E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

20-Jul-1993 11:14am

TO: Ricki Seidman

FROM: John Podesta
Office of the President

CC: Gene B. Sperling

SUBJECT: Triple base

Who in the war room is handling agriculture/crop insurance? The aggies are going nuts over Leon's plan to pay for crop insurance reform with the triple base plan. Who am I supposed to tell that to?

c.c. Mack

[redacted]

[redacted]

Dodey —

Pls. forward this & BC response to ① Erskine Bowles (SBA) & ② Alexis Herman.

Action

JS

He'd be good for one of the small business events —

[redacted]

JP: fyi
copy went
to alexis

THE WHITE HOUSE

WASHINGTON

July 14, 1993

[redacted]

Mr. R. Alan Hall
Bill Harbert International
Construction, Inc.
Post Office Box 531390
Birmingham, Alabama 35253

Dear Alan:

Thanks so much for your message of support. I am forwarding your letter to the Small Business Administration, which is coordinating meetings with business leaders. I appreciate your interest in creating a brighter future for our nation.

Sincerely,

Bill Clinton

BILL HARBERT INTERNATIONAL CONSTRUCTION, INC.

June 4, 1993

The Honorable Bill Clinton
Office of the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear President Clinton:

I wanted to write you a letter of encouragement. It appears the past few weeks have been difficult ones for the Administration and I wanted you to know that we are still supporting you and your efforts. The problems you face are enormous and no one can expect them to be solved in a matter of weeks. I wish you the very best.

* I have read where you meet weekly with business leaders and would like to know how one might be considered to be invited for one of those meetings. I have a great many concerns of where our country is headed. I am the Corporate Controller and Secretary for a closely held construction concern which generates over seventy-five percent of its gross revenue from international activities. We have approximately 250 U.S. employees. I also am on the Board of Directors for the School of Accountancy at The University of Alabama. I would be glad to provide you or your staff with more information on myself or our company.

With best wishes I am,

Sincerely,

R. Alan Hall

820 SHADES CREEK PARKWAY, 35209 POST OFFICE BOX 531390 BIRMINGHAM, ALABAMA 35253
TELEPHONE (205) 802-2800 TELECOPIER (205) 802-2801

WHITE HOUSE COMMCTR SUN 18 JUL 93 16:16 PG.01

THE PRESIDENT HAS SEEN 7/19

TIME OF TRANSMISSION

TIME OF RECEIPT

WHITE HOUSE SITUATION ROOM

- URGENT

Cramo

Fyi

PRECEDENCE: IMMEDIATE
PRIORITY
ROUTINE

RELEASER:

DTG:

MESSAGE NO. CLASSIFICATION unclas PAGES 9

FROM John Podesta (NAME) 456-2702 (PHONE NUMBER) EFL/WW (ROOM NO.)

MESSAGE DESCRIPTION Dr. Elders Material

TO (AGENCY)	DELIVER TO	DEPT/ROOM NO.	PHONE NUMBER
Little Rock	Jeff Eller		

REMARKS:

Deliver immediately on receipt.

Arkansas DEPARTMENT OF HEALTH
4815 WEST MARKHAM STREET • LITTLE ROCK, ARKANSAS 72205-3867
TELEPHONE AC 501 661-2000

BILL CLINTON
GOVERNOR

M. JOYCELYN ELDERS, M.D.
DIRECTOR

July 18, 1993

The Honorable Jim Guy Tucker
Governor of Arkansas
State Capitol
Little Rock, Arkansas 72201

Dear Governor Tucker:

After five and a half years of serving the State of Arkansas in the most exciting and fulfilling job I have ever had, I am today submitting my resignation as Director of the Arkansas Department of Health.

During my time with the Department, I have served with the most professional staff of people who are truly committed to the improvement of health of the citizens of Arkansas. I was blessed with the support of a superb State Board of Health whose members were willing to get in the game, not just sit on the sidelines, in protecting the health and environment of Arkansas. And, finally, as I worked throughout the state, I enjoyed the backing of the medical community, civic and volunteer organizations, the business community and religious community. I want to express my sincere gratitude and deep appreciation to all of these for the work we have done together to accomplish many of the goals I set when I became director in 1987.

Since April, I have been dividing my time between the Arkansas Department of Health and the U.S. Department of Health and Human Services where I have been consulting on a part-time basis in preparation for my service to the United States. I have taken annual leave from Arkansas for the days I had to be in Washington and I have always been available to give the Department my fullest attention when required. As a consultant, I have had no direct line authority over any issues or programs that would impact the State of Arkansas.

As work towards my confirmation intensifies, I must now devote all my efforts and energy to my new federal role. Thus the reason for my resignation. As we previously discussed, upon my confirmation, UAHS has granted me a leave of absence without pay.

The Honorable Jim Guy Tucker
Governor of Arkansas
July 18, 1993

I have enjoyed staying on in my position following the change of administration. I feel we achieved some significant improvement for the health of our citizens during the 1993 session of the Arkansas General Assembly. My continued tenure also allowed me to stay on as president of ASTHO, an organization near and dear to my heart. I thank you for these opportunities.

I wish you well in the tasks before you. As the state of my birth and my entire professional life, Arkansas will always be my home. Please take care of her.

Sincerely,

M. Joycelyn Elders, M.D., Director

MJE:wam

FOR IMMEDIATE RELEASE
JULY 18, 1993

CONTACT: MAX PARKER
(501) 373-8954

STATEMENT BY GOVERNOR JIM GUY TUCKER

Dr. Joycelyn Elders has submitted her resignation as Director of the Arkansas State Department of Health effective today. I have accepted her resignation with deep regret but also with appreciation for a job well done and in anticipation of her confirmation as Surgeon General of the United States of America. Mr. Tom Butler, Deputy Director of the Department, has agreed to serve as Interim Director.

Dr. Elders has served the people of our State well. As Surgeon General she will have the opportunity to confront at the national level the many challenges to public health that she has battled here in Arkansas, such as AIDS, low birth weight babies, teen pregnancies, clean drinking water, and our national failure to assure that all our children are immunized.

During the past year, and in the most recent session of the Arkansas General Assembly, Dr. Elders worked with me to institute comprehensive health screening for children entering school; to protect and fund our State's medicaid program; to assure the purity of our State's drinking water; to provide funding for Norplant; and to increase significantly Arkansas' childhood immunization efforts.

Dr. Elders is a fine public health physician and pediatrician. She is a committed, caring and energetic champion for the children of our State. We will miss her but will be very proud to have her as our Surgeon General. I recommend wholeheartedly her swift confirmation to that post."

FACT SHEET
DR. M. JOYCELYN ELDERS

Federal Payments prior to Confirmation

It is common practice for nominees to Federal positions to retain their former positions until their confirmation by the Senate. Nominees may be employed by their prospective departments in a consulting capacity and may receive Federal compensation for periods of service to their agencies prior to confirmation. (See attached letter from Jack M. Kress, Special Counsel for Ethics and Designated Agency Ethics Official.)

Annual Leave Status

In order to prepare for her Federal employment upon confirmation, Dr. Elders traveled to Washington to work at HHS. She used annual leave accrued while employed as Director of the Arkansas Department of Health for the time in which she was engaged in Washington.

In accordance with the Arkansas Uniform Attendance and Leave Policy Act, Dr. Elders earned 15 hours of annual leave per month. §21-4-204(a) and the Arkansas Department of Health Policies and Practices, Annual Leave. Under Arkansas law, employees are entitled to carry over 30 days (240 hours) of annual leave from one calendar year to the next. §21-4-204(e)(1). Dr. Elders began 1993 with 30 days of leave. and has earned approximately 90 additional hours since the beginning of the year, bringing her total leave accumulation to approximately 41 days of annual leave available to her. At the conclusion of her employment with the State of Arkansas, Dr. Elders will be entitled to receive a lump sum payment for any unused leave, up to a total of thirty (30) days. §21-4-205(a). Dr. Elders has used 28 days of annual leave during the period of her consultancy with the Federal government.

Leave of Absence

In addition to her position as Director of the Arkansas Department of Health, Dr. Elders is a member of the faculty of the University of Arkansas Medical School. Dr. Elders has applied for, and has been granted a leave of absence without pay from her faculty duties, effective upon her confirmation by the Senate. (See attached letters from University of Arkansas Chancellor Harry P. Ward and University of Arkansas President B. Alan Sugg.)

Current Status

Dr. Elders resigned as Director of the Arkansas Department of Health on July 18, 1993.

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Secretary

Office of the General Counsel
Washington, D.C. 20201

July 17, 1993

The Honorable Senator Edward M. Kennedy
Chairman
Committee on Labor and Human Resources
United States Senate
Washington, DC 20510-6300

RE: M. Joycelyn Elders, M.D.

Dear Senator Kennedy:

I am a career member of the Senior Executive Service and have been the Designated Agency Ethics Official for the Department of Health and Human Services (HHS) for the past three years. Prior to that, I served as Deputy General Counsel at the Department of Energy for approximately four years and supervised the ethics function in that Department as well. I therefore have a close working familiarity with the practices of two Cabinet Departments with respect to incoming Presidential appointees in the Reagan, Bush and Clinton Administrations.

It is to my knowledge common practice throughout the Executive Branch for incoming Presidential appointees to retain their former positions until such time as they are confirmed by the Senate.

Prior to confirmation, such nominees may, however, legally join the Department in an intermittent consultant capacity. Moreover, from the perspective of Federal law, there is no impediment to the receipt of payments by an intermittent consultant from that person's current non-Federal employer, for as long as that person remains a special Government employee (SGE).

In the Executive Branch of the United States Government, the primary prohibition against supplementation of outside income is 18 U.S.C. Section 209. By its terms, Section 209 "does not apply to a special Government employee" and is thus inapplicable to all of the many intermittent consultants who serve the Federal Government. (It would be difficult, if not impossible, for example, to persuade tenured members of academic faculties ever to serve as intermittent consultants if such brief Federal service required them to resign from their academic positions.)

18 U.S.C. Section 202(a) defines a "special Government employee" as an employee retained to perform "temporary duties either on a full-time or intermittent basis" for a period "not to exceed one hundred and thirty days during any period of three hundred and

sixty-five consecutive days." M. Joycelyn Elders, M.D., began service as a consultant (SGE) to HHS on April 16, 1993, on approximately a two day a week basis until July 6, 1993, when she began working for HHS on approximately a five day a week basis. As of this date, she has been employed as an SGE for approximately 30 workdays, well below the legal limit of 130.

I stand ready to answer any further questions at any time with respect to this matter. If I may be of further assistance, please do not hesitate to contact me at (202) 690-7258.

An identical letter has been addressed to the Ranking Minority Member.

Sincerely,

Jack M. Kress

Jack M. Kress [illegible]
Designated Agency Ethics Official

University of Arkansas for Medical Sciences

OFFICE OF THE CHANCELLOR

4301 West Markham
Mail Slot 541
Little Rock, Arkansas
72205-7199

(501) 686-5681

College of Medicine
College of Pharmacy
College of Nursing
College of Health Related Professions
Division of the Graduate School
University Hospital
Ambulatory Care Center
Child Study Center
Area Health Education Centers
Arkansas Cancer Research Center
Harvey and Bernice Jones Eye Institute

May 4, 1993

Dr. B. Alan Sugg, President
University of Arkansas System
1123 South University Avenue, Suite 601
Little Rock, AR 72203

Dear Dr. Sugg:

The University of Arkansas for Medical Sciences is very proud that Dr. Joycelyn Elders has been nominated for Surgeon General. Her confirmation hearings will start at the end of this month and, if confirmed, her appointment is to begin July 1, 1993.

Assuming that she is confirmed, UAMS requests to grant Dr. Elders a leave of absence without pay for the year 1993-94. This request would be re-evaluated yearly for continuation, if appropriate.

Sincerely,

Harry P. Ward, M.D.
Chancellor

HPW:ae

RECEIVED
MAY 13 1993
Chancellor's Office

UNIVERSITY OF ARKANSAS

OFFICE OF THE PRESIDENT

University Tower Building – Suite 601
1123 South University Avenue
Little Rock, Arkansas 72204

Telephone (501) 686-2505
FAX (501) 686-2507

May 10, 1993

Dr. Harry P. Ward, M.D., Chancellor
University of Arkansas for Medical Sciences
4301 West Markham Street, Mail Slot 541
Little Rock, Arkansas 72205

Dear Harry:

As requested in your letter of May 4, 1993, I am hereby approving a leave of absence without pay for Dr. Joycelyn Elders at the University of Arkansas for Medical Sciences for the fiscal year 1993-94.

Please notify Dr. Elders of this action.

Sincerely,

B. Alan Sugg
President

University of Arkansas for Medical Sciences

OFFICE OF THE CHANCELLOR

4301 West Markham
Mail Slot 541
Little Rock, Arkansas
72205-7199

(501) 686-5681

College of Medicine
College of Pharmacy
College of Nursing
College of Health Related Professions
Division of the Graduate School
University Hospital
Ambulatory Care Center
Child Study Center
Area Health Education Centers
Cancer Research Center
Harvey and Bernice Jones Eye Institute

June 1, 1993

Dr. Joycelyn Elders, Director
Arkansas Department of Health
4815 West Markham Street
Little Rock, AR 72205

Dear Joycelyn:

The President of the University of Arkansas has approved my request for a leave of absence for you for 1993/94. We will plan to re-submit this yearly as long as the two of us feel that it is appropriate.

The Trustees, the President, and I are proud of your achievements for our state. We have been honored to have you as a member of the faculty of the College of Medicine and now as the Surgeon General of the United States. I am confident that you will achieve great success in Washington. When your service is completed, we look forward to welcoming you back as a faculty member at UAMS.

My best regards

Sincerely,

Harry P. Ward, M.D.
Chancellor

HPW:ae

cc: Dr. Dodd Wilson
Dr. Robert Fiser

Chron

THE WHITE HOUSE

WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

phone# 638-1999
fax 202 638-4141

TO: LINDA LADER

FROM: JOHN PODESTA

SUBJECT:

DATE: 07/19/93

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

NUMBER OF PAGES (including cover sheet): 4

MESSAGE:

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

THE WHITE HOUSE
WASHINGTON

DATE: 07/19/93

NOTE FOR: LINDA LADER

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:

cc: Lindahader

THE WHITE HOUSE

WASHINGTON

July 15, 1993

Pastor James L. Brinkley
Open Bible Church
1830 Old Frankfort Road
Lawrenceburg, Kentucky 40342

Dear Jimmy:

Thank you for getting in touch with me. I remember you well. We had some good times together as kids.

Your encouragement and your prayers mean a lot to me, and I am grateful for both. Thanks.

I'd love to visit your church, but I don't know whether it will be possible anytime soon. I do appreciate your invitation, and I look forward to seeing you before too long.

Sincerely,

Bill Clinton

I was <u>so</u> glad to get your letter and to know you're pastoring. I hope I can visit someday — Please feel free to write again and keep me in your prayers.

Open Bible Church

1830 OLD FRANKFORT ROAD
LAWRENCEBURG, KY 40342
Church Phone 502/839-5922

[redacted]
Pastor

June 21, 1993

President Bill Clinton
1200 Pennsylvania Avenue
Washington, DC

Dear Bill,

I know you'll remember me, and although you may never even receive this letter, I must write to you.

I was the kid, Jimmy Brinkley, who came to Hot Springs with his grandmother when you and I were 12 years old. I stayed in the motel beside your house and was at your house often. We went to 4th grade, as well as church and Sunday School together. Do you remember?

I would like to tell you that I am now pastoring a small church in Frankfort, Kentucky, which is the capital city. I have had several reoccurring dreams of you since I watched you begin to campaign until now. These dreams only confirm my belief that you are a man attempting to do the right thing. I must tell you I don't agree with some of your moral stands, but I have felt that God wants me to personally pray for you. I know the heart of "little" Billy Clinton. I look into your eyes and I see that same heart. Hardened perhaps by life, but that same heart nevertheless. I have and will continue to pray for you. Not as president, but as a man. A man who has great power and responsibility who is struggling to do right. God told me "if the man is right - the country will be." I don't want to see the man destroyed or hardened any more. So I will continue to pray. You can count on it! "God strengthen Bill Clinton and heal our land."

Bill, if you're ever in Kentucky on a Sunday, you have a standing invitation to come to my church. I would be honored and if you come we'll not do anything but what we always do and you'll be simply a person who we can minister to and help make it another day with God's help. I so hope you'll come, I have some positive things to say to you.

I have always considered you one of my best friends and do hope to see you again real soon. Say hi to your mom.

...expressing God's love,

Pastor James L. Brinkley

THE WHITE HOUSE
WASHINGTON

DATE: 07/19/93

NOTE FOR: BERNIE NUSSBAUM

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 PRESIDENT HAS SEEN
7-19-93

THE WHITE HOUSE

WASHINGTON

July 18, 1993

93 JUL 19 A11 : 10

MEMORANDUM FOR THE PRESIDENT

FROM: BERNARD W. NUSSBAUM
COUNSEL TO THE PRESIDENT

SUBJECT: Denial of Pardon Application of Alexander Oparah

I. ACTION-FORCING EVENT:

The pardon application that my office received July 14 needs immediate attention because of a pending hearing in the Western Division of Texas District Court. Judge Nowlin has entered a temporary restraining order staying the deportation of Mr. Alexander Oparah for immigration fraud. At a hearing scheduled for Wednesday Judge Nowlin will decide whether to issue a preliminary injunction staying Mr. Oparah's deportation until his pardon application is resolved.

The Department of Justice, which has recommended denying Mr. Oparah's pardon application, is concerned that this case will set a precedent for other deportation hearings where the defendant has a pending pardon application. For that reason, they would like a quick resolution of this matter.

II. BACKGROUND:

My office recently has received three pardon applications with accompanying recommendations from the Department of Justice. In each instance the Department of Justice, under Deputy Attorney General Phil Heymann's signature, has recommended denial of the application.

Pardon applications are processed by the Pardon Attorney at the Department of Justice; she reviews all the relevant information, including an FBI report, available about the petitioner. The Deputy Attorney General then forwards the application with his recommendation to my office for action. My office has thirty days to respond on your behalf to each application.

I will be sending you a memorandum shortly proposing a process for exercising your clemency power. Typically, there are more than 1,700 applications each year. I expect to propose a model in which only affirmative recommendations for action from the Justice Department, with which I concur, will be forwarded to you for decision.

III. RECOMMENDATION:

After a review of the Department's memorandum on Mr. Oparah's situation, my office concurs with its recommendation. Accordingly, I recommend that you deny Mr. Oparah's pardon application. I have attached the Department's memorandum should you wish to review the recommendation. I intend to deny this application by 5:00 p.m. on Monday unless I hear from you.

IV. DECISION:

__✓__ I deny the pardon of Mr. Alexander Oparah.

_____ I request that you give further consideration to this application before taking any action.

THE WHITE HOUSE

WASHINGTON

July 19, 1993

The Honorable William S. Sessions
Director
Federal Bureau of Investigation
9th and Pennsylvania Avenue, N.W.
Washington, D.C. 20535

Dear Director Sessions:

After a thorough review by Attorney General Reno of your leadership of the Federal Bureau of Investigation, she has reported to me that you can no longer effectively lead the Bureau and the law enforcement community and has recommended to me that you be replaced effective immediately.

In accord with the recommendation of the Attorney General, with which I fully agree, I am hereby terminating your service as Director of the Federal Bureau of Investigation, effective immediately.

Let me express my appreciation and that of the American people for your contribution as a United States District Judge and as Director of the Federal Bureau of Investigation.

Sincerely,

Bill Clinton

THE WHITE HOUSE
WASHINGTON

DATE: 7/19

NOTE FOR: George S.

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:

JUL 15 '93 03:39PM CALIF DEMOCRATIC PTY P.1

THE PRESIDENT HAS SEEN 7/19

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.

GS - we could characterize ours in this way -

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

THE WHITE HOUSE

WASHINGTON

July 19, 1993

93 JUL 19 P1:25

MEMORANDUM FOR THE ATTORNEY GENERAL
MACK MCLARTY
GEORGE STEPHANOPOLOUS
DAVID GERGEN
MARK GEARAN
CAROL RASCO
JOHN PODESTA
BRUCE REED

FROM: HOWARD PASTER HP

SUBJECT: WAITING PERIOD FOR GUN PURCHASES

The lack of an agreement on a crime bill, and the difficulty in moving the Brady bill by itself in the face of the objections of Chairman Brooks, has caused some to question the President's commitment to waiting periods for the purchase of guns. To make abundantly clear his unwavering support for this position, and to create momentum for the legislation, I think it would make sense for the President to invite Sarah and Jim Brady for an Oval Office visit as soon as reconciliation is resolved.

Please let me have your views by the close of business Thursday, July 22. The lack of a reply will be taken as a "no objection" response. Thank you.

I'm for it!

John

Copies for

[illegible]

Martin

Foster

The travel office fiasco was a hard lesson for former agency head David Watkins.

For Clinton aide Watkins, politics is no kiddie ride

Man behind 'Travelgate' finds D.C. a far cry from Arkansas agency life

By Steven W. Colford

WASHINGTON—It has been a roller coaster summer for David Watkins, the former Little Rock, Ark., ad agency executive who is in charge of making sure the Clinton White House operates smoothly.

Just two weeks ago Mr. Watkins, assistant to the president for management and administration, reveled in his selection as the Arkansas Advertising Federation's Man of the Year.

But three days later, on July 2, the reverie ended abruptly when White House Chief of Staff Thomas McLarty III officially—and publicly—reprimanded the longtime Clinton friend for triggering what some call the "White House Travel Office Mess" and others call "Travelgate."

Mr. Watkins, one of four reprimanded in the affair, says he decided to fire the seven full-time employees of the White House travel office partly to fulfill the president's promise to trim staff by 25%.

On May 19, Mr. Watkins replaced the travel office on an interim basis with World Wide Travel, a Little Rock agency used during the Clinton campaign and former client of Mr. Watkins' ad agency.

But an internal management review of the incident, conducted by Mr. McLarty, ripped Mr. Watkins for "not treating the travel office employees with more sensitivity" and for not being sufficiently "sensitive to the appearance of favoritism toward friends" of President Clinton.

It also accused Mr. Watkins of attempting to pressure an independent FBI investigation of possible criminal activity at the travel office. No criminal charges have been filed against anyone at the office.

In an interview with *Advertising Age*, Mr. Watkins said dismissing the travel office's employees for shoddy bookkeeping techniques was a "simple management decision."

Mr. Watkins acknowledged errors in the handling of the episode but maintained that his decision to dismiss the staffers was "justified."

"I understand that there were conclusions drawn in the [White House report] . . . that I disagreed with and that I've told [presiden-

(Continued on Page 36)

Watkins

(Continued from Page 3)
tial assistant John] Podesta and McLarty about," Mr. Watkins said last week.

"I still think it was a management decision, black and white, with some question about the appearance because World Wide had been the [travel] agency in the campaign, but I disagreed with those questions. World Wide was able to jump in quickly. It was approved," he said.

Mr. McLarty's investigation also focused on Catherine Cornelius, a 25-year-old Clinton campaign staffer and distant Clinton cousin who was working in the travel office at the time. She was accused of copying and smuggling documents out of the travel office to build a case against the seven dismissed employees, the report said. After the dismissals, she was put in charge of the office.

"I also told them [the report] was wrong about Cornelius, who had been assigned to the travel office," Mr. Watkins said. "That was always her intention and I was trying to help out—placing campaign workers is always done.

"But I was the point man, so I was reprimanded. Its impact? I don't know. Obviously, this is a fishbowl, and I think that ... there were mistakes made—I agree that there was not ideal handling—but what had happened [before] justified firing the employees.

"We felt that what was being done by the White House travel office could best be done by an independent travel agency and that we could reduce the staff," Mr. Watkins said. "And we also were working under a directive from the president to reduce staff by Oct. 1 by 25%, so in my opinion it was an easy decision ...

"But I think there was a [public relations] miscalculation because of the fact that the customers of the White House travel office—i.e., the press—were probably satisfied with the service."

"And in marketing or advertising, any time you have a satisfied customer and change the product or service, questions are going to arise as to why things are happening and what is the justification for what's being done and the rationale for it," he said.

On May 21, the White House and World Wide Travel agreed "that it would be desirable for World Wide to leave," Mr. McLarty's report said. American Express Co. is currently handling travel on an interim basis pending the award of a competitively bid contract.

But the travel office fiasco, however embarrassing for a new administration, will fade, Mr. Watkins believes, along with the other recent PR setbacks for the Clinton administration.

Mr. Watkins, 51, has learned the hard way that life in Little Rock and life in the "fishbowl" of the nation's capital are very different.

The lesson appears to have sunk in deeply enough that the long-time Friend of Bill now says he does not plan to stay in the public sector. Before the media explosion that followed the travel office firings and his public reprimand, Mr. Watkins said his stay in Washington was open-ended.

"I don't plan to be working in the federal sector two years from now," Mr. Watkins said.

Mr. Watkins' advertising career began in 1969 as an assistant account exec at the Faulkner agency in Pine Bluff, Ark., servicing the Worthen Bank account.

Once the owner of Little Rock's Watkins & Associates, which he said was the second largest agency in Arkansas, Mr. Watkins acknowledged that the selling of President Clinton has been wanting.

"To use an advertising analogy, I think the president is unchanged, that the product is the same as ever but that we have not done a complete advertising job with him," Mr. Watkins said. "There have been some good 'ads'—good moments—but the whole campaign so far has not been very good."

Mr. Watkins said he hopes the hiring of veteran political insider David Gergen to take over the White House Office of Communications, as well as related personnel shifts within the Clinton administration, will rectify that shortcoming.

David Hirtle

"Any time you have a satisfied customer and change the product or service, questions are going to arise as to why things are happening."
David Watkins

"We have had an agency review and are doing better," he joked. "Our creative strategy is a lot better, and we have a lot better creative team now."

Mr. Watkins said he foresaw some of the marketing problems that have afflicted the Clinton White House but opted not to volunteer advice to a president with plenty of other advisers.

"I like to think of myself as a team player, and most of all I was concerned about the product," he said. "It's easy to be critical, and one thing I always hated was people who took pot shots at my ads or ads of clients when they weren't directly involved in the process.

"And because I was not directly involved in the process, I didn't feel it was appropriate to criticize what was going on."

Mr. Watkins remains fiercely loyal to President Clinton, even if he does not share his boss' views on everything.

For example, restricting the deductibility of advertising as a business expenditure is a frequent topic of discussion at the Office of Management & Budget, where there is a never-ending quest to raise new dollars and reduce the deficit. Mr. Watkins is well aware of those discussions, not to mention the possibility that his boss someday might decide to support such restrictions on advertising.

Nevertheless, Mr. Watkins voices his own opinion on the matter.

"Given my history and background, how could I respond to that in any way other than to say that I don't believe that advertising should be devalued in any way?" he asked. "I know how difficult it is to make a profit in business these days, especially in a service industry like advertising."

Mr. Watkins said President Clinton "loves advertising" and showed a flair for the profession by writing his own campaign ads during gubernatorial races. Mr. Watkins produced ads for Mr. Clinton from 1982 to 1990.

"He was the best copywriter I ever had," Mr. Watkins said. "He tended to write long—a student of the [David] Ogilvy school—but a very good writer. We had a lot of fun back then." ☐

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: July 19, 1993

[redacted]

TO: David Gergen
George Stephanopoulos
Bob Rubin
Bruce Reed

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

[redacted]

THE PRESIDENT HAS SEEN
7/1?

THE WHITE HOUSE

WASHINGTON

July 16, 1993 ... 16 P10:31

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN

SUBJECT: **Secretary Reich Memorandum on Immigration**

Bob Reich has written the attached mrmorandum on immigration, and, in talking with Bob, we both felt you would like to see it.

Most immigration issues are under the purview of the National Security Council, but some of these issues have significant employment and economic impacts. Bob and I feel that the issues raised in his memorandum will require some small administrative process and response. There is no action for you to take at this time, and we will follow up in organizing the necessary process and response.

Attachment

I like this as
part of our overall
immigration response -
some action in this
area clearly warranted

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

MEMORANDUM FOR THE NATIONAL ECONOMIC COUNCIL

FROM: ROBERT B. REICH

SUBJECT: U.S. Immigration Policy and its Workforce Effects

I. The Problems

In assessing immigration policy, three labor market issues are paramount:

(1) There is concern that the large number of immigrants during a sustained period of high unemployment may be affecting the employment opportunities of U.S. workers. These concerns are sometimes exaggerated, but may be on target in areas or occupations in which immigrants are intensively concentrated. Labor market effects should be considered when evaluating the overall impact of immigration policies.

(2) Immigrants are often subjected to abusive working conditions. These conditions can be particularly deplorable for illegal immigrants but there is increasing evidence that legal temporary nonimmigrants are being subject to abuse as well.

(3) There is also increasing evidence that certain features of temporary nonimmigrant employment programs are functioning poorly and leading to unintended consequences. Because of the Department of Labor's administrative responsibilities for aspects of these programs, abuses associated with these programs are of particular concern to us. Many of the abuses have occurred under the H-1B program[1].

- In Massachusetts, one firm has filed applications for more than 1,100 H-1B computer programmers and analysts after having announced and started to lay-off more than 1,600 U.S. workers, many in the same occupations.

---

[1] The H-1B program allows admission of "professional" nonimmigrants for temporary employment in "specialty occupations."

- From October 1991 to May 1993, there were at least ten California computer companies that laid off from 100 to 2,000 workers but each applied for at least 25 H-1B visa slots.
- We have found systematic underpayments of required wages in most of the H-1B investigations we have conducted. Recent immigration reforms may have made it easier for such abuses to occur.
- While annual H-1B admissions are capped at 65,000, one university alone has filed applications for 10,000 such workers.
- We have also seen reports, especially from California, that individuals admitted as "visitors for business" under B-1 visas are circumventing the H-1B program and also are replacing U.S. workers in the computer industry in large numbers, mostly through out-sourcing arrangements with job contractors. This nonimmigrant program is administered by INS and the Department of State.

II. Background

In FY 1992, we estimate that at least several million people entered the United States who could become active labor market participants:

- There were nearly one million permanent immigrants, the vast majority of whom were adults. Most of these immigrants were not admitted through employment programs.
- There were 4.3 million temporary nonimmigrants admitted into the country who could potentially have some connection to the labor market. Of these, 2.8 million were temporary admissions for business (many of whom were in the country for very short periods of time or were repeat visitors). More than 400,000 of the temporary nonimmigrants were explicitly admitted as workers.
- In 1989, it was estimated that there were two million undocumented immigrants in the United States. This figure is almost certainly higher today. Some of these illegal migrants are children, but most are presumably part of the labor market.
- Overall, the proportion of immigrants legally admitted specifically for employment purposes is relatively small -- representing only about 10 percent of the 5.3 million legal

permanent and temporary admissions -- but many more migrants are active in the labor market.

During the 1980s, as the economy grew and new (albeit relatively low wage) jobs were being created, the influx of large numbers of migrants to the U.S. caused relatively little public concern. Moreover, the economic activity, talents, and drive of these new entrants can substantially benefit the U.S. economy and create the potential for economic growth.

As the economy changed in recent years, however, and in light of current trends in downsizing of industries that require a relatively highly-skilled workforce -- exacerbated by the continuing shrinkage of defense-based industries -- we can expect immigration-related problems to continue to emerge and public concern to escalate in parallel. For example, in 1990 when our system for admitting legal immigrants and nonimmigrants was last revised, the national unemployment rate stood at 5.5 percent. It subsequently grew much higher and has -- despite recent improvements -- stubbornly remained at a level near 7 percent.

We have already begun to see signs of growing problems. We have read recurring reports involving lay-offs of highly-skilled U.S. workers -- e.g., computer programmers, analysts, and engineers -- who it appears are sometimes being replaced by lower cost foreign workers. These abuses often occur under non-immigrant programs which were supposed to be designed to preclude such employment (see attached news clips). CBS's 60 Minutes is currently producing a story on just such effects. And Congressman Smith (R-TX) has recently introduced legislation (see attachment) to link the ceiling on admissions of immigrants to the national unemployment rate.

III. Department of Labor Response

To address these emerging problems, we are taking a number of steps to remedy abuses and strengthen protections for U.S. workers both in the short and longer terms.

In the short term:

- We have asked the Congress to change the Immigration and Nationality Act to allow us the discretion not to proceed with a controversial program (see attached news clip) to use general labor market information in determining the admissibility of certain employment-based permanent immigrants.

- We are also developing regulatory changes in certain employment-based immigrant and nonimmigrant programs for which we have some administrative responsibility to

strengthen protection of U.S. workers. These include measures to:

- Require employers to disclose terms and conditions of employment to H-1B workers.
- Limit employers' labor condition applications (LCAs) to a single geographic area.
- Require employers to identify the source of the prevailing wage information they use as the basis for paying their H-1B workers.
- Limit the kinds of deductions allowed to be taken from workers' pay.
- Clarify what kinds of cash payments qualify, and which do not, toward meeting an employers' wage payment obligations.
- Clarify, to broaden, the sources from which complaints of violations can be accepted.

For the longer term:

- We are encouraging other Departments, particularly State and Justice, to work with us to strengthen controls on the admission of certain categories of nonimmigrants who are not supposed to engage in employment in the U.S., but appear to be doing so in increasing numbers, in some cases in deplorable conditions.
- We have also started working with our colleagues in the INS and the USTR to explore the feasibility of certain legislative changes we would like to see enacted to further strengthen protections for U.S. workers and discourage employers from seeking nonimmigrant workers in certain cases. In the H-1B program alone, these include:

  MEASURES TO MANAGE THE NUMBER OF ADMISSIONS

  - Reduce the H-1B cap of 65,000 admissions per year on an annual basis by 2,000 for each one-tenth of one percent that the national unemployment rate exceeds the rate when the current H-1B provisions were enacted (5.5%). The 65,000 cap would remain the ceiling if the national unemployment rate were to drop below 5.5 percent.
  - Establish a separate "cap" per employer to limit H-1B admissions so that the employer's use of nonimmigrant workers in all categories does not exceed a fixed percentage -- e.g., 10 percent -- of the employer's

total workforce, <u>or</u> its workforce at any single work site.

- Limit H-1B period of stay to three (3) year duration, as opposed to the current six year duration.

- Disallow H-1B workers to adjust status to permanent residency or adjust to another legal nonimmigrant status until the worker has left the country for a minimum period of time (six months to two years).

MEASURES TO MANAGE THE "MIX" OF WORKERS ADMITTED

- Establish a pre-admission requirement that employers seeking H-1B workers attest that they have unsuccessfully recruited for U.S. workers for the target position(s) for some period of time -- e.g., 60 days.

- Establish authority for DOL to reject H-1B LCAs for occupations in which a labor surplus can be shown to exist.

- Raise the qualifications for H-1B admission eligibility to require a Masters degree or equivalent, as opposed to a Bachelors degree.

MEASURES TO BETTER PROTECT U.S. WORKERS

- Add "no lay-off" (past and duration) attestation provisions.

- Add requirement for employer to attest to taking timely and significant steps to develop, recruit, and retain U.S. workers in the occupations for which H-1B admissions are sought.

- Add provision that employers using H-1B workers obtained through contract must file separate attestation and be jointly liable for compliance with all attestation elements.

- Provide subpoena authority for enforcement.

- Allow directed, as opposed to only complaint-based, investigations.

- Add debarment penalty for failure to cooperate in DOL investigations or discrimination against individuals cooperating in investigations.

- Authorize DOL to reject LCAs where the wage promised is clearly less than that which prevails for the occupation in the area of employment.

- Require employers to pay H-1B workers in U.S. currency in the U.S., and to pay the cost of round-trip travel for any H-1B workers.

While we intend to pursue these and likely other steps in coming months, we realize that this issue extends well beyond the Labor Department and poses potentially serious problems for the Administration. We stand ready to assist this process in any way we can.

cc: RAHM EMANUEL
DAVID GERGEN
BOB RUBIN
MARK GEARAN
GENE SPERLING
GEORGE STEPHANOPOLOUS

THE PRESIDENT HAS SEEN 7/9

A Language Barrier Is Erected in Place Of a Trade Barrier

* * *

U.S. Negotiators Aren't Sure Whether Pact With Japan Is Meaningful or Significant

By BOB DAVIS
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – What's the value of a trade deal? A lot less, apparently, when it's expressed in Japanese.

After nearly a week of haggling, the U.S. and Japan agreed – in English, at least – that Japan will pursue a "highly significant" reduction in its trade surplus with the rest of the world. The deal was negotiated "word by word by comma," says Bowman Cutter, the chief U.S. negotiator with Japan.

All those words were in English, the language the two sides used during negotiations.

Then something got lost in translation. Specifically, "highly significant" became a lot less so in the Japanese version. Tokyo's negotiators used the words *jubun iminoaru*, which translates to a "sufficiently meaningful" reduction in the surplus. The negotiators didn't spell out just how much the trade surplus should shrink–in either language.

Given the differences between English and Japanese, trade talk is always tricky. But skeptics see the translation as an effort to water down the deal the U.S. thought it achieved. "When I looked at this, I said 'Here we go again,'" says Clyde Prestowitz, who negotiated semiconductor deals with Japan during the Reagan years. He figures that Japan's warring ministries slipped in the ambiguous phrase so they could claim the deal means what they say it means. Or as Humpty Dumpty would put it: "When I use a word it means just what I choose it to mean–neither more nor less."

Mr. Cutter, meanwhile, says he first learned of the discrepancy last week, after returning, dog-tired, from the negotiations. In Tokyo, staffers from the U.S. trade representative's office reviewed the Japanese translation and highlighted in red ink any phrase they thought didn't adequately represent the English term. But they somehow missed this one.

"Since when did you learn to speak Japanese?" asked one U.S. negotiator, a bit defensively, when the difference between the two texts was pointed out.

Seiichiro Noboru, economics minister at the Japanese Embassy here, assures that the English version is the "authentic text."

Well, maybe. A former U.S. trade negotiator with long experience in Japan says that after the Tokyo talks, Japan's Ministry of International Trade and Industry prepared a document–in Japanese–that explained what "sufficiently meaningful" really means. The answer: enough of a drop in the surplus to ward off protectionist sentiments abroad. In an odd way, he says, Japan's ambiguous language invites Washington to amplify its trade threats in order to prod Japan "sufficiently" to reduce its trade surplus "meaningfully."

U.S. Considers Tighter Curbs On Airlines

By DANIEL PEARL
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON–A federal commission studying the airline industry is moving toward recommending tighter government regulation of financially troubled airlines.

Members of the Commission to Ensure a Strong Competitive Airline Industry are pursuing the establishment of an independent agency that would review airlines for warning signs of collapse, people close to the commission said. An independent agency, among other things, could bar a struggling airline from launching fare wars to raise quick cash.

Proponents of tighter financial regulation, however, are likely to face hurdles within the panel, because some members view financial-fitness reviews as a costly and unnecessary layer of regulation.

After months of hearing testimony, the commission is scheduled to meet today to start producing its recommendations. Members worked in private through the weekend to write a draft of proposals.

People familiar with the deliberations said the proposals would include privatizing some functions of the Federal Aviation Administration, exempting airlines from any new fuel tax, and permitting foreign companies to acquire as much as 49% of a U.S. airline, as long as their governments give U.S. carriers more landing rights. Currently, federal law restricts foreign ownership to 25% for voting control and 49% for equity. A spokesman for the commission declined to comment yesterday.

Congress and the Clinton administration named the 15-member commission earlier this year in reaction to worsening airline-industry losses. It is doubtful, however, that many of the commission's proposals would spur quick legislative action. For one thing, the commission's final report isn't due until Aug. 20 – too late to influence current budget deliberations.

In addition, the airline industry itself is split on many issues. The commission, for example, apparently has ditched a proposal giving airlines government-guaranteed loans to upgrade their fleet with quieter planes; some airlines are worried that such subsidies might lower the value of their existing fleets.

The government's treatment of weaker carriers has also been a tricky issue. AMR Corp.'s American Airlines has asserted that weak carriers have used Chapter 11 bankruptcy-court protection to launch price-cutting attacks that weaken the whole industry. But commission members have been wary of trying to propose sweeping reform of bankruptcy laws. In some cases, carriers such as now-defunct Eastern Airlines have launched damaging fare

Please Turn to Page A4, Column 2

Panel Moves Toward Urging More Control Of Troubled Airlines

Continued From Page A3

wars before seeking protection under Chapter 11.

Felix G. Rohatyn, a commission member and senior partner of the investment-banking firm Lazard Freres & Co., has pushed financial-fitness reviews as a "buffer" before bankruptcy proceedings. The Transportation Department has performed similar reviews in the past, but focused on whether a carrier's financial strength was hurting its own safety record. And the department has been criticized for not bearing down harder on Eastern before the airline's demise.

Herbert D. Kelleher, who as chairman of Southwest Airlines is the only passenger-airline representative on the commission, has expressed doubts about tougher financial reviews. He told fellow members that Southwest would have been declared "unfit and technically bankrupt" if financial-fitness standards were in place in 1971 or 1972; it is now the industry's only profitable big player.

And some government officials contend tighter financial reviews could conflict with the Clinton administration's desire to have as many airlines operating as possible.

Still, Transportation Secretary Federico Pena, when asked last week about a possible financial-review proposal, said, "We're open to creative ideas."

Tony
What did you do?
B

51

To Carol [redacted] THE PRESIDENT HAS SEEN 7/19

STUDIES SAY SOOT KILLS UP TO 60,000 IN U.S. EACH YEAR

CALL TO REDIRECT EFFORTS

Little Is Spent on Particles That Harm Mostly Young, Elderly and Those With Asthma

A1

By PHILIP J. HILTS

Special to The New York Times

WASHINGTON, July 18 — Several studies have concluded that tens of thousands of deaths are being caused in the United States each year by a form of air pollution that for the most part falls within current legal limits: tiny particles of soot that are inhaled.

Rough calculations emerging from studies at the Environmental Protection Agency and the Harvard School of Public Health suggest that 50,000 to 60,000 deaths a year are caused by the particle pollution, a far larger number than any other form of pollution and one that rivals the death toll from some cancers.

The deaths occur mostly among children with respiratory problems, people of all ages with asthma and the elderly with illnesses like bronchitis, emphysema and pneumonia.

Sources of Particles

The new findings, disclosed gradually over the last two and a half years, will require environmental scientists and industries to re-evaluate their approaches to air pollution, and will probably require the Federal Government to rewrite its standard for particle pollution. The troublesome particles are mainly thrown into the air by industrial plants, with a small proportion coming from the exhausts of diesel vehicles.

Paul Portney, vice president of Resources for the Future, a not-for-profit environmental research group, said that of the $35 billion a year the nation spends for all its scrubbers, catalytic converters and other air-pollution control efforts, only a fraction is directed toward the small particles, which are 10 microns or smaller in diameter. (By comparison, a human hair is about 75 microns in diameter.)

Only one-third of all air pollution expenditures go to remove particles, and most of that goes to decades-old efforts like devices on power plants that catch only particles larger than 10 microns in diameter.

Need to Review Standard

Regulatory effort has been focused more on other types of pollution, like ozone and sulphur dioxide, that have been shown to damage health; it is uncertain whether they cause death. It is believed that indoor air pollution like second-hand cigarette smoke and radon cause the greatest health damage among pollutants, apart from the particles. Each is estimated to cause 5,000 or more cancers a year.

Representative Henry A. Waxman, the California Democrat who heads the

Continued on Page A16, Column 1

House Subcommittee on Energy and the Environment, said: "The E.P.A. must now undertake a thorough review of the particle standard. The agency under the Bush Administration never even got started with the legal requirements that this standard be reviewed. By law it should have been finished last year."

Ronald H. White, director of environmental health for the American Lung Association, said the evidence for deaths due to particle pollution was now great enough that the association would soon sue the E.P.A. in hope of getting the agency to revise its standard and begin stricter enforcement of it.

But some scientists say the evidence is not yet good enough to make policy decisions. The evidence is based on epidemiological studies, which cannot conclusively establish a cause-and-effect relation between a substance and its health effect; for that, detailed biological studies of the effect of substances on the tissues themselves are needed.

Dr. Jonathan Samet of the University of New Mexico said: "What is missing is understanding the biological basis of the effect they are describing. We shouldn't make major policy decisions about causes of death based on the kind of evidence we have so far.

"The effects are not massive, not like the London fog of 1952 in which thousands of people died, but are more subtle. Before we make the big decision to control particles more, with the costs of doing that, we need to fill out the story more. We need to do actual exposure studies with people to see how particles affect them."

Dr. Samet said he believed that there still might be other ways of explaining the deaths linked to pollution — for example, combinations of factors like respiratory illness, coming with a heat wave, at the same time as a pollution episode.

'Need for More Data'

Rob D. Brenner, chief of policy in the E.P.A.'s air pollution office, said: "We have a real concern about the new data. If it turns out that recent analyses show that particles are the much more significant problem than they seemed to be, our efforts to control particles and our acid rain initiatives will not be enough. We will have to do more." But he added that there was now a debate within the agency about what to do.

The E.P.A. missed last year's deadline to review and update the particle standard. It appears that unless a significant policy change occurs soon, the delay will continue for some time.

"One of the things we feel on the research side very strongly is the need for more data," said Dr. Peter W. Preuss, the E.P.A.'s director of policy for the Office of Research and Development. But because of limited manpower in agency laboratories, he said, "I'm not sure we are going to do any of that research soon."

In early budget estimates, the E.P.A. has not set aside money to review the particle standard for the next fiscal year, but the agency is planning to spend $10 million to revise the ozone standard.

Particles have been among the most obvious and longest-known forms of pollution. During times of stagnant air, the particles make a haze or fog that blankets cities or rural valleys. Such pollution has been recorded as early as the 17th century in England. Among the most famous episodes was the London pea soup of 1952 that killed 4,000 people in a few days.

Difficult to Study

But particle pollution has been relatively neglected and difficult to study. Particles of all kinds are in air, so the polluted substance that must be studied is "urban air," a hodgepodge with clumps that vary in size and chemical makeup and that change from one location to another and from day to day.

This makes for a messy experiment when researchers try to expose animals to "urban air" in a laboratory. In addition, it has been difficult to separate the components of air pollution because sulfur dioxide, ozone and soot all tend to be pumped into the air together and are present when samples are taken.

Thus, until now, particle pollution has been relatively neglected while other types of pollution like ozone and sulfur dioxide have been much scrutinized.

The discovery that particles are the worst type of air pollution was eventually made because of several coincidences.

There is believed to be only one place in the United States that has a very large amount of pollution that is made up almost entirely of particles, while being low in ozone and sulfur dioxide. In this place, Utah Valley, there is only one large source of pollution, a steel mill, which was operated continuously for years, then shut down for a year because of a strike, and then turned on again.

Because the area has long had hospital admission records and others computerized, the Utah Valley has become sort of an experiment designed specifically to discover the effect of particle pollution.

Into this ready-made experiment came Dr. C. Arden Pope 3d, an environmental economist at Texas A & M University who moved to Provo, Utah, a few years ago.

Brown Cloud in the Sky

"It was clear that Utah Valley had a pollution problem," Dr. Pope said. "I could see it in the air: in the winter time there is a combination fog and smog, sort of a brown cloud hanging in the air."

Dr. Pope checked hospital admissions before, during and after the steel mill strike, and compared those to the level of small particles in the air. This kind of pollution is the most worrisome because it can be breathed into the lungs; it consists of particles 10 microns or smaller in diameter.

He saw that the admissions to the hospital for respiratory-related illnesses like pneumonia and asthma jumped

Tracking Breathable Particles in the Air

Micrograms per cubic meter of air of suspended particles that are 10 microns or less in diameter in selected metropolitan areas in 1990.

AREA	HIGH*	AVG.
Anaheim-Santa Ana, Calif.	108	48
Atlanta, Ga.	110	51
Chicago	149	45
Detroit	114	35
Los Angeles-Long Beach	132	55
Minneapolis-St. Paul, Minn.-Wisc.	140	34
New York	103	37
Oakland, Calif.	118	33
Pittsburgh	191	43
Riverside-San Bernardino, Calif.	278	80
St. Louis	164	82

*The E.P.A. treats the reading from the highest day as a statisitcal anomaly and reports the reading for the second highest day of the year.

Source: Environmental Protection Agency

50 percent to 90 percent during the times the particle pollution was above 50 micrograms of breathable particles for each cubic meter of air, and dropped when the plant was closed and fewer particles were in the air. The Federal Government's standard does not consider air hazardous until it reaches 150 micrograms of such particles per cubic meter.

At the E.P.A., Dr. Joel Schwartz, the lone epidemiologist among scores of toxicologists, noticed the report, which was published in The American Journal of Public Health.

Dr. Schwartz also found that another scientist, Dr. Douglas W. Dockery of the Harvard School of Public Health, had carried out studies of daily pollution levels in six Eastern cities. There, the particle pollution had been measured every day, an unusually good record since the Federal Government requires only one measurement a week.

Soon the three scientists were working together, carrying out their own studies in Utah; Steubenville, Ohio, and Philadelphia, as well as digging up data from other cities.

Decline in Lung Capacity

In Utah, further studies found that children's breathing, as measured by a spirometer, was reduced when particle measurements were high: they lost about 6 percent of capacity if the pollution went up to the legal limit of 150 micrograms. They found a decline of about 3 percent in lung capacity of adults for each 100 micrograms measured in the air.

The three scientists also found that the death rate in Utah rose in proportion to particles in the air, on a steady slope in which each 100 micrograms of particle pollution increased the death rate 16 percent.

The pollution during this period was steadily below the legal limit, and averaged 47 micrograms, less than a third of the Federal standard.

They also found that particles were directly linked to health effects and the increasing or decreasing of ozone or sulfur dioxide were not.

The scientists also noted that the effects of high particle levels were noted immediately, on the first day of high levels, and trailed off after several days of lower levels.

In Steubenville, from 1974 to 1984, they found a steady rise in deaths of 4 percent for every 100 micrograms of particle pollution, at the same time no association was found with ozone pollution.

In St. Louis, deaths increased 16 percent for each 100 micrograms of particles, and in a study in East Tennessee, deaths increased 17 percent for each 100 micrograms. In both these studies, death rates were increased somewhat in association with sulfur dioxide and ozone, but at levels far smaller than the association with particles.

One of the largest studies, looking at particle pollution and deaths between 1973 and 1980 in Philadelphia, found that deaths increased about 7 percent for each 100 micrograms of particles, and 5 percent with each 100 micrograms of sulfur dioxide.

All of the studies were designed to take into account other factors that might have explained lung problems, including other pollutants, smoking, and extremely hot or cold weather.

Despite the apparent large threat of particle pollution, Dr. Schwartz said he was optimistic that the E.P.A. could reduce the pollution with relatively small economic damage to the country.

"If we consider how much protection we can get for our money, we can do a lot with a relatively small investment," Dr. Schwartz said. He said that taking particles out of smoke stack emissions was relatively cheap, and some newer devices like "bag houses," filter-lined bags like vacuum cleaner bags, now can draw as much as 99 percent of particles out of the air without companies having to expend great sums on catalytic converters.

THE NEW YORK TIMES, MONDAY, JULY 19, 1993

THE PRESIDENT HAS SEEN 7/19

THE WHITE HOUSE

WASHINGTON

'93 JUL 16 P10:31

July 16, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN

SUBJECT: **G-7 Follow-up Conference on Structural Unemployment**

In accordance with your promise to read any memorandum that a Cabinet member writes to you, the attached memorandum from Ron Brown is being forwarded to you.

Bob Reich, Laura Tyson and I are in the process of developing a memorandum for you on various process options and substantive issues regarding the follow-up on your call for a meeting of G-7 labor and economic officials on structural unemployment.

My guess is that, in the end, we will recommend a relatively low-key approach to a follow-up meeting, but that prejudgment may turn out to be incorrect.

We will obviously include in the process Ron Brown at Commerce, and other agencies like Treasury and State that want to be involved, once the process is designed and you have given us some guidance in accordance with our decision memorandum.

Good

Attachment

C.C. The V.P.
MACK
DAVID GERGEN
George S.
TONY LAKE

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

JUL 12 1993

MEMORANDUM FOR THE PRESIDENT

FROM: THE SECRETARY OF COMMERCE

THROUGH: Robert Rubin

SUBJECT: The Jobs Summit

Your successful call for a G-7 Jobs Summit this year will be a major step towards focusing world attention on the relationship between prosperity and job creation.

The two do not always go hand in hand. In the last twenty years the United States has added about 35 million jobs to our economy (50% of the population now works as compared to 40% in 1973). But family incomes have remained stagnant, indeed the real earnings of the total non-agricultural workforce have declined 12% since 1969. That is, we have more jobs - but not much progress on our standard of living. Conversely, in recent months, there has been modest progress towards recovery but no substantial impact on job creation.

It might be possible for a short time to create new jobs without much economic growth -- but it is impossible to have sustained economic growth without jobs. Long-term structural unemployment signals serious difficulty with our economy.

That is why I am looking forward to working with you in preparation for, and at, the Jobs Summit. You have said, quite correctly, that we must search for the reasons of persistent unemployment.

The redefined mission of the Department of Commerce (to ensure and enhance economic opportunity and a rising standard of living for the American people) puts it squarely at the confluence of trade and technology policy. Our trade policy will open foreign markets so that American companies can compete. Technology policy is designed to ensure that American companies are capable of competing globally once foreign markets are open. One without the other would be ineffective. Both, together, form an important path to job creation. Prior to your election, the government failed at both -- it placed insufficient emphasis on foreign market access <u>and</u> on the commercialization of technology.

Recently, some have wondered whether increased technology, and its associated technology gains, will actually increase employment. We are hearing echoes of the debate that began in the 1960s -- will machines replace people?

The answer is "No." Machines v. People is a false choice -- just like the false choice between the environment and the economy. In this era, workers need technology to be competitive globally. And high-tech industries will need educated, motivated workers to provide high-quality sophisticated goods.

The joint benefit of combined technology and trade policies is the way out of the false paradox.

Technology, particularly advanced manufacturing technology, will empower workers and create new industries. It will do so, first, by decreasing the emphasis on wage rates as the sole basis of where jobs are located. If wage rates were the only basis for the location of manufacturers, all of these jobs would already have left the United States. But they haven't -- and we've seen an upsurge in quality in the products, like automobiles, being manufactured here.

Why? Because superior technology contributes to higher rates of economic growth. The presence of technology, including R&D, generic technologies and commercialization, helps to support the "clusters" (to use Michael Porter's characterization) that in turn support American workers -- and create American jobs.

Second, technology creates new industries. The invention of the automobile in the late nineteenth century was obviously a good thing. But it was the widespread commercialization of the automobile in this century that created millions of jobs. Consumer electronics and computers exemplify the more recent creation of new industries. As the enclosed article from today's Wall Street Journal demonstrates, the challenge for the United States is to make sure that commercialization of technology happens here.

Third, continuous innovation itself provides on-the-job training. Much needs to be done, as Secretary Reich is doing, to ready workers for employment. But, as you and he recognize, training cannot end on the first day of work. The introduction of advanced technologies into the workplace not only improves products and processes, it also continues the education and training of working Americans. Because new technologies are introduced, workers must continue to learn.

In sum, technology in the American marketplace is a powerful tool of job creation. That's where my Department's attention is focused. Our efforts span the technological spectrum, but three areas deserve particular attention:

(i) R&D -- growth of the ATP program will boost the prospects for the commercial development of civilian technology,

(ii) Manufacturing -- including, of course, your plan for a national network of manufacturing extension centers,

(iii) Information Infrastructure -- the inter-agency task force I am leading will devise a national strategy to serve all sectors of the economy, including, of course, the growing services sector.

Winning at home requires that we be able to win abroad as well -- hence the connection between trade and technology.

I believe your achievements last week in Japan might well set the stage for a new era in trade. My own emphasis will be on the micro-economic level -- the promotion and assistance of U.S. exports.

Exports are critically important to our economic health. Almost 60% of all U.S. growth in the last three years came from increased exports of goods and services. During that same time period, U.S. exports to China grew by 29%, to Mexico by 62% and to key South American countries (Argentina, Brazil and Chile) by 79%.

Nonetheless, there is more to be done. The lowering of the dollar has, of course, created a more favorable position for our exporters. But the beneficial effects of the lower dollar are countered by weak worldwide demand. That means that if exports are going to continue to bolster U.S. growth, U.S. businesses will have to enter new markets and more U.S. businesses will have to become exporters.

The Trade Promotion Coordinating Committee, which I chair, is formulating a national export strategy that will be presented to you and to Congress by September 30th. We are focusing on removing obstacles to export (like overly-burdensome export controls), providing greater assistance (including information and counseling) to U.S. exporters, and improving governmental financing assistance.

A particular emphasis of the TPCC will be on high-technology, high-value products, which translates into real worker gains. Laura Tyson has noted that in 1989, for example, the average annual compensation in the high-technology sector of manufacturing was 22 percent above the average for manufacturing as a whole.

We will also be carrying forward your direction to devise a strategy to increase environmental exports and, perhaps most importantly, we will be reviewing the manner in which the federal government allocates its financial resources for export promotion.

In sum, trade and technology add up to a pro-jobs economic strategy. That is why I look forward to working on the Jobs Summit. To that end I believe that it would be helpful to establish, through the NEC, a formal process by which we can coordinate economics, education and labor issues -- and direct the research towards finding out why unemployment has remained at such stubbornly high levels.

WALL STREET JOURNAL

July 12, 1993

The Outlook

U.S., Japan Focusing On Electronic Gear

TOKYO

Americans innovate, Japanese manufacture. For decades, that reality has undercut U.S. companies as Japanese firms took over one field after another, from TVs to memory chips. Now a new generation of U.S. technology is about to hit the market, and Japan's firms are again gearing up to make the devices.

Is history about to repeat itself?

America's high-tech companies say no, this time they are calling the shots.

But the reality isn't quite so simple, and may not be a boon for U.S. trade with Japan. Sales of the new consumer electronics may boost the profits of U.S. companies. Yet job growth in the U.S. may suffer. What is more, this much-heralded "comeback" of U.S. electronics firms could even fatten Japan's huge trade surplus — a chief topic at last week's summit of world leaders in Tokyo.

Trade in electronics makes up the second-largest chunk of Japanese exports, just behind autos and auto parts. In 1992, Japan's electronics exports to the U.S. rose to a record $30.4 billion, according to the American Electronics Association. The sector accounted for nearly 32% of Japan's total exports to the U.S., as well as $22.3 billion of the $43.6 billion bilateral trade imbalance.

What is worse, Japan's trade surplus in electronics is a "structural" surplus made up largely of gadgets and parts U.S. companies don't tend to make. "Until we do something about making camcorders, flat-panel displays, and other things that we import because there's no real domestic source, we're never going to get rid of our trade deficit with Japan," says John Stern, head of AEA's Tokyo office.

The Japanese agree. "The Japanese trade surplus is increasing because both countries' industrial structures are strongly integrated," says an economist at Japan's Ministry of International Trade and Industry.

Now enter the much-anticipated "digital revolution" in consumer electronics, which is supposed to marry computing and communications technology—U.S. strengths—with consumer products — a Japanese strength. Two major categories are taking shape: "personal communicators," hand-held devices that offer both cellular-telephone and computer functions, and "multimedia players," which offer sound, graphics and video for games and education. The potential market could be huge. Dataquest Inc. estimates sales just of personal communicators in the U.S. alone will hit 3.6 million units in 1997; early versions of the product are priced around $1,000 and more.

While U.S. firms lead in development in both areas, they need broad markets. "We aren't big enough to do it by ourselves," says Richard Bodman, director of corporate strategy for American Telephone & Telegraph Co., which sells a personal communicator called the Eo. To build a customer base, "the most expeditious way is to work with foreign companies."

That means signing up Japanese firms to make the products U.S. companies design. AT&T provides key hardware and software for the Eo — but Matsushita Electric Industrial Co. makes the final device. Similarly, Apple Computer Inc. won't make the first version of the Newton, its own personal communicator — Osaka-based Sharp Corp. will. In both cases, the Japanese companies have the right to develop and sell their own versions of the hardware.

Likewise, Matsushita plans to sell a multimedia home video-game machine based on a design by 3DO Co., a California start-up part-owned by Matsushita. Toshiba Corp., too, hopes to enter the multimedia market with a product designed to run Apple software.

By creating new export markets for Japanese firms, these arrangements may only worsen the trade imbalance. "If American companies can't produce these things, we'll have a built-in structural deficit," says John Zysman, a co-director of the Berkeley Roundtable on the International Economy. Royalties and licensing fees paid the U.S. firms will count against those exports, but it is hard to calculate in advance whether that will leave the U.S. ahead or behind.

U.S. companies argue that by producing crucial parts for these devices — mostly software and specialized chips — they will reap higher profits that will lead to further innovation. "If we're developing new products, and if we work with companies who can develop markets, the revenues will come back to our company, where they'll be invested in new products that create more jobs," says AT&T's Mr. Bodman.

Some critics aren't reassured. Ideally, U.S. companies should "conceive things, do the design, manufacture the products, and provide jobs," contends Clyde Prestowitz, a former U.S. trade negotiator. "We may be getting ourselves into a situation where a small group of elite U.S. workers are doing well out of this arrangement while most of the jobs are going somewhere else."

"You can end up with companies that do well and a country that doesn't," adds Mr. Zysman.

U.S. companies also could lose control of the technology. "Certainly previous experience isn't encouraging in that regard," says Richard Lester, director of MIT's Industrial Performance Center. "In an earlier era, American companies made similar decisions, and allowed the Japanese into the zone of know-how by doing just this."

While firms like AT&T and Apple say they will use the law to protect intellectual property, "it's very hard to control what you don't produce" in the way of final product, says Michael Borrus, another co-director of the Berkeley Roundtable. "The strongest U.S. companies are those that haven't just retained their software but also have a significant presence in manufacturing."

—DAVID P. HAMILTON

THE PRESIDENT HAS SEEN
7/19

THE WHITE HOUSE

WASHINGTON

July 16, 1993 93 JUL 16 P10:31

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN

SUBJECT: **Secretary Reich Memorandum on Immigration**

Bob Reich has written the attached mrmorandum on immigration, and, in talking with Bob, we both felt you would like to see it.

Most immigration issues are under the purview of the National Security Council, but some of these issues have significant employment and economic impacts. Bob and I feel that the issues raised in his memorandum will require some small administrative process and response. There is no action for you to take at this time, and we will follow up in organizing the necessary process and response.

Attachment

I like this as
part of our overall
immigration response -
some action within
area clearly warranted -

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

MEMORANDUM FOR THE NATIONAL ECONOMIC COUNCIL

FROM: ROBERT B. REICH

SUBJECT: U.S. Immigration Policy and its Workforce Effects

I. The Problems

In assessing immigration policy, three labor market issues are paramount:

(1) There is concern that the large number of immigrants during a sustained period of high unemployment may be affecting the employment opportunities of U.S. workers. These concerns are sometimes exaggerated, but may be on target in areas or occupations in which immigrants are intensively concentrated. Labor market effects should be considered when evaluating the overall impact of immigration policies.

(2) Immigrants are often subjected to abusive working conditions. These conditions can be particularly deplorable for illegal immigrants but there is increasing evidence that legal temporary nonimmigrants are being subject to abuse as well.

(3) There is also increasing evidence that certain features of temporary nonimmigrant employment programs are functioning poorly and leading to unintended consequences. Because of the Department of Labor's administrative responsibilities for aspects of these programs, abuses associated with these programs are of particular concern to us. Many of the abuses have occurred under the H-1B program[1].

- In Massachusetts, one firm has filed applications for more than 1,100 H-1B computer programmers and analysts after having announced and started to lay-off more than 1,600 U.S. workers, many in the same occupations.

[1] The H-1B program allows admission of "professional" nonimmigrants for temporary employment in "specialty occupations."

- From October 1991 to May 1993, there were at least ten California computer companies that laid off from 100 to 2,000 workers but each applied for at least 25 H-1B visa slots.

- We have found systematic underpayments of required wages in most of the H-1B investigations we have conducted. Recent immigration reforms may have made it easier for such abuses to occur.

- While annual H-1B admissions are capped at 65,000, one university alone has filed applications for 10,000 such workers.

- We have also seen reports, especially from California, that individuals admitted as "visitors for business" under B-1 visas are circumventing the H-1B program and also are replacing U.S. workers in the computer industry in large numbers, mostly through out-sourcing arrangements with job contractors. This nonimmigrant program is administered by INS and the Department of State.

II. Background

In FY 1992, we estimate that at least several million people entered the United States who could become active labor market participants:

- There were nearly one million permanent immigrants, the vast majority of whom were adults. Most of these immigrants were not admitted through employment programs.

- There were 4.3 million temporary nonimmigrants admitted into the country who could potentially have some connection to the labor market. Of these, 2.8 million were temporary admissions for business (many of whom were in the country for very short periods of time or were repeat visitors). More than 400,000 of the temporary nonimmigrants were explicitly admitted as workers.

- In 1989, it was estimated that there were two million undocumented immigrants in the United States. This figure is almost certainly higher today. Some of these illegal migrants are children, but most are presumably part of the labor market.

- Overall, the proportion of immigrants legally admitted specifically for employment purposes is relatively small -- representing only about 10 percent of the 5.3 million legal

permanent and temporary admissions -- but many more migrants are active in the labor market.

During the 1980s, as the economy grew and new (albeit relatively low wage) jobs were being created, the influx of large numbers of migrants to the U.S. caused relatively little public concern. Moreover, the economic activity, talents, and drive of these new entrants can substantially benefit the U.S. economy and create the potential for economic growth.

As the economy changed in recent years, however, and in light of current trends in downsizing of industries that require a relatively highly-skilled workforce -- exacerbated by the continuing shrinkage of defense-based industries -- we can expect immigration-related problems to continue to emerge and public concern to escalate in parallel. For example, in 1990 when our system for admitting legal immigrants and nonimmigrants was last revised, the national unemployment rate stood at 5.5 percent. It subsequently grew much higher and has -- despite recent improvements -- stubbornly remained at a level near 7 percent.

We have already begun to see signs of growing problems. We have read recurring reports involving lay-offs of highly-skilled U.S. workers -- e.g., computer programmers, analysts, and engineers -- who it appears are sometimes being replaced by lower cost foreign workers. These abuses often occur under non-immigrant programs which were supposed to be designed to preclude such employment (see attached news clips). CBS's 60 Minutes is currently producing a story on just such effects. And Congressman Smith (R-TX) has recently introduced legislation (see attachment) to link the ceiling on admissions of immigrants to the national unemployment rate.

III. Department of Labor Response

To address these emerging problems, we are taking a number of steps to remedy abuses and strengthen protections for U.S. workers both in the short and longer terms.

In the short term:

- We have asked the Congress to change the Immigration and Nationality Act to allow us the discretion not to proceed with a controversial program (see attached news clip) to use general labor market information in determining the admissibility of certain employment-based permanent immigrants.

- We are also developing regulatory changes in certain employment-based immigrant and nonimmigrant programs for which we have some administrative responsibility to

strengthen protection of U.S. workers. These include measures to:

- Require employers to disclose terms and conditions of employment to H-1B workers.
- Limit employers' labor condition applications (LCAs) to a single geographic area.
- Require employers to identify the source of the prevailing wage information they use as the basis for paying their H-1B workers.
- Limit the kinds of deductions allowed to be taken from workers' pay.
- Clarify what kinds of cash payments qualify, and which do not, toward meeting an employers' wage payment obligations.
- Clarify, to broaden, the sources from which complaints of violations can be accepted.

For the longer term:

- We are encouraging other Departments, particularly State and Justice, to work with us to strengthen controls on the admission of certain categories of nonimmigrants who are not supposed to engage in employment in the U.S., but appear to be doing so in increasing numbers, in some cases in deplorable conditions.
- We have also started working with our colleagues in the INS and the USTR to explore the feasibility of certain legislative changes we would like to see enacted to further strengthen protections for U.S. workers and discourage employers from seeking nonimmigrant workers in certain cases. In the H-1B program alone, these include:

  MEASURES TO MANAGE THE NUMBER OF ADMISSIONS

  - Reduce the H-1B cap of 65,000 admissions per year on an annual basis by 2,000 for each one-tenth of one percent that the national unemployment rate exceeds the rate when the current H-1B provisions were enacted (5.5%). The 65,000 cap would remain the ceiling if the national unemployment rate were to drop below 5.5 percent.
  - Establish a separate "cap" per employer to limit H-1B admissions so that the employer's use of nonimmigrant workers in all categories does not exceed a fixed percentage -- e.g., 10 percent -- of the employer's

total workforce, <u>or</u> its workforce at any single work site.

- Limit H-1B period of stay to three (3) year duration, as opposed to the current six year duration.
- Disallow H-1B workers to adjust status to permanent residency or adjust to another legal nonimmigrant status until the worker has left the country for a minimum period of time (six months to two years).

MEASURES TO MANAGE THE "MIX" OF WORKERS ADMITTED

- Establish a pre-admission requirement that employers seeking H-1B workers attest that they have unsuccessfully recruited for U.S. workers for the target position(s) for some period of time -- e.g., 60 days.
- Establish authority for DOL to reject H-1B LCAs for occupations in which a labor surplus can be shown to exist.
- Raise the qualifications for H-1B admission eligibility to require a Masters degree or equivalent, as opposed to a Bachelors degree.

MEASURES TO BETTER PROTECT U.S. WORKERS

- Add "no lay-off" (past and duration) attestation provisions.
- Add requirement for employer to attest to taking timely and significant steps to develop, recruit, and retain U.S. workers in the occupations for which H-1B admissions are sought.
- Add provision that employers using H-1B workers obtained through contract must file separate attestation and be jointly liable for compliance with all attestation elements.
- Provide subpoena authority for enforcement.
- Allow directed, as opposed to only complaint-based, investigations.
- Add debarment penalty for failure to cooperate in DOL investigations or discrimination against individuals cooperating in investigations.

- Authorize DOL to reject LCAs where the wage promised is clearly less than that which prevails for the occupation in the area of employment.

- Require employers to pay H-1B workers in U.S. currency in the U.S., and to pay the cost of round-trip travel for any H-1B workers.

While we intend to pursue these and likely other steps in coming months, we realize that this issue extends well beyond the Labor Department and poses potentially serious problems for the Administration. We stand ready to assist this process in any way we can.

cc: RAHM EMANUEL
DAVID GERGEN
BOB RUBIN
MARK GEARAN
GENE SPERLING
GEORGE STEPHANOPOLOUS

THE PRESIDENT HAS SEEN
7/19

THE WHITE HOUSE

WASHINGTON

July 16, 1993 93 JUL 16 P10:31

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN

SUBJECT: **Secretary Reich Memorandum on Immigration**

Bob Reich has written the attached mrmorandum on immigration, and, in talking with Bob, we both felt you would like to see it.

Most immigration issues are under the purview of the National Security Council, but some of these issues have significant employment and economic impacts. Bob and I feel that the issues raised in his memorandum will require some small administrative process and response. There is no action for you to take at this time, and we will follow up in organizing the necessary process and response.

Attachment

I like this as
part of our overall
immigration response -
some action in this
area clearly warranted -

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

MEMORANDUM FOR THE NATIONAL ECONOMIC COUNCIL

FROM: ROBERT B. REICH

SUBJECT: U.S. Immigration Policy and its Workforce Effects

I. The Problems

In assessing immigration policy, three labor market issues are paramount:

(1) There is concern that the large number of immigrants during a sustained period of high unemployment may be affecting the employment opportunities of U.S. workers. These concerns are sometimes exaggerated, but may be on target in areas or occupations in which immigrants are intensively concentrated. Labor market effects should be considered when evaluating the overall impact of immigration policies.

(2) Immigrants are often subjected to abusive working conditions. These conditions can be particularly deplorable for illegal immigrants but there is increasing evidence that legal temporary nonimmigrants are being subject to abuse as well.

(3) There is also increasing evidence that certain features of temporary nonimmigrant employment programs are functioning poorly and leading to unintended consequences. Because of the Department of Labor's administrative responsibilities for aspects of these programs, abuses associated with these programs are of particular concern to us. Many of the abuses have occurred under the H-1B program[1].

- In Massachusetts, one firm has filed applications for more than 1,100 H-1B computer programmers and analysts after having announced and started to lay-off more than 1,600 U.S. workers, many in the same occupations.

[1] The H-1B program allows admission of "professional" nonimmigrants for temporary employment in "specialty occupations."

- From October 1991 to May 1993, there were at least ten California computer companies that laid off from 100 to 2,000 workers but each applied for at least 25 H-1B visa slots.

- We have found systematic underpayments of required wages in most of the H-1B investigations we have conducted. Recent immigration reforms may have made it easier for such abuses to occur.

- While annual H-1B admissions are capped at 65,000, one university alone has filed applications for 10,000 such workers.

- We have also seen reports, especially from California, that individuals admitted as "visitors for business" under B-1 visas are circumventing the H-1B program and also are replacing U.S. workers in the computer industry in large numbers, mostly through out-sourcing arrangements with job contractors. This nonimmigrant program is administered by INS and the Department of State.

II. Background

In FY 1992, we estimate that at least several million people entered the United States who could become active labor market participants:

- There were nearly one million permanent immigrants, the vast majority of whom were adults. Most of these immigrants were not admitted through employment programs.

- There were 4.3 million temporary nonimmigrants admitted into the country who could potentially have some connection to the labor market. Of these, 2.8 million were temporary admissions for business (many of whom were in the country for very short periods of time or were repeat visitors). More than 400,000 of the temporary nonimmigrants were explicitly admitted as workers.

- In 1989, it was estimated that there were two million undocumented immigrants in the United States. This figure is almost certainly higher today. Some of these illegal migrants are children, but most are presumably part of the labor market.

- Overall, the proportion of immigrants legally admitted specifically for employment purposes is relatively small -- representing only about 10 percent of the 5.3 million legal

permanent and temporary admissions -- but many more migrants are active in the labor market.

During the 1980s, as the economy grew and new (albeit relatively low wage) jobs were being created, the influx of large numbers of migrants to the U.S. caused relatively little public concern. Moreover, the economic activity, talents, and drive of these new entrants can substantially benefit the U.S. economy and create the potential for economic growth.

As the economy changed in recent years, however, and in light of current trends in downsizing of industries that require a relatively highly-skilled workforce -- exacerbated by the continuing shrinkage of defense-based industries -- we can expect immigration-related problems to continue to emerge and public concern to escalate in parallel. For example, in 1990 when our system for admitting legal immigrants and nonimmigrants was last revised, the national unemployment rate stood at 5.5 percent. It subsequently grew much higher and has -- despite recent improvements -- stubbornly remained at a level near 7 percent.

We have already begun to see signs of growing problems. We have read recurring reports involving lay-offs of highly-skilled U.S. workers -- e.g., computer programmers, analysts, and engineers -- who it appears are sometimes being replaced by lower cost foreign workers. These abuses often occur under non-immigrant programs which were supposed to be designed to preclude such employment (see attached news clips). CBS's <u>60 Minutes</u> is currently producing a story on just such effects. And Congressman Smith (R-TX) has recently introduced legislation (see attachment) to link the ceiling on admissions of immigrants to the national unemployment rate.

III. Department of Labor Response

To address these emerging problems, we are taking a number of steps to remedy abuses and strengthen protections for U.S. workers both in the short and longer terms.

In the short term:

- We have asked the Congress to change the Immigration and Nationality Act to allow us the discretion <u>not</u> to proceed with a controversial program (see attached news clip) to use general labor market information in determining the admissibility of certain employment-based permanent immigrants.

- We are also developing regulatory changes in certain employment-based immigrant and nonimmigrant programs for which we have some administrative responsibility to

strengthen protection of U.S. workers. These include measures to:

- Require employers to disclose terms and conditions of employment to H-1B workers.
- Limit employers' labor condition applications (LCAs) to a single geographic area.
- Require employers to identify the source of the prevailing wage information they use as the basis for paying their H-1B workers.
- Limit the kinds of deductions allowed to be taken from workers' pay.
- Clarify what kinds of cash payments qualify, and which do not, toward meeting an employers' wage payment obligations.
- Clarify, to broaden, the sources from which complaints of violations can be accepted.

For the longer term:

- We are encouraging other Departments, particularly State and Justice, to work with us to strengthen controls on the admission of certain categories of nonimmigrants who are not supposed to engage in employment in the U.S., but appear to be doing so in increasing numbers, in some cases in deplorable conditions.
- We have also started working with our colleagues in the INS and the USTR to explore the feasibility of certain legislative changes we would like to see enacted to further strengthen protections for U.S. workers and discourage employers from seeking nonimmigrant workers in certain cases. In the H-1B program alone, these include:

  MEASURES TO MANAGE THE NUMBER OF ADMISSIONS

  - Reduce the H-1B cap of 65,000 admissions per year on an annual basis by 2,000 for each one-tenth of one percent that the national unemployment rate exceeds the rate when the current H-1B provisions were enacted (5.5%). The 65,000 cap would remain the ceiling if the national unemployment rate were to drop below 5.5 percent.
  - Establish a separate "cap" per employer to limit H-1B admissions so that the employer's use of nonimmigrant workers in all categories does not exceed a fixed percentage -- e.g., 10 percent -- of the employer's

total workforce, <u>or</u> its workforce at any single work site.

- Limit H-1B period of stay to three (3) year duration, as opposed to the current six year duration.

- Disallow H-1B workers to adjust status to permanent residency or adjust to another legal nonimmigrant status until the worker has left the country for a minimum period of time (six months to two years).

MEASURES TO MANAGE THE "MIX" OF WORKERS ADMITTED

- Establish a pre-admission requirement that employers seeking H-1B workers attest that they have unsuccessfully recruited for U.S. workers for the target position(s) for some period of time -- e.g., 60 days.

- Establish authority for DOL to reject H-1B LCAs for occupations in which a labor surplus can be shown to exist.

- Raise the qualifications for H-1B admission eligibility to require a Masters degree or equivalent, as opposed to a Bachelors degree.

MEASURES TO BETTER PROTECT U.S. WORKERS

- Add "no lay-off" (past and duration) attestation provisions.

- Add requirement for employer to attest to taking timely and significant steps to develop, recruit, and retain U.S. workers in the occupations for which H-1B admissions are sought.

- Add provision that employers using H-1B workers obtained through contract must file separate attestation and be jointly liable for compliance with all attestation elements.

- Provide subpoena authority for enforcement.

- Allow directed, as opposed to only complaint-based, investigations.

- Add debarment penalty for failure to cooperate in DOL investigations or discrimination against individuals cooperating in investigations.

- Authorize DOL to reject LCAs where the wage promised is clearly less than that which prevails for the occupation in the area of employment.

- Require employers to pay H-1B workers in U.S. currency in the U.S., and to pay the cost of round-trip travel for any H-1B workers.

While we intend to pursue these and likely other steps in coming months, we realize that this issue extends well beyond the Labor Department and poses potentially serious problems for the Administration. We stand ready to assist this process in any way we can.

cc: RAHM EMANUEL
DAVID GERGEN
BOB RUBIN
MARK GEARAN
GENE SPERLING
GEORGE STEPHANOPOLOUS

THE PRESIDENT HAS SEEN 7/19

THE WHITE HOUSE

WASHINGTON

'93 JUL 16 P12:49

July 15, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: MARCIA L. HALE MLH
DAWN M. FRIEDKIN DMF

SUBJECT: BOYS AND GIRLS NATION

Due to their conflicting schedules, it was impossible to coordinate a common event time for both Girls and Boys Nation. Therefore, we make the following recommendation.

Girls Nation will come to the White House on Thursday July 22, 1993 as part of normal photo-op hour. They will have a half-hour on your schedule for a special Rose Garden ceremony. It is our hope to have you make brief remarks to them and then do a receiving line to ensure that each girl will leave the White House with a photograph with you.

Good

The 1993 Boys Nation class will join your 1963 reunion class on Saturday morning July 24, after the radio address, for a gathering in the Rose Garden similar to the one for the Girls Nation. Please realize that this is thirty years to the day that you met President Kennedy. They will have a special White House tour after the event.

We hope that this is all okay with you. We are unsure however, if you would like to participate in any of the other events of your reunion class. The schedule is as follows:

Option Friday, July 23	7:00 pm reception at the Hotel Washington
Saturday, July 24	11:00 am - 12:00 pm White House event
	Capital tour and visit to Arlington National Cemetery during the afternoon
	8:00 pm dinner at the Hotel Washington
Option Sunday, July 25	8:00 am breakfast at the Hotel Washington

This should be longer

Please let us know if you plan to participate in any of these other functions, or if you would like to host your class for any other events.

In which the editorial page radicalizes the debate on taxes

As the House and Senate confer on a massive budget reconciliation bill that may contain the largest tax increase in history; as Hillary Rodham Clinton's health care task force continues to labor in secret for fear that the price tag for the reform it will propose will scare the bejesus out of people; as we enter only Month Seven of a scheduled 48-month presidential term whose mission seems to be to separate as much money from people and deposit it in the coffers of government as is politically possible — well, this may seem like a strange time to talk about getting rid of taxes.

No, not decreasing taxes. Not a lower rate for capital gains. Not the end of the double taxation that results from corporate taxes. Not trading in the income tax for a consumption tax to encourage savings. Not a flat tax. If you think any of the preceding are too radical, too far out of the mainstream, to be taken seriously, you just might want to get off this train of thought here at The Washington Times editorial page even before we get to the next station. Because we are not going to be considering today such wimpy half-measures as the ones above. We are going to be talking about getting rid of taxation altogether as the means by which government raises revenue.

Such is the intriguing notion on which James L. Payne, director of Lytton Research and Analysis, expounds in the Summer edition of The Public Interest.

"For a people so ready to cast off ancient customs," Mr. Payne writes, "Americans have been strangely reluctant to question the practice of taxation." (Are you listening, President Bill "Change" Clinton? This could be a real opportunity for you. Memo to Vice President Gore: Please clip this editorial and Mr. Payne's article and add it to your file on "reinventing government.")

No more free ride for taxation. So the practice has been around for thousands of years. Why does that make it a good idea? If people clung tenaciously to other ideas and practices the way they accept the received wisdom that taxation is inescapable, we'd be mixing philters and potions instead of taking Seldane and Advil; women wouldn't be able to vote and neither would anyone else; you'd never see green vegetables in winter; there would have been no Second Vatican Council; and no ordained lesbian ministers; and no "Barney"; and no HOV lanes; and — Wait. This argument has taken an unfortunate turn.

Anyway, as Mr. Payne points out, "Sophisticated new research has begun to document what common sense long suggested, namely that taxation, far from being an efficient money machine, is an extremely wasteful way to raise money."

Consider. Away from the microphones and after a couple drinks to loosen them up, even liberal Democrats will admit that taxes suppress economic activity to some degree. Only recently, Mr. Payne points out, have economists tried to get a grip on how large an effect. Charles L. Ballard of Michigan State University and some colleagues calculated the disincentive imposed by the entire current system. They came up with a 33.2 percent disincentive effect. In other words, for every $100 in taxes, there is $33.20 in lost production. Other estimates have been even higher.

Then there is compliance: "recordkeeping, studying tax regulations and instructions, making calculations, and filling out forms and supplementary documents." In 1985, the Arthur D. Little company released a comprehensive survey of what all of this entails: a total of 5.4 billion man-hours a year to comply with the federal tax code. "This is the equivalent of having 2,900,000 people working all year long just to figure out and comply with federal tax regulations." That cost a total of $159 billion in 1985 — or $24.43 for each $100 of tax revenues collected that year. Add that to the disincentive effect and we have already eaten up $57.63 for each $100 collected.

But that's not all. There are costs associated with the uncertainty of the tax code; the cost of litigation and enforcement; costs associated with evasion and tax avoidance (shelters and the like); as well as the cost of running the Internal Revenue Service and other tax-related parts of government (the Tax Court and so on). All told, Mr. Payne calculates that the disincentive effect is a little higher than 65 percent. In other words, to raise every $100, it costs $65.01.

Let's see how this effect worked in 1991, for example. The IRS collected a little more than $1.08 trillion dollars that year. According to Mr. Payne's formula, that cost the U.S. economy a little over $702 billion. Now, gross domestic product for 1991 was just over $5.67 trillion. The U.S. economy would thus have been almost 12.4 percent larger were it not for the costs of collecting taxes. Per capita personal income was $19,082 in 1991. It would have been about $2,455 higher. (Remember George McGovern's 1972 campaign proposal to give everybody in America $1,000? He got hooted across the land, as everybody asked the question, where are we going to get the money? Little did we know that he could have financed the whole thing just by eliminating the costs of collecting taxes.)

Now, a sudden jump in per capita personal income from $19,082 to $21,537 would be like — well, actually, it wouldn't be like anything. An increase of that magnitude in real terms is unheard of. We would be dizzy with wealth.

Per capita taxes amounted to about $4,343 in 1991. That's now money in your pocket as well. The government is no longer making any effort to try to get a hold of it. None. You will not go to jail if you fail to fork over what somebody else decides is your "fair share." You don't have to do anything you don't want to do with your money. So, another way of thinking about this would be to look at after-tax income. Take per capita personal income and subtract per capita taxation for 1991. That's $14,739. In effect, by eliminating taxes, the increase in money in your pocket is $6,789 — more than 46 percent.

A 46 percent increase in your standard of living all at once? Stunning. What on earth are you going to do with all that money?

Well, one of the things Mr. Payne thinks you would be willing to do is give some of it away. Make contributions to things and causes you believe in — perhaps including the federal government.

1/2

THE PRESIDENT HAS SEEN 7/19

Rice Greenberg to cc: JAC Mum

Even under the current system, charitable giving has been on the increase. Of course, there is currently a tax incentive for doing so, and this would be gone. But does the tax incentive really account for the annual real increase in charitable contributions of 2.8 percent a year for the past decade? The fact is, Americans are a generous people.

Mr. Payne laments the paucity of scholarly literature on the theory of voluntary giving. Economists rarely get past the so-called "free rider" problem, which holds that when people can get something for nothing — if other people are paying for it, in other words — they will take advantage of the opportunity. Mr. Payne points out that the flaw in this argument is the assumption, central to economic theory, that underlies it: "that everyone is narrowly selfish, always trying to maximize wealth." But people "can be generous as well as selfish." And it is only this generosity that explains voluntary giving.

The cost of a system that raised revenue to sustain the government voluntarily — that enabled people to decide directly how much government they want — would be so close to zero as not to matter much. You'd need people to open the mail and deposit the checks. There would also be no negative effect on the economy. On the contrary. "Whereas a tax system discourages work, a voluntary system of giving encourages it. The volunteer donor says, 'I want to work overtime this month so I can earn extra money to send our scout troop to a jamboree.' In effect, a voluntary contribution is a consumption item. It is no different from a stereo, a ticket to a ball game, or anything else a person earns money for."

A salesman as good as Mr. Clinton would likely be an awesome fundraiser for the federal government. Back to 1991 for purposes of illustration: Per capita government spending was about $5,450 — substantially higher than per capita taxation because of deficit spending. But recall the boost to per capita income from eliminating the costs of taxation. It's now $21,537. A good fundraiser might well be able to get people to cough up the full $5,450. They would still have $16,087 left — $1,348 more than they currently have after taxes.

Have you followed this, Mr. President? All the government we have now (no painful cuts, nor need to pretend you are cutting or that you are feeling pain), zero deficit, and $1,300 more a year in everybody's pocket. If you achieve that, you will significantly improve your chances for re-election, to put it mildly. All you have to do is persuade people that government is worth it so they mail in a check.

As the proverb holds, "Only Nixon can go to China." Only you, Mr. Clinton, can bring taxation to an end.

(Perhaps next week in this space, we will consider the question: If taxes aren't inevitable, what about death?)

2/2

THE PRESIDENT HAS SEEN 7/19

TBVP

Here's an idea for you

B.

Fran-

this is a copy for John's files. Also sent copy to correspondence

—

THE WHITE HOUSE

WASHINGTON

July 16, 1993

Mr. Richard G. Neuhisel
President
Sister Cities International
120 South Payne Street
Alexandria, VA 22314

Dear Mr. Neuhisel:

Thank you for your letter requesting that President William J. Clinton serve as Honorary Chair for Sister Cities International. It is my pleasure to inform you that the President has accepted your invitation. It will be an honor for him to lend his name to your efforts and I am hopeful that this will contribute to your success.

As the use of the President's name is governed by certain restrictions, I would appreciate the opportunity to review any printed materials in which you plan to include mention of the President's participation. My office can assure prompt review -- please allow two weeks prior to press time.

In addition, please be advised that the President's agreement to serve is extended for this purpose only and is not transferable to other functions or bodies.

Thank you again for asking the President to participate. I look forward to hearing from you.

Sincerely,

John D. Podesta
Assistant to the President
and Staff Secretary

2nd Dist'n

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: May 13, 1993

Date of Request:	1/29/1993
Request for:	POTUS
Type of Request:	Honorary Chair
Requestor Name:	Mr. Richard G. Neuhisel
Title:	President
Organization:	Sister Cities International 120 South Payne Street Alexandria, VA 22314
Contact Tel. #:	703/836-3535
Event Date:	
Event Description:	

Notes: FYI: Secretaries Pena and Cisneros endorse the Sister Cities program.

Recommendations:

MW ______ MG Yes JP No MH Yes

President's Call

Decision memo to POTUS → yes
no time commitment
honorary chair only