the Galilee and the Golan Heights on the Syrian border, created one of Israel's most enduring images — the Jewish pioneer fighting mosquitoes and malaria to dig drainage canals across the valley and carve farms and towns out of the swamps.

"The pioneers were heroes and people of enormous vision. At the time, there was simply no alternative to the draining of the swamps, but it's clear now that what they did caused some serious environmental problems," says Aharon Valency, who heads the Upper Galilee Regional Council, the authority representing the area's kibbutzim, or collective farms.

'Better Not to Fight the Swamp'

After the project's completion in 1958, the highly fertile land created from the former peat bog was profitably cultivated by the new farms and settlements that sprang up. But over the years, the land started sinking and the groundwater level dropped. As the peat dried out, underground fires broke out, huge dust storms clogged the drainage canals, and the area was overrun with weeds and mice. Pollutants streamed into the Sea of Galilee, the country's principal water reservoir, and by the end of the 1980s, 5,000 acres of land had been abandoned as unfarmable.

"We've now decided that it's better not to fight the swamp," says Amos Harpaz, director of JNF activities in the Galilee region, who as a young man participated in the 1950s draining effort. "We believe that ultimately tourism will be more profitable than agriculture there."

The project's estimated cost is 40 million to 50 million shekels ($14.5 million to $18 million), to be provided by the JNF, the government and the local community. In the first stage, 500 acres will be reflooded, but within five years the project is expected to cover up to 2,000 acres, a little less than 10% of the land reclaimed in the 1950s. For the time being, the rest will remain farmland.

Mr. Valency of the Upper Galilee Regional Council says reflooding the Hulah Valley won't solve all of the region's economic problems. "Tourism currently represents about 3% of the region's economy and we hope the project will triple it, but tourism isn't enough," he says. "We need the government to invest in creating small businesses and high-tech companies, opening new schools, building better roads and opening an international airport." Still, he acknowledges that for the economically depressed Upper Galilee region, the new development project offers a chance to save the area's financially

strapped farms, many of whose economic woes were compounded by the fact that the land they own in the Hulah Valley had become unfarmable.

Recruiting the Farmers

Shabtai Glass, financial manager of Kibbutz Gonen on the edge of the Hulah Valley, says his kibbutz is struggling to make ends meet with light industry, raising turkeys and working the fields. But, he says, "The average age of our members is over 40 and we need to think about long-term solutions. We're willing to give up some of our land and water to build appropriate tourism projects, such as a restaurant and a hotel."

Even so, only a handful of farms have come forward with project ideas and the initial unwillingness of farmers to see their fields turned into a tourist park meant that the first stage of the project had to be scaled back. "Many of the farmers don't make very much money from their land but they're reluctant to give it up because even under the best of circumstances, they know they won't see any money from tourism for at least four years," says Ezra Yasur, who farms in the Hulah Valley and is a liaison between the farmers and the project sponsors. "These are people that want to be farmers, not responsible for cleaning up after tourists and being nice to everyone who stays in their hotel."

In the center of the Hulah Valley, ground has already been broken for the complex system of canals to be built. A strong smell of sulfur is in the air and workers point out dark slashes on the soil being brought up by the bulldozers, a sign of the fires smoldering underneath the former swamp. Giora Shacham, coordinator of the project's planning team, says his team is still working out the engineering kinks. Work is progressing slowly because the canal-digging machines keep sinking into the bog, he says, and engineers are still studying now to ensure that the water in the lake and canals moves continuously so mosquitoes won't breed and bother the tourists.

"In some ways, it's just like 40 years ago, when the pioneers drained the swamps and didn't know what the consequences would be," says Mr. Yasur, who lives on a nearby kibbutz. "The farmers don't know what the results will be from reflooding the Hulah, but they'll come around in the end. Most of them realize that, just like it was for the pioneers here, they don't have any alternative."

76

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 7/16/93

TO: George Stephanopoulos

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

[redacted]

Passing to you if you think
the President should/needs/wants
to see.

[redacted]

CALIFORNIA DEMOCRATIC PARTY

BILL PRESS, Chair

July 14, 1993

93 JUL 15 P7:22

Dear Mr. President:

Earlier this evening, I was in the Will Rogers State Park in Pacific Palisades to mourn the loss of my friend, and your friend, Patrick Lippert.

I was proud that Tom Epstein was there, too, representing you.

Few people will accomplish more than Patrick accomplished in his short lifespan.

And yet, under existing policy, and under a new policy recommended to you by Defense Secretary Les Aspin, Patrick Lippert - this dynamic, creative, effective, young, openly gay man - would be denied the honor of serving in this nation's Armed Forces.

Speakers noted that of all Patrick's achievements, the greatest was standing alongside you in the Rose Garden, when you signed into law, the Motor Voter bill which he had worked so hard for, as head of Rock-the-Vote.

If he had chosen to, why should a talented young man like Patrick Lippert be banned from serving in the military?

If he had chosen to serve, why should he have been forced to live a lie: never able to talk about his private life; in constant fear of witch hunts, humiliation and rejection.

If he had chosen to serve, why should we not rejoice in his patriotism and be grateful for his service?

Mr. President, "don't-ask -- don't tell" is the wrong policy. As you have said so many times and as I know you believe, the only policy that makes sense is <u>conduct</u>. Instead of "don't ask -- don't tell, it should be: "don't behave, don't serve."

Please, Mr. President, for the sake of all Americans and for tomorrow's Patrick Lipperts - reject the so-called compromise policy recommended by the Defense Department.

Better to allow the old Pentagon policy to remain in place, unenforced than to replace it with a license to discriminate.

Thank you again.

Respectfully yours,

Bill Press

BILL PRESS
Chair

P/PC715.BP

P.S. Mr. President, thank you from all of our hearts for calling Patrick's parents and for those kind words that you had Tom Epstein read yesterday.

2424 "K" Street, Suite 100 · Sacramento, CA 95816 · 916.442.5707 · FAX 916.442.5715
8440 Santa Monica Boulevard · Los Angeles, CA 90046 · 213.848.3700 · FAX 213.848.3733

To Neil / George
Fyi – x Pres fm NAFTA

THE PRESIDENT HAS SEEN
7-15-93

To President Clinton
I'm eager to help you, as requested. Please have Al, David, or your key person work with Bob Pastor. The former presidents can be a key factor –
Jimmy Carter

cc Pastor

Clinton must turn up the heat on NAFTA

Jimmy Carter's Panama Canal Treaty success shows how

AMBLER H. MOSS JR.

Ambler H. Moss Jr. is dean of the Graduate School of International Studies and director of the North-South Center at the University of Miami. U.S. ambassador to Panama from 1978-1982, he previously was State Department coordinator for the ratification of the Panama Canal Treaties.

PRESIDENT Clinton entered office having endorsed the centerpiece of George Bush's policy for the Western Hemisphere — the North American Free Trade Agreement — and its longer-term extension, an eventual hemispheric free trade area from Alaska to Chile. Yet candidate Clinton had calculated that the votes in Congress for implementing NAFTA would not be there. He was right. NAFTA, as written, would not make it through Congress today.

Hence, as Clinton promised, supplemental agreements on labor standards, the environment, and special safeguards are being negotiated to convoy the 2,000-page NAFTA through the Capitol. Will Congress accept even that enhanced package? What difference would its rejection make to the United States? What would it mean to our relations with Mexico and Latin America? Is the Administration, having committed itself solidly to NAFTA, prepared for a tough political battle?

Major test of Washington's goodwill

The president would be well advised to study an interesting parallel in Jimmy Carter's administration — the Panama Canal Treaties of 1977. They were negotiated progressively during the Johnson, Nixon, and Ford administrations. President Carter, in completing the final treaty package, enhanced its neutrality and security provisions to make it attractive to a reluctant Senate and mostly negative public opinion.

The strongest support for and opposition to the treaties crossed political party lines. Latin America, however, made the treaties the major test of Washington's goodwill toward the entire hemisphere.

As with the Panama Canal Treaties, the leadership of both parties understands that NAFTA is in U.S. national interests. NAFTA is the natural outgrowth of far-ranging economic reform in Mexico, undertaken with great vision and considerable risk by the present Mexican administration and its immediate predecessor. One of many positive results is the expanded trade that has added $32 billion to U.S. exports to Mexico since 1986 and has created more than 400,000 new jobs in this country. The expectation of NAFTA has led to a strong investment flow into Mexico, encouraging the continuation of its private-sector orientation and political stability.

The failure of NAFTA in this country goes far beyond the opportunity cost of missing out in a market that buys 70 percent of its imports from the United States. If investment into Mexico stops, likely if NAFTA is rejected, U.S. exports and the jobs they have created here are at risk. Mexico's economy could go into reverse, stimulating unprecedented waves of illegal migration into this country.

NAFTA is the major test of U.S. leadership in the Western Hemisphere today. Latin Americans greeted President Bush's opening toward free trade with enthusiasm. Chile and other countries are lining up to be next after NAFTA.

It is an unparalleled opportunity for this country to formulate a positive, visionary policy for Latin America and the Caribbean not seen since Franklin Roosevelt's Good Neighbor Policy. The new post-Cold War relationship will be based on shared democratic values and mutually supportive economic relations. It is up to the Clinton administration to design and articulate such a policy. NAFTA is the first step.

The opposition to NAFTA in Congress and in the country has had a two-year free ride. It is well organized and financed, backed by different special interests that feel they'll be affected adversely. Some politicians, such as Ross Perot, find cheap-shot opposition to NAFTA a convenient way to stay on the prime-time screen. Others genuinely think it is bad for the country. For many of the 110 new House members, facing their first re-election campaigns next year, having to vote on NAFTA is scary.

What should the Clinton administration be doing? First, it must recognize that a high-priority legislative campaign, accompanied by a huge public outreach effort, must begin even before the entire NAFTA package is ready. How to do it? Again, some ideas can be borrowed from the Carter administration and the Senate's approval of the Panama Canal Treaties.

Bipartisan effort is essential

In 1977-78 Carter led a huge, ultimately successful campaign, spending a great deal of his political capital. Former President Ford helped him publicly. Important efforts were dedicated by the State Department and other executive branch agencies in close cooperation with the majority and minority leaders of the Senate and floor leaders of the campaign.

Constant consultations and briefings with Senate members and staff, White House meetings, trips by more than half the Senate to Panama, and public outreach and media work all around the country contributed to the ultimate victory.

If the Clinton administration is serious about NAFTA, it must soon make it a top priority, on the same level as health care reform. Then it must orchestrate a massive, bipartisan effort in Congress and across the country. Nothing less will work.

The Washington Post Writers Group
1150 15TH STREET, N. W., WASHINGTON, D. C. 20071-9200
TEL: (202) 334-6375 (800) 879-9794

THE PRESIDENT HAS SEEN
7-15-93

YODE09[illegible]i

r k

^bc-yoder-column adv12<

^EDWIN YODER COLUMN<

^(Advance for Monday, July 12, 1993, and thereafter)<

^(For Yoder Clients Only)<

^By EDWIN M. YODER, JR.=

WASHINGTON--Some measures of American public policy are so bankrupt as to prompt one to ask whether inaction would be preferable. For notorious instance: our ''wars'' on crime and drugs.

Sen. Daniel Patrick Moynihan has recently contributed a handy term for these failures--''iatrogenic government.'' Moynihan apparently borrows the idea of ''iatrogenesis'' from Ivan Illich, the critic who in his provocative book ''Limits to Medicine'' argues that the exaggerated claims and dubious treatments of today's medical ''science'' create new ills as they seek to cure old ones.

Moynihan's adaptation of the idea, ''Iatrogenic Government,'' in a recent issue of The American Scholar, retells the familiar tale of how government's efforts to curb strong drink and illicit drugs created new social ills.

The senator from New York is not without a saving sense of humor concerning his own collaboration in the folly. When he served in the late '60s as White House counselor to Richard Nixon, he once returned from a mission to France elated and could hardly wait to proclaim the good news. The French government had agreed to shut down the heroin traffic to the United States! On a helicopter trip to Camp David, Moynihan boasted of this triumph to George Shultz, later secretary of state, then a fellow member of the Nixon Cabinet. ''Good,'' said Shultz mildly, seeming not to share Moynihan's elation.

''I suppose you think that so long as there is a demand for drugs, there will continue to be a supply,'' Moynihan finally said. ''You know,'' said Shultz, ''there's hope for you yet.''

There may be hope for Moynihan, although the senator still resists the final logical step in his now more pessimistic train of thought

(more)

about drug interdiction. ''Then as now I opposed legalization or decriminalization,'' he tells us. But Moynihan is learning, which is more than can be said of Congress--as may be seen in the latest vogue in ''iatrogenic government,'' mandatory minimum sentencing.

In the past decade Congress has attached mandatory minimum sentences to more than 100 offenses, tripling the number of federal prisoners. The United States built 29 new prisons in the 1980s, which now cost $1.7 billion to maintain. By the year 2002, when the federal prison population will have more or less quintupled, the yearly cost of new space will be $2.8 billion.

And now the joker, supplied by Rep. Don Edwards of California, chairman of the House subcommittee on constitutional rights: ''Three-quarters of the new arrivals are drug offenders ... (and) 91 percent of mandatory minimum sentences are imposed on non-violent first-time offenders.'' As was predictable, this latest venture in ''iatrogenic government'' has had little or no discernible effect on crime rates (unless to elevate them) while creating new problems: The mandatory sentencing measures have clogged the courts and pushed some judges into open rebellion against drug cases.

The responsibility for the counterproductive follies of the wars on drugs and crime--which are closely linked by the fact that the way we battle the first creates more of the second, and vice-versa--lies at the door of Congress, whose vulnerability to demagoguery on human vice knows few bounds. It is a cheap vote to throw the book at drug offenders, but as Edwards' figures show it is not cheap public policy, either fiscally or in averting harm to the social fabric. Two things are known about prisons. One is that they are schools of vice which, among other side effects, create drug dependency. The other is that prison is more expensive than Harvard, though without the educational benefits.

What are the deeper roots of ''iatrogenic government,'' and why is the United States such a sucker for it? Moynihan, in his stern social-scientific way, resists such speculation but I cannot. My guess is that while Americans accept the fall of man they draw the wrong conclusions from human depravity. We acknowledge weakness but think it is shameful to acknowledge its power and merely manage it. We avert our eyes from the truth that the demands of vice are usually supplied, one way or another. We resist the evidence that in dealing with social evil most choices of public policy are bad choices.

Yes, it is contaminating for government to distribute clean needles to drug addicts, since in a way that means collaborating in dependency. The same may be said, all the more, of maintenance dosing and drug decriminalization.

But isn't it far more contaminating--to say nothing of wasteful and stupid--to create new social ills by criminalizing old ones to which the sane answers are treatment, not punishment, and care, not incarceration?

THE PRESIDENT HAS SEEN

7.15.93

Mack

How much #'s

should we change in

try?

B

Assets Intangible? How Does Tax Relief Grab You?

By MICHAEL WINES A1
Special to The New York Times

The Fine Print

A periodic look behind the law.

WASHINGTON, July 13 — If ever an issue cried out for simplification, it is the amortizing of intangible assets, a topic so bizarrely arcane that many people are ignorant of it, experts get lost in it and judges regularly disagree on just how to do it. So this spring, Congress inserted into President Clinton's economic package a proposal to do just that.

Now it is about to reap the whirlwind.

As lawmakers start negotiating a final version of the economic package this week, obscure issues like intangibles are kicking up nearly as much dust as Mr. Clinton's ill-fated energy tax and other better-known issues have. Clued in by their accountants, people who never heard of amortization are suddenly up in arms, complaining that either the House's or the Senate's handiwork threatens to drive them to ruin.

"It comes to the point where you squeeze the turnip enough and, hell, you're just being mashed completely," said Brian P. Smith, an official with the Savings and Community Bankers Association, whose home loans the House is accused of mashing.

"People are watching it," said Martin Sharkey, an analyst for NatWest Securities in Washington who says the measure could spur corporate acquisitions. Big money is involved here, Mr. Sharkey notes: from 1980 to 1990, the total value of intangible assets leapt to $400 billion from $45 billion.

All this cries out for answers to questions like these: What are intangibles, anyway? How does one amortize them? And what was wrong with the old way of doing it?

Here is a primer:

When a company buys a machine, or a building, or a car, it can generally

Continued on Page A18, Column 1

Continued From Page A1

write off the expense against its taxes, deducting a little of the cost from its income every year until the machine or building is worn out. In the language of accountants, the entire expense is then depreciated, or amortized.

Intangibles (from the Latin *tangere*, meaning to touch) are another matter. Wholly ethereal, they cannot be felt or kicked, and they do not wear out in any physical sense. But they nevertheless have value: computer programs, franchise rights, customer lists, employment contracts, even a company's reputation for good service or sturdy products, are all assets that other companies will pay to acquire.

Pay handsomely, in fact. Intangibles comprise as much as 40 percent of the value of cable-television franchises, with their big customer lists and entrenched position as the only company of their kind in most towns. The value of a big consumer-products company, with popular brand names and a good reputation, could consist of 80 percent intangible assets. A small-town insurance agency is close to 100 percent intangible, with little more than its customers and reputation for service to pass on to a buyer.

With the stakes as high as they are, many of the interested parties are very upset. Insurance agents accuse the Senate of trying to pilfer their retirement nest eggs. Unions charge that the House has become a handmaiden of Wall Street takeover artists. Wall Street takeover artists grouse that the Senate is trying to take away what the House gave them. Bankers complain that the House is pushing up the cost of home loans.

There is an Amortization of Intangibles Task Force, and a Coalition for the Fair Treatment of Intangibles. People are worried, or mad, or both, and want to shape the bill as best they can.

'Good Will' Off Limits

Naturally, buyers want to write off these intangibles, just as they do factories and cars, to reduce their taxes. But the Government often balks. Sometimes it simply forbids the write-off of some assets, like a company's "good will" — the mysterious quality that keeps customers coming back.

In many other cases it picks legal fights over issues like what constitutes the useful life of a customer list or computer program. (Companies like short lives, because that allows them to deduct their expenses quickly, and save more on taxes in the short run. The Government prefers longer lives for just the opposite reasons.)

Companies, left gun shy by these disputes, have resorted to some odd business practices as they juggled asset ledgers to maximize tax deductions and fend off I.R.S. lawsuits. "The law got to the point where in the simplest business transactions, people have to hire an army of experts to defend their tax treatment to the I.R.S.," said Kenneth J. Kies, a Washington tax lawyer and lobbyist. "We're not talking about complicated transactions. I mean, uncomplicated ones — the sale of an insurance agency, a heating-oil business."

Mr. Kies lobbies for insurance agents, so he has a bias. But even less partial experts, like Alan Doris, a Cleveland lawyer who heads the American Bar Association Subcommittee on the Amortization of Intangibles, also agree that the current law is a mess.

Simple, Clear Rule

So does Representative Dan Rostenkowski of Chicago, the chairman of the House Ways and Means Committee, which took up Mr. Clinton's tax package in May. He made certain that the package that came out of his committee included a simple, clear rule: all purchases of intangible assets, including good will, would be deducted over 14 years.

Mr. Doris says that the rule would allow the Government to rake in about as much tax revenue as it now does, but with greater certainty and simplicity for taxpayers. "It does an injustice to some, and it helps others who bought intangible assets with more than a 14-year life," he said. "But in the long run, it make sense for everyone."

Well, almost everyone. Last month, when the economic package went to the Senate, the Finance Committee decided to tinker with Mr. Rostenkowski's handiwork. Rather than allow companies to deduct everything, the panel limited write-offs of intangibles to 75 percent of their value.

Senate's Motivation

The reasoning was no secret: the Senate panel had cut Mr. Clinton's energy tax by $50 billion, and it needed to make up the money elsewhere. Limiting the write-off of intangibles contributed a few badly needed billions.

But it also fractured whatever support Mr. Rostenkowski's original 14-year proposal had.

The nation's 500,000 insurance agents, who have warred with the I.R.S. for decades over the intangible value of their businesses, had opted for the certainty of Mr. Rostenkowski's proposal, even though the 14-year period was twice what they sought.

But they are apoplectic over the Senate plan, which Mr. Kies said could drastically reduce the value of an agency's reputation and customer lists and shave as much as 25 percent off the typical $200,000 sale price of an agency.

"For our guys, their agency is typically their largest retirement asset," Mr. Kies said. "He's worked in the agency all his life, basically planning to sell it sooner or later and retire to Florida. For them, this is like a life-or-death issue."

Banks' Big Business

Bankers, on the other hand, feared that the Rostenkowski plan would cut deeply into one of their least-known and most lucrative businesses: collecting and processing homeowners' monthly mortgage checks.

Although most homeowners neither know nor care, their mortgages are frequently bundled together into huge bonds and sold to investors. The investors pay the banks for the service of collecting monthly checks and sending them to the mortgage's ultimate holder — a cost that is built into the loan fee or the interest rate.

These mortgage-servicing rights are regularly bought and sold among banks, and buyers usually write off the purchases over seven years. Bankers complain that doubling that write-off period to 14 years would lower the value of the servicing rights by as much as $100 a year — a loss they say would be passed on to borrowers.

The mortgage-banking and savings-industry lobbyists persuaded the Senate to include a clause that would reduce the write-off period to nine years for servicing rights alone, a perquisite the bankers are now fighting to protect in the final bill.

Wall Street lobbied hard for Mr. Rostenkowski's proposal, because it would make big corporate takeovers and spinoffs of subsidiaries at least slightly more attractive. That is especially true for big consumer-products companies, where corporate good will is a huge asset that until now has been worthless as a tax write-off.

But the Senate provision reducing the total write-off to 75 percent takes some luster off the notion of amortizing intangibles, and Wall Street will battle for the House version.

The United Food and Commercial Workers International Union, on the other hand, argues that the big buyouts fostered by the House proposal would be ruinous to its members, mostly store clerks and other retail workers.

"Look at the leveraged buyout of Safeway," the big food chain, said Greg Caneer, a union spokesman in Washington. The buyer closed or sold its less profitable outlets, leading to layoffs, and "the spinoffs are still struggling in the marketplace," Mr. Caneer said.

This is not to say that some people are not content with either versions of the legislation. Some are.

Big-time professional sports teams are unconcerned, even though a 14-year write-off period would prove onerous in an industry where player contracts are worth millions, and the players can depreciate in one season.

Nor are Silicon Valley and its corporate customers much bothered, even though 14 years is a long time to write off the millions of dollars spent on software that is often obsolete in a couple of years.

Hollywood is also happy, even though 14 years is an eternity when millions are spent on film rights and stars for films like "Bonfire of the Vanities" whose useful lives are measured in weekends.

Of course, all three of those industries are exempted from the proposed new amortization rules in both bills.

4

THE WHITE HOUSE

WASHINGTON

Sent 6:15am 7/15

S

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

FAX #
703 276-5513

TO: SID HULBERT

FROM: JOHN PODESTA

SUBJECT:

DATE: 07/15/93

Phone Number: **Fax Number:**

NUMBER OF PAGES (including cover sheet): 3

MESSAGE:

If all pages are not received, please call 202/456-2702

SID HULBERT USA TODAY

703 276-5513

established in Public Law 102–393 is hereby reduced by such amounts: *Provided further,* That the amount deposited into the Fund is reduced by $5,900,000: *Provided further,* That of the funds provided under this heading in Public Law 101–509 for the Northern Virginia Naval Systems Commands, $25,000,000 are rescinded.

ALLOWANCES AND OFFICE STAFF FOR FORMER PRESIDENTS

For an additional amount for "Allowances and Office Staff for Former Presidents", $194,000.

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

OPERATING EXPENSES

For an additional amount for "Operating Expenses", $2,997,000.

GENERAL PROVISIONS

SEC. 801. Not to exceed 2 per centum of any appropriations made available to the Executive Office of the President in fiscal year 1993 may be transferred between such appropriations with the exception of appropriations to the Office of National Drug Control Policy. Notwithstanding any authority to transfer funds between appropriations contained in this or any other Act, no transfer may increase or decrease any appropriation by more than 2 per centum and any such proposed transfers shall be approved in advance by the Committees on Appropriations of the House and Senate.

SEC. 802. Notwithstanding any provision of law, funds made available to the United States Customs Service by this or any other Act, may be transferred to State and local governmental agencies for law enforcement purposes.

SEC. 803. Section 617 of Public Law 102–393 is hereby repealed.

SEC. 804. Notwithstanding any other provision of law, $2,000,000 made available by transfer to the Drug Enforcement Administration from the "Special Forfeiture Fund" account of the Office of National Drug Control Policy in Public Law 102–393 may be used for an expansion study of the El Paso Intelligence Center and for the operation and maintenance of the computer systems at the Center.

SEC. 805. Notwithstanding any other provision of law, the Comptroller General of the United States shall conduct a review of the action taken with respect to the White House travel office and shall submit the findings from such review to the Congress by no later than September 30, 1993.

The Review of the Travel Office Is Ongoing

- The White House Report is not the last word on the Travel Office incident.

- First, in supplemental appropriations bill enacted July 2 (P.L. 103-50), Congress directed the **General Accounting Office** to "conduct a review of the action taken with respect to the White House travel office" and report its findings no later than September 30, 1993.

- Second, **the President** has underscored in a letter to Chairman Brooks that Attorney General Reno "is in the process of reviewing any matters relating to the Travel Office" and that she will have the Administration's "full cooperation in investigating those matters which the Department wishes to review."

- In a separate letter to Chairman Brooks, **the Attorney General** has confirmed that she is "personally reviewing" the White House Report relating to the Travel Office; that the Department of Justice is continuing its inquiry of the Travel Office; and that upon completion of both of these inquiries, she will determine whether further action is appropriate.