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UNITED STATES DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY

THE PRESIDENT HAS SEEN

8/3

June 25, 1993

93 JUL 6 P5:04

To: The President

From: Bob Reich

FYI, as we begin to formulate the Administration's technology policy.

To Rubin / Tyson
This is worth reading
about future jobs
priorities

+
Gibbons

THE PRESIDENT HAS SEEN

an Article from SCIENTIFIC AMERICAN

OCTOBER, 1989 VOL. 260 NO. 10

SCIENTIFIC AMERICAN October 1989 Volume 261 Number 4

The Quiet Path to Technological Preeminence

The U.S. government is relying on ambitious research projects to spur commercial competitiveness. Instead it should speed the commercialization of new technologies wherever they may be developed

by Robert B. Reich

Alarmed by the continuing erosion of America's position in world markets, the U.S. government has embarked on ambitious research and development projects thought to have important commercial applications. Although neither the Reagan nor the Bush administration has announced it as such, the initiatives of the past three years amount to a major change in direction: policymakers otherwise devoted to the free market are pursuing what is in effect a targeted industrial policy for high technologies. Some of the projects may be motivated more by political considerations or the interests of pure science than by commercial requirements. Nevertheless, each has been justified to the public in terms of the nation's competitive needs.

In January, 1987, for example, the Reagan administration approved a \$4.4-billion plan for a superconducting particle accelerator; a White House official deemed the project "critical" to the nation's future competitiveness and predicted that American companies would benefit from its spin-offs. Later in the year the president announced a "superconductivity initiative" aimed at developing practical applications for superconducting materials and called the technology "absolutely essential to our future competitiveness."

Early in 1988, warning that Japanese supercomputers were already on the market "with better performance than expected," the White House unveiled a five-year, billion-dollar "high-performance computing strategy." The administration also announced that the Defense Advanced Research Projects Agency (DARPA) would contribute \$100 million a year to SEMATECH, a joint research venture by leading U.S. semiconductor makers.

Soon thereafter, initial construction contracts were awarded for the space station, buttressed by claims that the orbiting laboratory would be "vital to enhancing the nation's international competitiveness in the decades ahead." This year has been marked by a sudden focus on high-definition television: DARPA has proposed a two-year, \$30-million research program to develop the technology, and the Bush administration is considering plans to grant antitrust immunities and tax breaks to American firms that produce HDTV equipment.

This high-visibility strategy for restoring U.S. technological prominence appears to require not only ever-greater government expenditures on the research and development of new technologies but also special incentives to boost private-sector research and development spending in areas not covered by such projects. Some policymakers are urging increased tax credits for research and development to spur commercial R&D spending. They point out that the portion of the gross national product devoted to research and development is lower today than it was 20 years ago and that commercial R&D makes up a smaller part of America's GNP than it does in either West Germany or Japan.

The alarm expressed by U.S. policymakers over the nation's loss of competitiveness in global high-technology markets is not misplaced. The U.S. share of the world semiconductor market, for example, dropped from 50 percent in 1984 to 37 percent in 1988 while Japan's share rose to more than 45 percent. American companies have virtually stopped selling dynamic random-access memory chips on the open market, and American makers of semiconductor-

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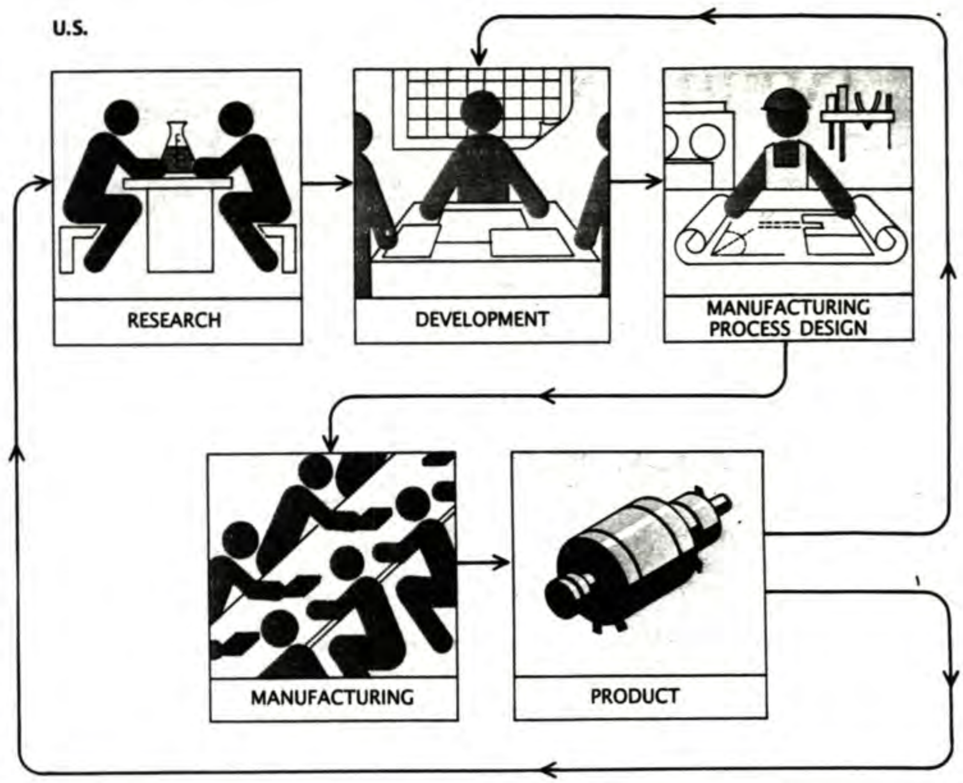
manufacturing equipment are closing shop. Japan is taking over these fields. America's share of the world market for the consumer electronics products that incorporate a large fraction of semiconductors—products such as videocassette recorders, motor-driven 35-mm autofocus cameras and compact disk players—has dropped to about 5 percent since 1975; Japan's share has risen from about 10 percent to more than 25 percent. No U.S. company manufactures fax machines, for which the world market grew to $3 billion in 1988; again Japanese companies are in the forefront. Japan now dominates the numerically controlled machine-tool industry. Japanese companies are far ahead of American ones in the commercialization of high-definition television. Recent government studies warn that Japan is also ahead of the U.S. in applying superconducting materials.

In 1986 America's trade balance in high-technology goods such as semiconductors and communications equipment turned negative for the first time since data have been collected on high-technology trade. In 1987 and 1988, despite a sharp drop in the value of the dollar with respect to foreign currencies, the U.S. posted only a modest surplus in high-technology trade. This poor performance has been caused partly by Americans' desire for imported goods of all kinds but mainly by a loss of competitiveness in world markets.

Will the new path of ambitious research and development projects restore America's technological lead? It seems doubtful. The U.S. already leads the world in the quantity and quality of its research and development, but this lead has not yielded commercially competitive products. America's research universities, taken as a whole, are the best in the world. The research laboratories of America's largest corporations are unrivaled. American researchers write more than a third of all scientific and technical articles published around the globe, and they receive more U.S. patents than the rest of the world combined. Total spending on research and development in the U.S. is significantly higher than that in any other country and still three times the R&D spending in Japan.

There is no reason to suppose that more spending on research and development—even spending targeted to specific technologies—will result in commercial success. The problem lies in the inability of American companies (or, more accurately, the U.S.-based portions of what are fast



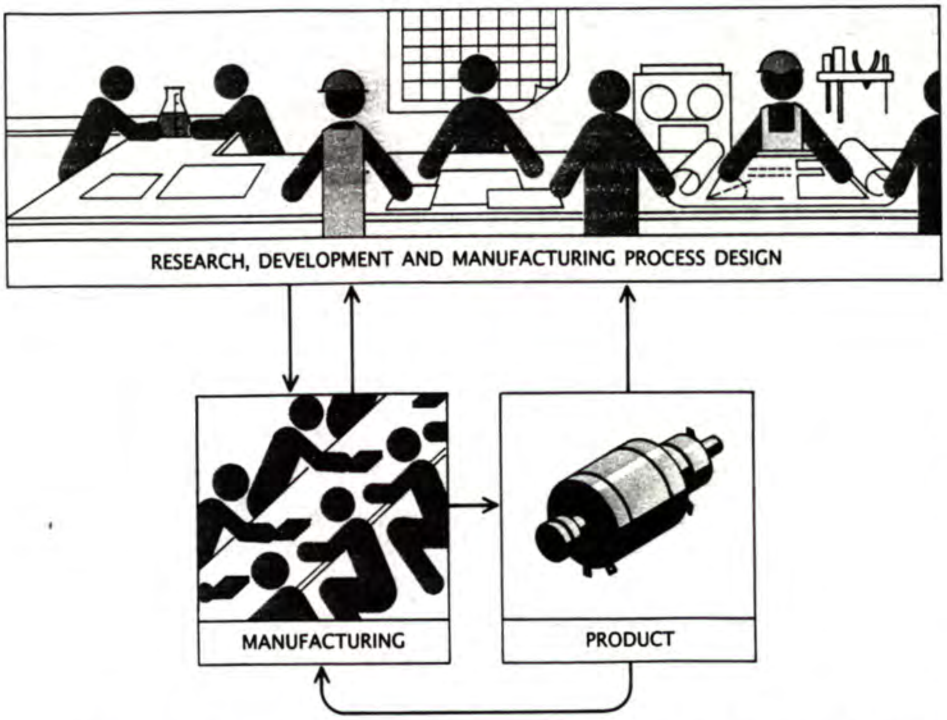
LINKS BETWEEN RESEARCH AND PRODUCTION in most U.S. companies are sequential (*left*); in Japan (*right*), research, product development and the design of manufacturing processes are carried out concurrently so that knowledge from one

becoming global technology firms) to transform discoveries quickly into high-quality products and into processes for designing, manufacturing, marketing and distributing such products. The fruits of research and development—new data, insights, inventions, prototypes—are easily disseminated across national borders. Increasingly the winners in the competitive race are the companies and nations that make use of those fruits most rapidly and comprehensively.

The Japanese have become adept at taking the essential insight of a major discovery—often made elsewhere—as the starting point in a process of application and refinement. American scientists invented the transistor. In 1953 Western Electric licensed the technology to the Sony Corporation; Sony rapidly made improvements on the transistor and launched a host of high-quality consumer electronics products. In 1968 Unimation, an American company, licensed Kawasaki Heavy Industries to make industrial robots; by the early 1970's industrial robots were on the job in Japan; by the end of the decade Japanese robots had come to the U.S. Meanwhile the nascent U.S. robotics industry never quite got on its feet. The video recorder was pioneered by California's Ampex Corporation and perfected by the Japanese. Canon, Inc., improved the basic concept behind Xerox Corporation's plain paper copier and then reworked the inexpensive copying technology it had developed to make inexpensive laser printers as well (another invention never fully exploited by Xerox).

The same pattern has held for composite materials and ceramics, color televisions, computer disk drives, basic oxygen furnaces, microwave ovens, computerized machine tools and other inventions. In the year ending March 31, 1987 (the last date for which such data are available), Japan purchased more than $1 billion of technological information from North America; less than half of that amount was purchased by Americans from Japan.

Japanese firms have been in an ideal bargaining position to buy much of this innovation cheaply. American companies often compete to sell technology to Japan, fearing that otherwise another firm will develop similar know-how and sell it first. (This logic may have motivated the Boeing Company, for example, to share its advanced airframe technology with Japan rather than see Airbus Industrie profit from a similar sale.) Further-



area can readily influence decisions made in other areas. A new concept moves back and forth among the different groups until it is perfected. The Japanese method speeds the transformation of new discoveries into commercial products.

more, small American producers of advanced technologies often lack the capacity to manufacture and market products on a global scale or to defend their patents worldwide, and so they fear that if they refuse to sell their most advanced designs they will eventually fall prey to reverse-engineered versions made at lower cost.

Japan has also coordinated its purchases so that its companies do not have to bid against one another. On several occasions its Ministry of International Trade and Industry (MITI) has acted as a clearinghouse, forcing foreign firms to license their patents and negotiating deals for all Japanese industry. Between 1956 and 1978, largely because of MITI's prohibition of auctions for licenses, Japanese firms paid only $9 billion for access to American technologies that cost between $500 billion and $1 trillion to develop.

It may be tempting to erect barriers to the international flow of technology: increasing patent and copyright protection for American firms, preventing foreign firms from purchasing U.S. technology or high-tech companies, barring foreign firms from gaining access to U.S. government-subsidized research, pressuring MITI to stop coordinating patent purchases. The core problem, however, has little to do with Japanese firms' easy access to U.S. technology. The real Japanese advantage lies in the ability to transform new inventions into high-quality products.

If the U.S. is to regain its technological prominence, it must improve the capacity of Americans to use technology. This quiet path back to competitiveness depends less on ambitious government R&D projects aimed at specific technology areas such as supercomputers or high-temperature superconductors than on improving the process by which technological insights—wherever they may be discovered around the globe—are transformed by American workers into high-quality products.

Close examination of Japan's success in this endeavor and America's comparative weakness suggests six steps along the path to competitiveness: scanning the globe for new technologies, linking government R&D funding to commercial products, integrating corporate research and development with production, managing the establishment of technological standards, investing in the technological learning of workers and providing a good basic education to all citizens. Taking these steps will be necessary, but not sufficient, for the U.S. to regain its competitive edge in the world marketplace.

The first step in rapidly assimilating new technologies is to discover what they are. American firms are often slow to learn of a new technological insight achieved elsewhere—whether it is a breakthrough invention, a more efficient method of fabricating and assembling products or a new way of organizing production and distribution. Some American researchers and engineers, whose formal education and early job experiences occurred when the U.S. was far ahead of other nations in developing and using technology, are simply skeptical of foreigners' abilities; anything "not invented here" is considered of little value.

Most U.S. firms are not organized for global scanning: they do not send their researchers, engineers and technicians to international conferences and trade shows or to visit their global competitors; they do not systematically gather data on the results of government-funded research in other nations (or even, for that matter, in the U.S.); nor do they systematically review technical and scientific journals and newspapers published in other countries. The U.S. government does little to aid them in such efforts.

Japanese firms regard global scanning for technological insights as an integral part of their business strategies. They use insights achieved elsewhere as a means of supplementing their own technological experience. Japanese companies organize study teams to visit American and European companies and university research laboratories, attend all relevant conferences and trade shows and carefully scrutinize foreign publications, including government reports. They even help to finance research and development in American universities and corporate laboratories—and then ensure that Japanese scientists, engineers and technicians monitor the results. (Last year about 5,000 Japanese scientists worked in U.S. laboratories; by most estimates fewer than 150 U.S. scientists worked in Japanese laboratories, most for only a few months.) Japanese government agencies also gather technological information from around the world and make it available to industry (MITI's Agency for Industrial Science and Technology, for example, funds an elaborate system of data gathering).

Japanese firms also enter into joint ventures with American firms for the express purpose of learning how to design and manufacture new products. Japan's long-term goal to produce jet aircraft, for example, is being furthered by the current joint venture with Boeing for the development of a new generation of airframes for mid-sized jetliners and by the recently approved agreement with General Dynamics Corporation to co-produce a successor to the F-16 jet fighter.

A second, closely related step in improving the assimilation of new technology is to link publicly funded research and development to commercial production. New R&D insights must be continuously available to be used in the production process, and new production insights must be continuously fed back into research and development.

One reason that Japan's publicly funded R&D efforts tend to be better integrated into commercial production than those of the U.S. is the dominance of defense-related R&D in this country. Defense accounts for only 3 percent of government-funded research and development in Japan, compared with 70 percent in the U.S. (a figure that makes up more than one third of U.S. R&D spending).

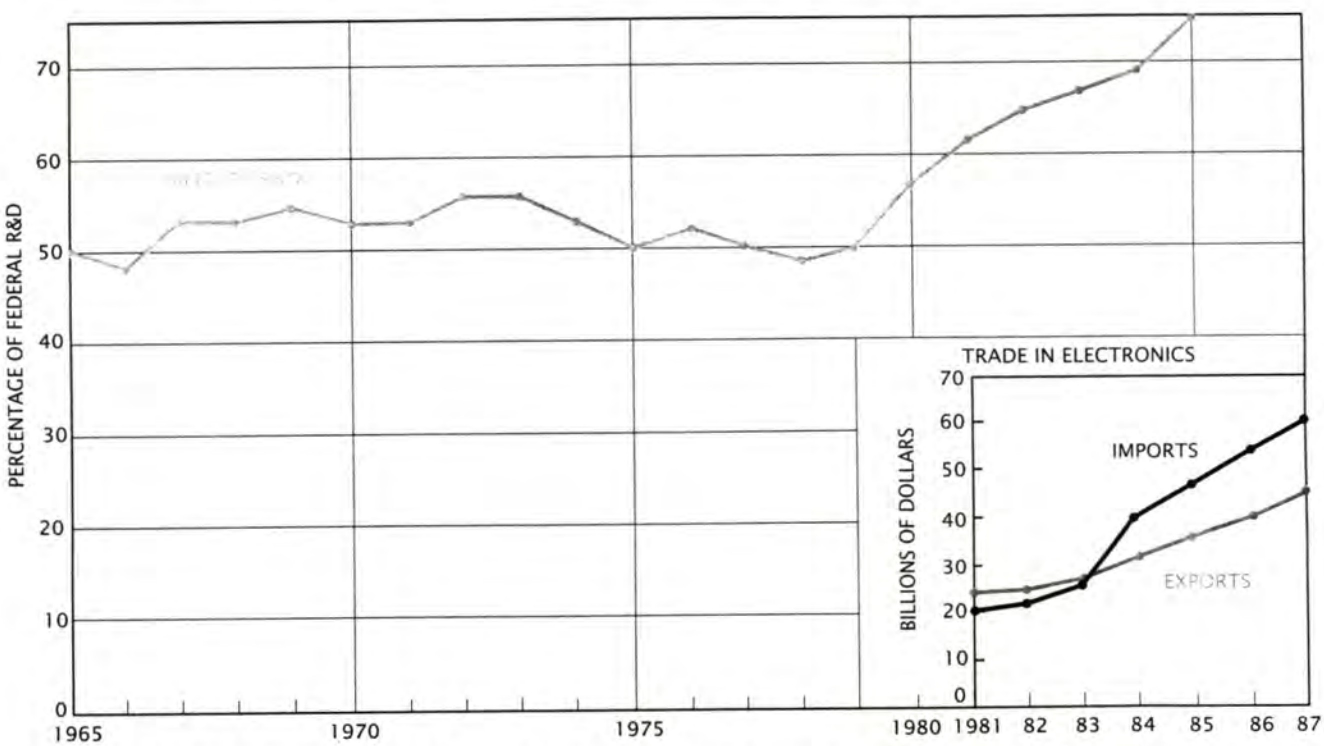
Many defense technologies have civilian uses, and there is a long history of civilian spin-offs from defense inventions, including computers, integrated circuits and high-strength materials. Nonetheless, several factors impede technology transfer from military to commercial applications. Much defense research is not accessible because it is classified. In many cases military specifications call for higher performance—and higher prices—than civilian consumers need or want. In others, commercial technology has outpaced the military state of the art so that defense research and development offers little knowledge of commercial value. The Department of Defense lags well behind the commercial sector in the use of digital electronics of all kinds, for example. Finally, those who develop military technology, be they defense contractors or employees of government laboratories, are often oriented toward the specific missions of their funding agencies rather than toward commercial development of their ideas.

Even though military R&D has become an inefficient means of generating commercial spin-offs, almost half of the federal funds allocated to research on superconductivity, for example, are directed at military applications such as infrared sensors, submarine detectors and electromagnetic rail guns. The Japanese government, on the other hand, has organized and funded a wide variety of projects focused expressly on potential commercial uses for superconductors.

Even nondefense research funding agencies in the U.S.—such as the National Institutes of Health, the Department of Energy and the National Science Foundation—tend to have concerns far removed from commercial applications. Primarily they support basic research.

Here again the contrast with Japan is stark. Although that government is spending more on basic research than in previous years, most of its R&D efforts are aimed at rapid commercialization. One of its explicit goals is to help small and medium-sized businesses adapt new technologies. The government operates a network of 195 regional laboratories specifically charged with providing technical assistance to small and medium-sized firms. The central government absorbs half of the cost; regional authorities and firms pay the rest.

In addition, Japan organizes groups of companies to undertake joint research on emerging technological problems. MITI's Agency for Industrial Science and Technology negotiates the terms of such consortiums and provides them with modest funding. MITI has recently established 28 regional technology centers designed to enable large firms to pool their research efforts.



DEFENSE-DOMINATED FUNDING skews U.S. research priorities and reduces the commercial benefits of research. More than half of U.S. government funding for research and development comes from the military, compared with less than 5 percent in Japan. Meanwhile (*inset*) the U.S. has become a net importer of electronic equipment and other high-technology goods.

A few prominent firms such as IBM, Hewlett-Packard Company and 3M have stepped up their efforts to scan the world for technological insights and are seeking new ways to integrate their R&D with commercial production. Meanwhile some government agencies have begun to emphasize the utilization of new technology: Michigan's Modernization Service, for example, offers technical assistance in applying computer-aided design and manufacturing technologies to more than 6,000 small tool-and-die plants, machine shops and metal fabricators in that state. Recent federal legislation has authorized the National Institute for Standards and Technology (formerly the National Bureau of Standards) to help small businesses improve their productivity through the application of new manufacturing tools and methods. The National Science Foundation has funded a number of Engineering Research Centers around the country, each focusing on a different set of manufacturing process problems. Several federal laboratories are establishing offices of research and technological applications to help disseminate their discoveries; they have been authorized to grant exclusive licenses to commercial developers and thereby increase the financial incentives for product development.

Meanwhile primary and secondary school education is being overhauled in Arkansas, Minnesota and a few other states. Many states have tightened science and math requirements for high school graduation, and some states have raised teachers' salaries. (Although standardized tests are not the best of guides, average SAT scores in South Carolina, for example, have gone up by 36 points since the enactment of educational reform there in 1984. In California the proportion of high school graduates with more than three years of math or science has risen by roughly a sixth in the same period.) Many firms and local governments have exhibited new interest in on-the-job training to help workers handle a host of new technologies.

Much more than this will be needed. On the public side the quiet path back to technological leadership does not require significantly larger expenditures on research and development; instead it suggests a different allocation of money. Large-scale military-funded R&D projects should give way to joint development and production projects among U.S. firms, funded in part by a nondefense agency expressly charged with spurring the commercialization of new technologies. The emphasis in such projects should be on giving production engineers, design engineers and technicians experience in applying those new technologies. SEMATECH, the semiconductor joint venture, is a good start in this direction, but its funding agency, the Department of Defense, has no particular expertise in developing commercial technologies, and the project appears to be focused mainly on the development of semiconductor-fabrication equipment rather than on the diffusion of learning throughout the participating firms.

The U.S. must also invest much more than it does now in basic education and the training of its workers. Much has been written about this subject, and it is clear that simply providing more public money is no solution. In addition to conveying basic skills, primary and secondary school curriculums must emphasize critical thinking—a capacity to identify problems, raise questions and find structure in apparent disorder—rather than the mere regurgitation of facts. Teachers need to be given, and to accept, more responsibility for what is taught in the classroom and how it is taught. Parents and other members of the community must contribute more effectively to the educational mission.

On the private side the quiet path to technological preeminence necessitates a more collaborative relationship between researchers, design and production engineers and marketers within each firm and far greater efforts to retain skilled engineers.

Laws and regulations governing financial markets may have to be altered to allow companies greater latitude in funding long-term product development. For example, the federal government in effect subsidizes leveraged buy outs and takeovers; firms that borrow huge sums for such purposes can deduct interest payments from their taxable income. Tax subsidies could more effectively be targeted at activities that promote long-term growth. One step in the right direction would be to remove tax incentives for takeovers and buy outs, increase capital-gains taxes on the sale of assets held for less than six months and reduce such taxes on the sale of assets held for more than six years.

Perhaps the most difficult obstacle to overcome along the quiet path is the relative lack of visibility and drama. Large-scale research projects make headlines and provide tangible evidence that something is being done to improve U.S. competitiveness. Closer and more effective working relationships among government, business and educational institutions at all levels are difficult to measure and quantify. As a result, politicians, educators and business executives who follow the quiet path may have difficulty in claiming credit for progress along the way. Among all impediments this factor alone may prove to be the major stumbling block.

SIX STEPS BACK TO TECHNOLOGICAL PREEMINENCE

Scan the globe for new insights

Integrate government-funded research and development with commercial production

Integrate corporate research and development with commerical production

Establish technological standards

Invest in technological learning

Provide a good basic education to all citizens

RETURN TO PREEMINENCE in technology requires investment in workers' skills at all levels as well as in innovations tied to specific commercial goals. The U.S. has thus far lagged in both of these areas.

FURTHER READING

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Bernie Nussbaum

Have this reviewed. Is it for real?

BC

Bill - the article you asked for -

Stephen C. Glazier
Attorney

- let's talk more - SG

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Why Did President Bush Repudiate the "Inherent" Line-Item Veto?

J. Gregory Sidak
Thomas A. Smith

Published at the University of Virginia

Why Did President Bush Repudiate the "Inherent" Line-Item Veto?

*J. Gregory Sidak**
*Thomas A. Smith***

In 1987, an intriguing legal memorandum arrived over the transom at the White House. Sent by New York City securities lawyer Stephen Glazier, it argued that President Reagan did not need a statute or constitutional amendment to exercise a line-item veto because the Constitution inherently confers such power on the President. Far from embracing this novel theory, lawyers in the Reagan and Bush Administrations attacked it, and in 1992, President Bush publicly renounced it. In previous writings we have examined in detail the legal arguments for and against the existence of an "inherent" line-item veto in the Constitution. In Part I of this Essay, we recount the chronology of the debate over the line-item veto from its beginnings in 1987, to its conclusion in 1992. In Part II, we briefly summarize our prior legal analysis because it is critical to assessing the credibility of the frequent claim, implicitly embraced by the Bush Administration, that the theory of the inherent line-item veto is constitutionally baseless. Similarly, we briefly explain why there might exist a broader presidential power to unbundle, and separately veto, non-germane parts of an omnibus piece of legislation. If, as we have previously argued, the legal theory of the inherent line-item veto cannot be dismissed out of hand, then why, we ask in Part III, did two Republican administrations, ostensibly committed to controlling federal spending, de-

* Resident Scholar, American Enterprise Institute for Public Policy Research. A.B. 1977, A.M., J.D. 1981, Stanford University. In writing this essay, we have benefited from the helpful comments of Christopher C. DeMuth, Norman J. Ornstein, and Melinda Ledden Sidak and from the research assistance of Wendy Wessman. Portions of Part II of this Essay are based on J. Gregory Sidak & Thomas A. Smith, Four Faces of the Item Veto: A Reply to Tribe and Kurland, 84 Nw. U.L. Rev. 437 (1990).

** Assistant Professor, University of San Diego School of Law. A.B. 1979, Cornell University; B.A. 1981, University of Oxford; J.D. 1984, Yale University.

President Reagan. When asked by reporters in July 1989 about securing the line-item veto by statute or constitutional amendment, Mr. Bush responded by expressing his interest in the Glazier thesis: "I'm sure you're familiar with the theory that the President has that inherent power, and if I found the proper, narrowly-defined case, I'd like to try that and let the courts decide whether it's there."[8] In October 1989, during the annual enactment of the thirteen appropriations bills to fund the federal government, the *Wall Street Journal* reported that "White House spokesmen . . . said Mr. Bush is considering simply declaring that the Constitution gives him the power" to assert a line-item veto and thereby "invit[e] a court challenge to decide whether he has the right."[9]

Senator Edward Kennedy, a member of the Senate Judiciary Committee, responded to these executive rumblings by soliciting from Professors Laurence Tribe of Harvard and Philip Kurland of the University of Chicago a legal opinion on the constitutionality of the inherent line-item veto. Their conclusion, which Senator Kennedy inserted into the *Congressional Record* on October 31, 1989, was that "any attempt to exercise such a 'line-item veto' would be clearly unconstitutional."[10] Within two weeks, two distinguished conservative lawyers who served in the Reagan Justice Department, Bruce Fein and William Bradford Reynolds, similarly asserted in print that all arguments in favor of the inherent line-item veto "have been wholly discredited" and that such an assertion of power by the President would be unconstitutional.[11] But the prospect of President Bush acting upon the Glazier thesis also elicited an imposing intellectual ally. On November 20, 1989, Representative Thomas J. Campbell of California, a member of the House Judiciary Committee who was formerly a Supreme Court clerk and a law professor at Stanford University, introduced a resolution co-sponsored by five other representatives urging: "That, for the purpose of determining the constitutionality of the line-item veto, the House of Representative encourages the

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[8] Owen Ullmann & Ellen Warren, Interview with President George Bush, at the White House (July 25, 1989) (transcript copy on file with the office of the White House Press Secretary).

[9] Gerald Seib, If Bush Tests Constitutionality of Line-Item Veto, Reverberations Could Transform Government, Wall St. J., Oct. 30, 1989, at A12.

[10] Letter from Laurence H. Tribe and Philip B. Kurland to Senator Edward Kennedy (Oct. 31, 1989), *reprinted in* 135 Cong. Rec. S14,387 (daily ed. Oct. 31, 1989) [hereinafter Tribe-Kurland Letter]. But see Sidak & Smith, supra note *.

[11] Bruce Fein & William Bradford Reynolds, Wishful Thinking on a Line-Item Veto, Legal Times, Nov. 13, 1989, at 20.

defend the Constitution[17]—both of which are duties found in Article II, not Article I. Although it does not derive from the President's veto power, this power of "constitutional excision," as we call it, is nonetheless an example of the President construing his constitutional role in the law-making process somewhat more expansively in a way that responds to the tendency of legislative bundling to produce harmful laws. Starting in November 1989, President Bush consequently declared dozens of provisions in omnibus bills affecting presidential powers to be "precatory" or "advisory," if not entirely null and void. Speaking on May 10, 1991, at Princeton University, he said that "on many occasions during my Presidency, I've stated that statutory provisions that violate the Constitution have no binding legal force."[18] Mr. Bush made that statement while summarizing his view of the Presidency as follows:

> Presidents define themselves through their exercise of Presidential power. They must use their special authority to serve the whole Nation in matters of foreign and domestic policy. They must set a tone for governance, at once leading the people, yet following their desires. They must preserve, protect and defend the Constitution. And they must encourage deliberative behavior on the part of Congress.[19]

In the same speech, Mr. Bush said that a line-item veto would give him the power to prevent wasteful federal spending "to study cow belches, or a Lawrence Welk museum," and he noted portentously: "Some believe that I already have that power under the Constitution."[20]

Presumably responding to this tantalizing passage in President Bush's Princeton speech, Representative Campbell again introduced on May 14, 1991 a resolution urging Mr. Bush to exercise a line-item veto for purposes of creating a test case.[21] Mr. Campbell said on the House floor that the line-item veto is "a power that I believe the President already has," and he urged President Bush

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[17] Id., § 1, cl. 8.

[18] Remarks at Dedication Ceremony of the Social Sciences Complex at Princeton University in Princeton, New Jersey (May 10, 1991), in 1991-1 Pub. Papers 496, 499 [hereinafter Princeton Speech].

[19] Id.

[20] Id.

[21] H.R. Res. 152, 102d Cong., 1st Sess. (May 15, 1991).

tion necessary to be nominated to be Attorney General presumably would not make spontaneously, without the President's knowledge and consent.

The debate over the inherent line-item veto thus ended with a whimper. In his State of the Union Address on January 28, 1992, President Bush challenged Congress to enact his legislative program, including his plan to "freeze all domestic discretionary budget authority."[25] With rhetorical allusion to the ultimatum presented to Saddam Hussein before the United States unleashed Operation Desert Storm, Mr. Bush warned that "the battle is joined" if by March 20, 1992 Congress had not passed his legislative program.[26] "And you know," he added, "when principle is at stake I relish a good, fair fight."[27] Mr. Bush did not say what he intended to do if Congress flouted his ultimatum, but speculation arose that he might create a test case by vetoing some carefully chosen line item of pork-barrel spending, such as the funding to construct a Lawrence Welk Museum, which had appeared in the prior year's appropriations bill for the Department of Agriculture.[28]

The days leading up to the expiration of the March 20 deadline provide perhaps the strongest indication that the President's exercise of an inherent line-item veto would have appreciably altered the allocation of political power on matters of federal spending. On March 17, 1992, Senator Robert Byrd of West Virginia, Chairman of the Senate Appropriations Committee, presented on the Senate floor an elaborate denunciation of the line-item veto and of the Glazier thesis in particular, which subsequently ran ten printed pages in length in the *Congressional Record*.[29] "Some of our colleagues here in the Senate," Mr. Byrd warned, "are urging the President to go ahead and exercise line-item veto authority, . . . thus precipitating a court case."[30] After making detailed arguments about the meaning of the text of Article I, Section 7, Clauses 2 and

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[25] Address Before a Joint Session of the Congress on the State of the Union, 28 Weekly Comp. Pres. Doc. 170, 175 (Jan. 28, 1992).

[26] Id. at 174.

[27] Id.

[28] See 138 Cong. Rec. E602 (daily ed. Mar. 10, 1992) (remarks of Rep. Gerald B.H. Solomon); George F. Will, Lawrence Welk and Line Items, Wash. Post, Feb. 23, 1992, at C7.

[29] 138 Cong. Rec. S3737, S3738-50 (daily ed. Mar. 17, 1992).

[30] Id. at S3738.

bility that a test case might establish that the Constitution has already given the President the line-item veto, Mr. Bush nonetheless called that power "essential" and concluded: "I need it now."[38]

II. THE PRESIDENT'S POWER TO UNBUNDLE LEGISLATION

"Veto"—the Latin word for "I forbid"—is not in the Constitution. The President's veto powers do not even appear in Article II, which creates the executive and defines his duties and prerogatives, but rather in Clauses 2 and 3 of Article I, Section 7. In relevant part, Clause 2 provides:

> Every Bill which shall have passed the House of Representatives and the Senate, shall, before it become a Law, be presented to the President of the United States; If he approve he shall sign it, but if not he shall return it, with his Objections to the House in which it shall have originated, who shall enter the Objections at large on their Journal, and proceed to reconsider it.[39]

This provision is commonly called the Presentment Clause. Clause 3 is an analogous provision requiring the presentment to the President of "Every Order, Resolution, or Vote, to Which the Concurrence of the Senate and House of Representatives may be necessary. . . ."[40]

Throughout the Constitutional Convention, the framers called the veto either the President's "negative," or the "revisionary check" or "revisionary power."[41] On August 15, 1787, one month before the Convention completed its work and adjourned, the framers approved the Presentment Clause,[42] which was then phrased in terms of every bill being presented "to the President of the United States for his revision."[43] It was the Convention's Committee on Style who changed the wording of the Presentment Clause after the Convention's approval of it, thus deleting its sev-

[38] Id.
[39] U.S. Const. art. I, § 7, cl. 2.
[40] Id., cl. 3.
[41] James Madison, Notes of Debates in the Federal Convention of 1787, 66, 628-29 (Ohio U. Press 1966) (1840).
[42] Id. at 465.
[43] Id. at 388-89 (Aug. 6, 1787 draft constitution).

power," which was their name for the veto? Did the framers comprehend omnibus appropriations bills of the sort that are commonplace today? Was the practice of impoundment, outlawed by Congress in 1974, essentially a line-item veto under a different name? Is the power of severability limited to the judiciary, or may the President exercise it also, and, if so, in what manner and subject to what constraints? Viewed on this plane, the line-item veto is considerably less interesting than the subject veto.

The term "line-item" refers to the level of detail found in appropriations bills, which corresponds to the different "lines" of spending proposed in the federal budget and subject to congressional approval under the appropriations clause.[48] Line items are what one state supreme court has called "separable fiscal units."[49] The line-item veto would function as the veto power does currently in that the President could veto an individual line item of spending in an appropriations bill for the same reasons that he could veto anything else—because the spending in that line item would disserve his agenda, waste taxpayers' money, or, in Hamilton's words, expose "the community [to] the effects of faction, precipitancy, or . . . any impulse unfriendly to the public good, which may happen to influence a majority" of Congress.[50]

Skeptics of the inherent line-item veto frequently ask: Why, if such power is embedded in the Constitution, was it never unearthed before Mr. Glazier wrote to President Reagan two hundred years after the Convention of 1787? Why, for example, did the drafters of the Confederate Constitution in 1861, who hewed closely to the United States Constitution except on matters of executive power, add an explicit line-item veto for their President if the Convention of 1787 had already provided for this power?[51] The standard response has become that the line-item veto has indeed been exercised, only under the name of impoundment, the practice by which Presidents selectively refuse to spend appropriated funds. Proponents of the implicit line-item veto cite the custom of presidential impoundment, which ended when Congress enacted the Impoundment Control Act of 1974 over President

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48 U.S. Const. art. I, § 9, cl. 7. See generally Sidak, The President's Power of the Purse, supra note 15.

49 *In re* Opinion of the Justices, 2 N.E.2d 789, 790 (Mass. 1936).

50 Hamilton, supra note 46, at 492, 495.

51 Confederate Const. art. I, § 7, cl. 2 (1861), *reprinted in* 1 The Messages and Papers of Jefferson Davis and the Confederacy 37-54 (1966) (John Richardson ed. 1905). Senator Byrd, for example, asks this question. 138 Cong. Rec. S3740 (daily ed. Mar. 17, 1992) (statement of Sen. Byrd).

ence of special interests."[54] This perceived problem is not limited to appropriations bills, nor would it necessarily be remedied by resort to a line-item veto. "It is often impractical to veto a tremendous bill, a major bill, especially an appropriations bill," Mr. Bush said, "because of unrelated riders that would never stand a chance on their own."[55] To the extent that it requires countervailing action, this condition calls for a subject veto, which would permit the President to enforce a germaneness requirement for legislation by unbundling omnibus legislation into components addressing single subjects. It might be that President Bush was signaling in his Princeton speech his belief, at least as of May 1991, that the Constitution gave him an inherent veto over non-germane provisions in a single bill.

The subject veto is more easily defended as an implied presidential power than is the line-item veto because the former can be said merely to respond to the tactic of bundling legislation. Viewed in these terms, a subject veto arguably does no more than restore the veto power to the scope originally intended by the framers. But the subject veto does introduce an intriguing question worthy of serious constitutional analysis: What is a "bill"?

Professors Laurence Tribe and Philip Kurland believe a bill to be whatever Congress calls a bill.[56] Evidently, they believe that there are no constitutional limits on the degree to which Congress may diminish the effectiveness of the President's veto power by wrapping bills together in large packages. We consider it more plausible that the Constitution envisions some limit to the size and scope of a bill. Otherwise, as Congress bundled more and more proposed laws into a single so-called "bill," it could diminish the President's ability to exercise the veto power to a degree that would seem inconsistent with the constitutional order contemplated by the framers. In the extreme case, Congress could take an entire session's work and package it into a single piece of omnibus legislation, which Congress very nearly did in the fall of 1987, when it combined all thirteen annual appropriations bills into an omnibus continuing resolution to fund the federal government for fiscal year 1988.[57]

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[54] Princeton Speech, supra note 18, at 499.

[55] Id.

[56] Tribe-Kurland Letter, supra note 10.

[57] Continuing Appropriations, Fiscal Year 1988: Joint Resolution Making Further Continuing

kind to such legislative self-aggrandizement, exercising its power to interpret what the Constitution means by a "bill" and exercising the veto appropriately. Perhaps this is what President Bush had in mind during his Princeton speech in May 1991, when he stated that bills larded with "unrelated riders that would never stand a chance on their own . . . pose as much of a threat to Congress as to the President."[60]

It is frequently argued that the President can possess no inherent constitutional power to unbundle and separately veto portions of bundled legislation because the practice of legislative bundling was common in colonial legislatures before the American Revolution and consequently was a matter with which the framers of the Constitution were familiar.[61] Since they were familiar with the practice, the argument goes, the framers must have approved of it as necessary to check executive power. But that is not the end of the story. The question is not whether the framers thought that Congress has, as an inherent part of the legislative power, the authority to bundle legislation. There is evidence that they did. The question, instead, is whether the framers also thought that the exercise of an item veto, in some form, was a constitutionally appropriate response to such bundling. Congress' putative ability to bundle legislation does not obviously exclude the President's putative ability to unbundle it. The alleged fact that the framers understood that a given legislative prerogative—legislative bundling—was subject to abuse hardly implies that they thought the executive branch was obliged to stand back and do nothing while it was abused. The text of the Constitution is silent on the scope of both legislative bundling and the veto power. If the framers thought that bundling was permissible, it might have been because they thought that the abuse of this power, in the end, would provoke a concomitant exercise of the presidential veto power, since the framers were clear in their debates and in *The Federalist* that the first function of the veto was to protect the President from legislative encroachments. The same constitutional

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60 Princeton Speech, supra note 18, at 499.

61 E.g., Paul R. Q. Wolfson, Note, Is a Presidential Item Veto Constitutional?, 96 Yale L.J. 838, 842-44 (1987).

between power and accountability. Crudely put, the king will prefer the regime in which he can go to war at will, to the regime in which he can go to war at will, but if he fails in the trial of arms, he will lose his head. He might well prefer to the latter a regime in which he does not have such unilateral power at all. Political actors do not necessarily seek to maximize power if by doing so they also increase their level of accountability to the electorate. Put differently, political actors seek to maximize their unreviewable or unaccountable power.

The item veto in any form would radically increase the level of the President's accountability for the contents of legislation more than it will increase the President's power over the contents of legislation. Every portion of an omnibus "bill" that the President did not veto would be legislation for which he would have to take personal and political responsibility. Members of Congress rather disingenuously attribute such responsibility to the President now when blaming him for the current large federal budget deficit. However, anyone with any understanding of the legislative process knows that the President cannot veto every legislative package that contains spending of which he disapproves, unless he wishes to degrade government from its current partially disabled state to one of total paralysis. Under the current regime of extensive bundling, the President is, to a significant extent, coerced into signing legislation that contains bills that he would veto, or at least may claim that he would veto, if presented separately. Under an item-veto regime, the President would have no such excuses. The President would have, if he chose to exercise it, significantly more power to shape the final output of the legislative process with an item veto; but, conversely, he would not be able to blame Congress for serious problems with that output.

Under a model in which political actors seek to maximize unaccountable power, one would not expect the President to push very hard for an item veto. Rather, one would expect it to be used merely as a bluff, as President Bush apparently used it to no perceptible effect. The call for a congressionally enacted line-item veto or a constitutional amendment to provide for such a power, a plea publicly repeated in Mr. Bush's speech accepting the Republican nomination for President in August 1992,[64] appears, like

[64] Remarks Accepting the Presidential Nomination at the Republican National Convention in Houston,

of a Presidency that for three consecutive terms has been occupied by Republicans. Mechanisms of accountability are indeed probably more important if the same party controls both the White House and Congress. Under such circumstances, it would be even more difficult to discern who should be held accountable for particular bills. Under a divided government, one can apply certain rules of thumb, such as "qui bono," to determine which party at least should be held accountable for a bill that redistributes public wealth to some special interest. For example, a bill that further insulates unionized workers from competition in the labor market might be attributed, with rough justice, to the Democrats, even if a Republican President signed it as part of a large legislative package. A bill that extends the funding of a military project of dubious utility might be attributed, with rough justice, to the Republican party, unless the spending is to occur in the district of a powerful Democratic member of Congress. The facts are always more complex than these simple examples would suggest, but those bills that are not simply direct subsidies to some favored group, such as beekeepers, dairy farmers, truck owner-operators, Chicago real estate developers, etc., will usually have some ideological flavor that indicates which coalition of rent-seekers, the Republicans or the Democrats, they are intended to favor. In divided government, one can attempt, if only with limited success, to hold officers of the relevant branch responsible for whatever set of bills one considers the most egregious violations of the public trust by rewarding or penalizing officials on the basis of party affiliation. When both political branches are controlled by the same party, however, the legislative process will become more cooperative and less adversarial, further diffusing blame for bad outcomes. Devices of accountability are that much more desirable, therefore, when the same party controls both political branches of government.

An item veto would be especially perspicacious in the event a modern liberal occupies the White House. Some contemporary politicians believe that carefully targeted federal expenditures, euphemized in an election year as "public investment" rather than "government spending," can significantly benefit the national economy. By directing subsidies to high technology industries, socially disadvantaged groups, and others, these politicians and their supporters apparently hope to unlock economic potential that the

IV. Conclusion

One hypothesis for why President Bush publicly repudiated the theory of the inherent line-item veto is that the theory lacks any respectable legal basis. Although this position has been advanced by the Justice Departments of Presidents Reagan and Bush, it is a caricature that cannot withstand serious scrutiny. The President's power to unbundle legislation is an issue that raises legitimate and subtle questions of constitutional interpretation. It is no more frivolous for the President to create a careful test case to determine whether a line-item veto or subject veto implicitly exists in the Constitution than it is for him to permit the Solicitor General to file a brief in any case implicating the separation of powers. If President Bush, claiming the power to exercise an inherent line-item veto, had eliminated federal funding for a Lawrence Welk Museum and stopped at that, he would have precipitated a test case immediately affecting only a microscopic fraction of one year's federal spending. It would have been a controversy, but not a crisis, over constitutional interpretation.

Given the improbability of Congress ever allowing the President to acquire a line-item veto, either by statute or constitutional amendment, President Bush's repudiation of the inherent line-item veto on March 20, 1992 suggests that he did not consider acquiring a line-item veto, and using it to cut federal spending, to be significant political priorities of his presidency. A line-item veto probably would have subjected Mr. Bush and future Presidents to greater accountability than this additional increment of presidential power would be worth in terms of its political benefits to any of them. For President Bush, a politician who emphasized that "when principle is at stake" he "relish[ed] a good, fair fight,"[69] the greater risk associated with pursuing a test case on the inherent line-item veto was not that he might lose, but that he might win.

[69] See supra note 27.

THE PRESIDENT HAS SEEN 8/3

Tony
cy - [illegible]

STROBE TALBOTT
2812 Calvert St., NW
Washington, DC 20008

July 16, 1993

President Bill Clinton
The White House
Washington, DC 20500-2000

Dear Bill:

I'm resorting to the FOB channel to amplify some good news.

As you will no doubt know by the time this reaches you, there was a breakthrough in the negotiations over the Russian/India rocket deal late last night, just in time to head off sanctions. You can be extremely proud of Lynn Davis and her team. Leon Fuerth also played a vital role, both because of his expertise on space and because of his knowledge of the non-proliferation law and the congressional politics of the issue. In an earlier life I was a chronicler of this kind of negotiation, and I've never seen one handled better. Your conversation with President Yeltsin on this subject last Saturday in Tokyo was the turning point.

But the point I really wanted to stress is the connection between this welcome development and your overall policy toward Russia: you have convinced Yeltsin that you are serious about support for his program -- that you really are committed to helping Russia make it into the 21st century as a great power and as a member of the community of democracies; that is why he has decided to swallow hard, pull out of the India deal, and join the Missile Technology Control Regime, despite the brutal opposition he faces from his military-industrial complex and from the parliament.

In other words, what happened late last night in Lynn Davis' office on the 7th floor of the State Department was a very concrete, very significant, very encouraging payoff from Vancouver and Tokyo. No American President has ever had as much influence over a Russian leader as you do now.

I hope you had a restful few days in Hawaii. Brooke and the boys and I are off to Hawaii ourselves (Maui) in mid-August.

Cheers,

Strobe

JUL 19 '93 12:41 MINTMIRE,ALAGIA PALM BEACH, FL P.2

THE PRESIDENT HAS SEEN 7/3

GS - make sure he got copy of speech/policy

A. PAUL PROSPERI

July 18

Dear Mr. President,

Over the last 3 days I have spoken to many of your friends
here in Florida, like Buddy McKay, and across the country who
believe you should not go along with "Don't Ask / Don't Tell" especially
if Sam Nunn is not going to be bound by it anyway. By
going along you undercut the principle and give cover to Nunn
and others who have opposed you because the issue will become you and
what you did and not the real issue which is discrimination, pure
and simple. Polling shows that Americans respond to the issue
presented that way as even John McLaughlin in an extraordinary
comment pointed out on "The McLaughlin Group" Friday when he aired
a spot featuring Joe Zuniga and spoke approvingly of it.

On the merits the compromise is too indifferent to the First Amendment
and still leaves gays serving in the military vulnerable for even
acknowledging their status instead of being accountable for their
conduct. It may have been better than where they were before but if
Nunn can keep it from happening, it is not worth the price.

I will always support your decision because I know where your
heart is but I ask you to reconsider or even send the issue back.
I remember that JFK never got a Civil rights bill through yet who
among us can forget his televised address in which he made all Americans
think about what life would be like with a different color skin.
That speech changed the national debate on racial equality. I
believe you have a similar opportunity.

You have said you often go to the Lincoln Bedroom to think about
the presidency. Please go there to make this decision. God
guide and protect you.

Paul

A. PAUL PROSPERI

By Fax 202-456-6703
To Betty Currie
From Paul Prosperi

2 pages including this cover sheet

Dear Betty -

I would appreciate your giving the one page letter accompanying this cover sheet to The President. Thank you.

Paul.

407 832-5696 (office)
407 845 1229 (home)
407-459-5371 (fax)

THE PRESIDENT HAS SEEN 8/3

State Lawmakers Feel New Bond to White House—and Old Anxiety

■ **Government:** With an ex-governor in the Oval Office, legislators expect a little empathy. But costly and constricting federal rules are still a fear.

By RONALD BROWNSTEIN
TIMES POLITICAL WRITER

SAN DIEGO—For the thousands of state legislators who gathered here last week, the Clinton Administration is like a brightly wrapped box with a faint ticking sound: They like the way it looks, but they're still uncertain about what's inside.

After years of complaining that Republicans in the White House had slighted domestic problems and dumped responsibilities onto the states without the money to pay for them, state legislators now perceive a sympathetic ear from the former governor sitting in the Oval Office.

"They have opened the door to us," said Arizona state Rep. Art Hamilton, the outgoing president of the National Conference of State Legislatures, which concluded its annual meeting here Thursday. "We have had better access to this Administration than we have had in a very long time."

But many here said they are withholding judgment until they see more details about President Clinton's domestic agenda. And, though the state legislators broadly applauded Clinton for grappling with large domestic problems that Washington had mostly ducked in recent years, several also raised red flags about how states would be affected in grappling with the big three issues of social policy: health, education and welfare.

"I think they are cautiously optimistic that many of these issues will be dealt with," said Missouri state Rep. Karen McCarthy, an NCSL vice president. "It's cautious optimism because there is this experience with Washington that in the end what we get is another unfunded mandate."

State officials worry above all about Washington policy-makers mandating that they provide a service—such as improving health care for the poor—without providing the funds to pay for it. Ranking a close second on their complaint list is federal rules that limit their flexibility to design social programs at the local level.

The arguments about the division of authority between the state and national government trace back to Thomas Jefferson and Alexander Hamilton. But during the 1980s, state leaders gave both the Republican White House and congressional Democrats particularly low marks for usurping power and sloughing off costs.

Clinton's signing of the so-called "motor-voter" legislation, which requires the states to ease access to voter registration but offers no money to pay for it, annoyed many state legislative leaders. But generally, they say Clinton is speaking their language. "You cannot have been involved in state government as long as Bill Clinton was without having a sense of what this means," said William T. Pound, the NCSL's executive director.

Indeed, Clinton voiced all of the right sentiments in a satellite appearance before the legislators' group on Tuesday. He promised a "historic partnership" with the states and pledged that Vice President Al Gore's task force on reinventing government would produce recommendations to both reduce unfunded federal mandates on the states and allow states more flexibility in the use of federal dollars.

Those promises earned Clinton a standing ovation. But as they wandered between seminars, working groups and receptions this week, legislators also expressed some pointed concerns about Washington's direction on several issues:

• **HEALTH CARE:** Legislative leaders are nervous that the Administration's final reform package won't solve their problems with Medicaid, the joint state-federal program of health care for the poor whose skyrocketing costs are straining state budgets.

The states want the Administration to fold Medicaid into its new system of national health care. Speaking before the group earlier this week, Health and Human Services Secretary Donna Shalala said the Administration won't leave the states "holding the bag on Medicaid." But she said that no decisions have yet been made on whether to maintain it as a separate program.

Many here, though, worry that all indications are the Administration intends to maintain Medicaid as an independent program and offer the states little financial relief, at least initially. "From the states, our bottom line is very much associated with what happens to the Medicaid program," said James R. Tallon Jr., the majority leader of the New York State Assembly.

• **EDUCATION:** The legislators' beef is more with Congress than the Administration. As part of the Administration-sponsored bill to set national academic standards for students, Democrats in the U.S. House have stiffened requirements that schools also meet so-called "opportunity-to-learn standards." Those standards would measure the services that elementary and secondary schools provide students, from the quality of school facilities and textbooks to policies that promote "gender equity."

Over the Administration's objections—and in contrast to the Senate version—House Democrats voted in committee that states could not receive federal grants to help meet the national academic standards unless they establish specific policies for improving schools that don't meet the new opportunity-to-learn standards. Local officials fear this requirement could become a backdoor federal mandate to equalize all education spending, or could spur lawsuits from parents whose children attend schools that don't meet the federal standards.

• **WELFARE:** Some legislators are nervous both about the cost of the Administration's overall reform plan and Shalala's policies toward state reform efforts.

During the presidential campaign, Clinton said repeatedly that he would allow states great flexibility to experiment with welfare reforms, even if he personally disagreed with their policies. But since January, about half a dozen waiver requests from states looking to perform welfare experiments have piled up at HHS, many of them involving sanctioning recipients who don't work or stay in school, or who have additional children after they are on the rolls.

Over this period, according to an NCSL compilation, HHS has approved only a single welfare waiver, allowing Vermont to experiment with a welfare time limit, like the one Clinton proposed during the campaign.

"We were getting waivers more easily under Bush before he left office," said Ohio state Sen. Grace L. Drake, co-chairwoman of an NCSL task force on welfare reform.

HHS officials say the slowdown is partially explained by efforts to develop an overall policy on state waivers for welfare and Medicaid programs; one official said that policy is expected to be released in a couple weeks, when Clinton attends the National Governors' Assn. meeting in Oklahoma.

But there are also some signs that HHS may be more reluctant than Bush to allow states to proliferate these new regulations on the personal behavior of welfare recipients. "If we fail to limit waivers in some ways," one ranking HHS official said in an interview, "we will have a de facto patchwork welfare reform, which obviously we don't want to do."

BS

Rasco
Can't we get some action on this before NGA [illegible]

118

Tony / Rubin
very impressive letter
good advice — I need to reply
B.

THE PRESIDENT HAS SEEN 8/3

AT&T

Glen S. Fukushima
Director
Public Policy & Business Development

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Minato-ku, Tokyo 106 Japan
Phone (03) 5561-3160
Fax (03) 5561-3130

26 July 1993

The Honorable Bill Clinton
President of the United States of America
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500
U.S.A.

Dear Mr. President:

I was pleased to shake your hand and to speak with you in Tokyo at the American Chamber's Trade and Investment Forum on July 9. It was good to see you again after having had the opportunity to address the Little Rock Economic Conference about Asia last December.

As Derek Shearer may have told you, I have decided not to accept Ron Brown's offer to be Assistant Secretary of Commerce for International Economic Policy. The reasons for my decision are outlined in the attached letter. Although I plan to stay in the private sector for the time being, I remain committed to your efforts to revitalize America and to improve our position in the world economy. It is with this in mind that I offer the following unsolicited advice (based on a lifetime of dealing with U.S.-Japan issues in government, business, law, and academia) on your future dealings with Japan:

1. Have someone knowledgeable about Japan review the text of future speeches you give on Japan. Your speech at Waseda University on July 7, which was generally well received, had a glaring error. You said, "To keep the country's doors wide open is a national principle to which Japan has attached the greatest importance from its earliest days." Anyone with even a cursory knowledge of Japanese history knows this is factually wrong: during the nearly 300-year Tokugawa period (from the 17th to 19th century), Japan had a draconian policy of seclusion from the outside world. The exclusion of foreigners during this period and its long-lasting legacy are among the major obstacles faced today by countries, companies, and individuals that deal with Japan.

2. Replace your Japanese language interpreter. Through no fault of her own, the interpreter who accompanied you to Japan is far below the standards appropriate for a person of your stature and importance. While you exude vigor, confidence, and eloquence, she conveys torpor, hesitation, and inarticulateness. As one Japanese observer put it, "Every time she opens her mouth she re-enforces for Japanese how uncompetitive America is." I am told that when former Vice-President Mondale met Sony Chairman Akio Morita for lunch recently, the first thing Mr. Morita told him was, "Please do something about that awful interpreter your President brought with him to Tokyo."

Who was responsible for this decision

The Honorable Bill Clinton
26 July 1993
Page 2

3. Give clear White House guidance about the importance of American commercial interests to Mr. Mondale and his staff at the U.S. Embassy in Tokyo. This is especially needed because the Embassy that greets the new Ambassador will be extremely weak on the economic side, with nearly all the key officers of the Economic Section turning over this summer. The Administration's institutional memory about U.S.-Japan economic relations during the past decade will be minimal in both Tokyo and Washington.

4. Create a Japan Policy Group to forge a new policy that systematically integrates our economic and political/military security interests with Japan. Such a Group should include Americans outside of the Administration and Congress, since there are virtually no senior-level U.S. Government officials with in-depth knowledge of Japan's language, politics, and economy.

5. Apply what I believe is the single most important principle in dealing with Japan as a nation: Speak softly and carry a big stick. Unfortunately, the Japanese have become used to an America that speaks loudly but carries no stick. In Japan even more than in the U.S., actions speak louder than words. By repeatedly crying wolf over the past decade but not taking decisive action on trade issues, the U.S. continues to lose credibility in Japan.

Although I am not able to join your Administration at this time, I wish you the best of luck and hope you will give me another opportunity in the future to serve my country.

Thank you.

Sincerely yours,

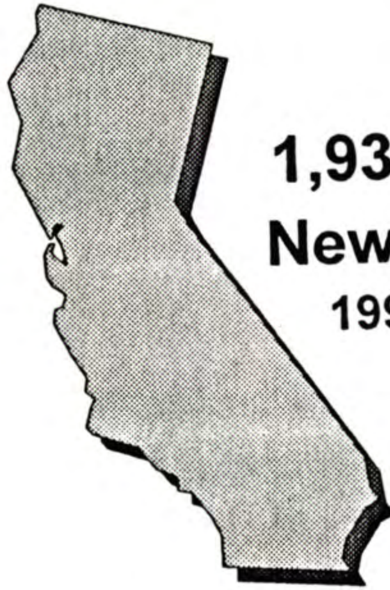
Glen S. Fukushima

Glen S. Fukushima

Enclosure

GSF:fm

President Clinton's Economic Plan



1,931,473
New Jobs
1993-96

California

Investments	1994-98
Worker training and higher education	$2,611 million
Tax incentives for business investment	$2,334 million
Schools and children	$1,807 million
Technology and defense conversion	$1,262 million

President Clinton's Economic Growth Plan for California

✓ The Plan:	Reduce the deficit; invest in people, communities, and businesses
✓ The Purpose:	Restore economic growth and vitality; create high-skill, high-wage jobs
✓ Results for the U.S.	$500 billion in deficit reduction, lower interest rates, and 8 million new jobs

✓ Results for California:

New jobs under Clinton plan 1993-96: 1,931,473

900 percent **more jobs** than were created 1989-92

Investments for California 1993-98

Investing in schools and children • Head Start program • Nutrition assistance • Child immunization • Goals 2000: education reform	$1,807 million
Investing in worker training and higher education • National service • Dislocated worker training • School-to-work	$2,611 million
Investing in highways, mass transit, and environmental infrastructure • Federal-aid highway program • Clean water bank revolving funds • Energy conservation programs	$1,532 million
Investing in technology (incl. defense conversion) • Economic development assistance for defense conversion • National Science Foundation • Manufacturing technology for small firms	$1,262 million
Investing in housing and communities • Empowerment zones • Low-income housing credit • Community development banks	$1,719 million
Investing in health and AIDS research	$1,694 million
Tax credits for the working poor • EITC	$3,419 million
Tax incentives for business investment • Small business capital gains cut • Expensing of investment • Renewal of the research and experimentation tax credit	$2,334 million

Office of Economic Policy, Department of the Treasury

HRC - Fyi

THE PRESIDENT HAS SEEN 8/3

Bill

There is a serious concern that your opponents in Health Care are moving to kill

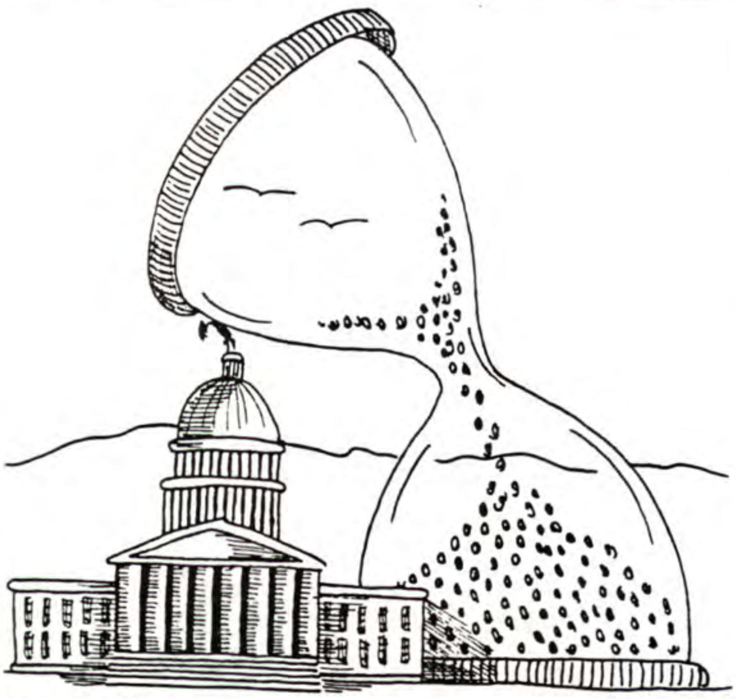
The sooner you get underway the better watch out for the single payors on the left.

24 hour care is essential. Business will support health care if Worker Comp is included there are essential savings to business - your staff is making it too complex

John Moran

THE PRESIDENT HAS SEEN 8/3

TUESDAY, AUGUST 3, 1993 THE WASHINGTON POST



BY MARGARET SCOTT

cs

Interesting

B.

Hans Koning

A Different Idea Of National Sharing

The taxing vs. spending debate in Washington and the country is missing the point. The questions it raises cannot be answered properly because a specific frame of reference is lacking. Such a frame would be: What quality of life do we demand, not individually and separately, but as a people?

Quality of life is a relative concept, and it can only be rated through comparisons. For the United States, Western Europe is the natural touchstone. Economic statistics are insufficient. Personal subjective observations are unavoidable. I am not a foreign observer in Europe: I was born Dutch and went to school in France and Switzerland. I believe I can pretty well look at those countries from the inside out.

During the past few years I have become aware of the ever-increasing gap between them and the United States, not a gap in overall prosperity but precisely in that elusive "quality of life." In Western Europe the state support of daily life—both in its machine-made aspects (housing, transportation) and its legal-financial aspects—has vastly increased that quality as compared with us. The recession on both sides of the ocean has widened the gap further, for our economizing cuts much closer to the bone. Obviously there is no different level in technical know-how between them and us, and the gap in national per capita income is not the issue either. The quality gap is caused by different concepts of taxing and spending, that is to say by different priorities and a different idea of national solidarity and sharing.

Our politicians talk much about "We, Americans," but the solidarity—the "we feeling"—is stronger in the West European nations than here. I think it has become almost unconscious and has little to do with flag waving or patriotism. Its acceptance is beyond the traditional platforms of conservatism, liberalism or socialism. There is no need to attribute it to a finer morality. Enlightened self-interest will explain it. But it needed the two world wars and the suffering of war and enemy occupation to crystallize it.

When a national health system in a country eliminates the money aspect of disease, this doesn't only benefit those who once couldn't afford proper health care. It changes the emotional climate of the entire nation. To an amazing degree, it eliminates the sharpness of the struggle for existence.

For instance, while living in Holland, I realized how much the financial worries we have in the United States about the cost of sickness for ourselves and our families adds to our insecurity and thus instills ruthlessness and even bitterness into our economic practices. Whenever friends in Holland had a sad tale to tell about serious illnesses, I was struck by the absence of that fear we would feel about lengthy hospital stays or about losing our job.

The same is true about fear and concern for old age. There, money hardly enters into it. Here, Social Security has long stopped being a viable source for an independent old age (apart from the fact that millions don't even get it). Here, housing may consume up to half our income as we become sharecroppers to our landlords. The savings needed to grow old independently and gracefully become unobtainable to a majority. Old age too has become a threat, souring our lives.

When the state, that is to say the commonwealth of all, undertakes these responsibilities, when pregnant women get half a year's paid leave, when decent housing is a right, when sickness and even life-long disability do not cause financial concern and when unemployment payments are close to normal income levels and without deadlines, life achieves a more gentle quality, which improves the social fabric. That is what the rich in Western Europe pay their taxes for and are by and large willing to pay them for.

They realize that the modern alternative is not having a "lower class" willing "to keep its place," but the dog-eat-dog jungle in which they have as much to lose as anyone. A simple and trivial illustration of what I mean with a more gentle life? Along American highways, we have fear-inspired signs saying: "Do not stop. Hitch-hiking is illegal." Signs along Dutch highways designate "Hitch-hiking areas."

Of course there is a negative side to the European way. There always is a price to pay. The European process was part of a long historical development in which money gradually lost its all-overriding absoluteness. Once, counterfeiters were burned alive. Once, it wasn't questioned that money had the power to decide who survived during scarcity and who starved to death. With this money absoluteness gone, the excitement and stimulation that in our country spur people on (those lucky enough to be able to respond positively to the challenges) are weakened. There are fewer truly exciting careers, and there is less crime and less "public" sorrow and suffering.

What our money debate must decide on is to just what degree do we in this country want to participate in the process of scaling down the absoluteness of money. Or do we want to stick to a system that actually works as an international brake on it? That is our choice.

Hans Koning is a novelist and biographer.

U.S. to Review Federal Rules On Aiding Disabled Onto Aircraft

By Stephen C. Fehr
and Sandra Evans
Washington Post Staff Writers

United Express personnel followed federal regulations in declining to help a disabled man board a plane Saturday at Dulles International Airport, airline and U.S. Department of Transportation officials said yesterday.

But Rick Douglas, executive director of the President's Committee on Employment of People With Disabilities, said that the airline and federal officials do not understand the regulations and that he will press Stephen Wolf, United Airlines chairman, on the issue at a meeting today in Chicago. Wolf sent Douglas an apology yesterday.

Douglas, who uses a wheelchair because of multiple sclerosis, was trying to fly to Allentown, Pa., on Saturday to give a speech there about the third anniversary of the Americans With Disabilities Act. Told by United Express personnel that he would have to be able to board by himself, Douglas dragged himself up a set of steps onto the plane, a 19-seat Jetstream 31. After he had ascended the steps by hand, Douglas said, a United Express employee "broke ranks" to help him lift his legs.

After reading an account of the incident in yesterday's Washington Post, U.S. Transportation Secretary Federico Peña was described by a spokesman as being "very troubled" by it and ordered a review.

Peña's spokesman, Richard Mintz, said some aircraft with fewer than 30 seats, such as the Jetstream 31, are too small to allow lifts, chairs and other devices to assist a disabled person in boarding the plane.

Under a five-year-old law, airline personnel "are not required to carry the handicapped person onto the aircraft by hand." Furthermore, Mintz said, federal regulations require the airline to notify the disabled person of the problem when the reservation is made.

Although the Transportation Department [illegible] to make flying as accessible as possible, Mintz said, "some aircraft such as the J-31 make it very difficult to access for the handicapped, and that's unfortunate."

Barron Beneski, a United Express spokesman, said the policy is intended for the safety of the disabled person as well as airline personnel. United Express and United Airlines are separate companies, but United contracts with United Express for regional air service.

"We're not trying to be callous," Beneski said. "We're caught between a rock and a hard place. We're sympathetic to this situation, but it's a technological problem."

A spokesman for USAir said yesterday that that airline uses special chairs to assist disabled people onto its Jetstream 31 commuter planes..

"The bottom line is that we will get the [disabled] passenger on, regardless of the size of the plane," said spokesman David Shipley.

Beneski said Douglas was traveling with his wife, Nancy Flinn, who, he said, airline officials assumed would assist her husband onto the plane. He also said United Express offered Douglas and his wife another flight on a larger plane.

Douglas said his wife is ill and unable to help him. He said he was not offered another flight.

When making the reservation, Douglas said, no one explained the aircraft's limitations.

Douglas said he has flown on other Jetstream 31 planes and was assisted by airline personnel. He said lifts are available that would allow him to be hoisted up to the plane.

The federal regulation says airline personnel are "not required" to carry disabled passengers, Douglas said, which means that airline employees may assist at their own discretion. "They do it all the time," he said.

On Sunday, Beneski said airline personnel were justified in not aiding Douglas because the plane had no flight attendant, saying it was a safety issue. Yesterday, Beneski said the lack of a flight attendant was not an issue.

Staff writer Richard Weintraub contributed to this report.

Gergen/Gearan
we should do something
about this — B.

THE PRESIDENT HAS SEEN 8/3

TUESDAY, AUGUST 3, 1993 THE WASHINGTON POST

TODAY IN CONGRESS

SENATE

Meets at 9:45 a.m.
Committees:
Commerce, Science & Transportation—9:45 a.m. Mark up Federal Trade Commission reauth. & other pending legislation & nominations. S-146 Capitol.
Commerce, Science & Transportation—2:30 p.m. Legislation to amend Motor Vehicle Information & Cost Savings Act to provide consumers with information on repair history of used vehicles. 253 Russell Office Bldg.
Energy & Natural Resources—9:30 a.m. Mark up Colorado wilderness, & to reform National Park Service concessions policy, & pending legislation. 366 Dirksen Office Bldg.
Environment & Public Works—9:30 a.m. Clean air & nuclear regulation subc. State & local implementation of Clean Air Act of 1990. 406 DOB.
Foreign Relations—9 a.m. International economic policy, trade, oceans & the environment subc. Mark up FY94 foreign assistance authorization. 419 DOB.
Governmental Affairs—10 a.m. Nomination of Russell Canan to be an associate judge of the D.C. Superior Court. 342 DOB.
Judiciary—9:30 a.m. Vote on nominations of Louis Freeh to be director of FBI & Bruce Lehman to be commissioner of patents & trademarks, & to improve administration of bankruptcy system. 226 DOB.
Judiciary—10 a.m. Assault weapons. 226 DOB.
Labor & Human Resources—11 a.m. Children, family, drugs & alcoholism subc. Child support. 385 ROB.
Labor & Human Resources—10 a.m. Education, arts & humanities subc. Equity in education. 430 DOB.
Veterans' Affairs—10 a.m. Mental health programs for veterans. 418 ROB.

HOUSE

Meets at 1 p.m.
Committees:
Agriculture—10 a.m. Specialty crops & natural resources subc., House Natural Resources national parks, forests & public lands subc. & House Merchant Marine & Fisheries environment & natural resources subc. Administration's Pacific Northwest forest proposal. 1300 Longworth House Office Bldg.
Armed Services—10 a.m. Morale, welfare & recreation panel. Military exchange operations & activities. 2212 Rayburn House Office Bldg.
Banking, Finance & Urban Affairs—1 p.m. International development, finance, trade & monetary policy subc. Proposed operations & structure of a permanent global environment facility. 2128 RHOB.
Energy & Commerce—2 p.m. Telecommunications & finance subc. & commerce, consumer protection & competitiveness subc. Efforts to open foreign markets to U.S. telecommunications industry, & current status of GATT, NAFTA & U.S.-Japan trade talks. U.S. Trade Rep. Mickey Kantor. 2123 RHOB.
Government Operations—9 a.m. Information, Justice, Transportation & Agriculture subc. Feasibility of charging a border crossing fee. 2247 RHOB.
Judiciary—10 a.m. Mark up Freedom of Access to Clinic Entrances Act, & to allow formula grants to be used to prosecute person driving while intoxicated. 2141 RHOB.
Merchant Marine & Fisheries—1:30 p.m. Fisheries management subc. To establish a Council on Interjurisdictional Rivers Fisheries. 1334 LHOB.
Natural Resources—10 a.m. Insular & international affairs subc. Self-determination for Puerto Rico & other island territories. 1324 LHOB.
Post Office & Civil Service—10 a.m. Civil service subc. Reauth. of Merit Systems Protection Board. 311 Cannon House Office Bldg.
Science, Space & Technology—3:30 p.m. Technology, environment & aviation subc. Infrastructure & surface transportation research & development. 2325 RHOB.
Small Business—10 a.m. Minority enterprise, finance & urban development subc. Federal programs to promote minority business development. 2359 RHOB.

THE WHITE HOUSE

WASHINGTON

August 2, 1993

MEMORANDUM FOR THOMAS F. MCLARTY, III
ASSISTANT TO THE PRESIDENT AND CHIEF OF STAFF

HOWARD G. PASTER
ASSISTANT TO THE PRESIDENT FOR LEGISLATIVE AFFAIRS

FROM: JOHN PODESTA JDP
ASSISTANT TO THE PRESIDENT AND STAFF SECRETARY

SUBJECT: The Half-Staffing of the Flag at the White House Due to the Death of Representative Paul Henry

Representative Paul Henry (R) of Michigan died on Saturday, July 31, of brain cancer. Proclamation 3044 of March 1, 1954, provides that the flag should fly at half-staff in the metropolitan area of the District of Columbia on the day of death and on the following day and in the State or Congressional district for a Senator or Representative, respectively, from the day of death until interment.

However, since 1984 the White House has followed the practice of the Capitol on the length of time the flag is lowered in the case of the death of a Senator or Representative, that is from the day of death until interment. This policy is the result of a directive from former Staff Secretary, Richard Darman, who felt that the flags around the District should be consistent with Capitol Hill practice. This policy has resulted in the flags being half-staffed between 4 to 8 days. Government-wide compliance has been anything but consistent due to the turnover in personnel charged with the maintenance of the flags in the various departments and agencies.

The Executive Clerk recommends that the White House revert to the pre-1984 practice and conform to Proclamation 3044, which directs the flags to fly at half-staff in the metropolitan area of the District of Columbia on the day of death and the following day. I concur and will institute that practice unless you have a problem with that or wish to discuss further.

cc: David Watkins

From the Office of the Chief of Staff
Phone: 202/456-6797 Fax: 202/456-1121

Date: 8/2/93 Response needed by: ______

COS Office Contact: Bill Burton 93 AUG 2 P1:56

	Action	FYI		Action	FYI
Joan Baggett			Leon Panetta		
Rahm Emanuel			Howard Paster		
Mark Gearan			John Podesta	✓	
David Gergen			Jack Quinn		
Jack Gibbons			Carol Rasco		
Marcia Hale			Bob Rubin		
Alexis Herman			Eli Segal		
Nancy Hernreich			Ricki Seidman		
Tony Lake			George Stephanopoulos		
Bruce Lindsey			Christine Varney		
Katie McGinty			David Watkins		
Regina Montoya			Maggie Williams		
Dee Dee Myers					
Roy Neel					
Bernie Nussbaum					

Remarks: TO Sandy Berger
will you handle?

John

Response:

AmeriCares

161 Cherry Street New Canaan CT 06840
203-966-5195
1-800-486-HELP
Fax: 203-972-0116
Fax: 203-966-7945
Telex: 6974609 AMCARES

Fax Transmittal Sheet

Urgent

Date: July 30, 1993

To: Mr. Thomas McLarty
Chief of Staff

Fax: (202) 456-2883

From: Mr. Robert C. Macauley, Chairman

Dear Mack:

It is with great urgency that we ask for assistance with the delivery of the attached letter to the President.

With much appreciation for your help,

Sincerely yours,

Bob

AmeriCares

161 Cherry Street New Canaan CT 06840
203-966-5195
1-800-486-HELP
Fax: 203-972-0116
Fax: 203-966-7945
Telex: 6974609 AMCARES

July 30, 1993

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

Dear Mr. President:

On July 2, 1992, AmeriCares flew the first American aid into Sarajevo and, since that date, AmeriCares has flown 12 airlifts and shipped 22 sea containers of medicines and medical supplies to Bosnia-Herzegovina. The total of our aid to Croatia and Bosnia-Herzegovina amounts to 2,000,000 pounds valued at more than $40,000,000.

As AmeriCares has done with aid to the former U.S.S.R. (4,400,000 pounds of medicine and medical supplies, valued in excess of $116,000,000) and, indeed, with all of the disaster relief and humanitarian aid work that it undertakes, AmeriCares operates with no U.S. Government support, relying exclusively on private contributions of supplies and cash.

We are writing, Mr. President, because AmeriCares is prepared to immediately undertake to create an air bridge into Sarajevo for medicines and medical supplies, all without U.S. Government monies, providing that the assurances for the safety of AmeriCares personnel can be obtained from the appropriate authorities.

In its eleven-year history, AmeriCares has delivered over $776,000,000 worth of medical aid to 81 countries worldwide, all irrespective of race, religion, creed, color or political persuasion.

Similarly, in this instance, AmeriCares is interested in only one objective: saving lives.

Mr. President, AmeriCares stands ready to immediately open this air bridge. We ask for no government funding, only for assurances that our personnel will be protected.

We respectfully ask for a response to this offer at the earliest possible time.

With kindest expressions of admiration and esteem, I remain,

Sincerely yours,

R.C. Macauley

Robert C. Macauley
Founder and Chairman

RCM/aml

cc: Mr. Warren Christopher, Secretary of State
Mr. Les Aspin, Secretary of Defense
Mr. Anthony Lake, National Security Council
Mr. Samuel Berger, National Security Council
Members of the AmeriCares Advisory Board

THE WHITE HOUSE
WASHINGTON

DATE: 08/02/93

NOTE FOR: JENNY MCCARTHY

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

Information ☐

Action X☒X

Thank you.

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

cc:

THE WHITE HOUSE

WASHINGTON

July 23, 1993

Mr. J. E. England
4321 Philippine
Corpus Christi, Texas 78411

Dear Jim:

Thank you for writing to me. I was truly moved by the eloquence of your personal story. My heart goes out to you and your family as you struggle during these difficult economic times.

Many American families today are experiencing hardships like those that you described. As President, I am doing everything I can to restore hope and lead our nation in a new direction. I want you to be able to proudly tell your son to "do the right thing" for America.

I believe strongly that the key to your future and our nation's future is passage of the principles of my economic plan. The plan gives our nation a historic opportunity to reduce the federal budget deficit. The announcement of our deficit reduction plan has already led to record low interest rates and the creation of 740,000 new private sector jobs.

In your home state of Texas, my economic plan will generate nearly 900,000 new jobs over the 1993-96 period -- 183 percent more than were created in 1989-92. These figures are based on conservative Treasury Department projections. In combination with deficit reduction and low interest rates, investments in Texas -- approximately $1.6 billion for worker training and higher education; $1.3 billion in tax incentives for business investment; $1 billion for schools and children; and $700 million for technology and defense conversion -- will pump millions of dollars into the private sector and create permanent jobs for Texans.

My economic plan is designed to generate good, high-paying jobs that take advantage of international economic trends. Our nation needs highly skilled people like you in order to compete globally. My Technology Initiative and defense conversion plans are designed to allocate our nation's resources -- technology to people -- to their most productive uses. Reorienting our economic priorities toward productive investment is essential to real, sustained growth for our economy and rising wages and a higher standard of living for our people.

I ask for your patience and continuing support during the final negotiations over the economic plan. I am working hard to live up to your faith in me and to do what is right for America. You and your family will be in my thoughts as I work to build a brighter economic future for you, your children, and our great nation.

Sincerely,

Bill Clinton

P. Arch

07 July, 1993
Corpus Christi, Texas

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

Dear Mr. President:

Welcome home from the Orient. It's a nice place to visit... I doubt you remember, but we met in Little Rock in the spring of '82 after you spoke at a Building Owners and Managers Convention. You were impressive. I haven't forgotten. You had then, and still have, a technique of inference from a single personal example to a homily, and that's why I'm writing this letter. My life is an example of what America is facing right now, all of us. It's just one example, unremarkable except to me, but it is a little frightening in its commonality. Here's my story.

I was raised in a Methodist, working-class home in Tulsa. As my parents taught me to do, I did the right things: Church, school, paper route, Eagle and God and Country Scout. I won a full scholarship to Drury College in Springfield, Mo., and joined the Naval Reserves. (My Dad fought the Japanese in the Navy in WWII.) In 1965, I left college and went on active duty--- the right thing to do. After service with commendations, I returned to school and took a law degree, and went to work for the largest bank holding company in Oklahoma. My wife went to work, we put our children in the best schools we could afford, and we knew we were doing the right thing. In 1987, I seized a unique opportunity to return to my Navy profession, flying as aircrew under civilian contract to the Navy, and continuing to serve my Country directly--- the right thing to do. Our DOD Program trained every U.S. Navy Carrier Battle Group that served in Dessert Storm, and our techniques saved countless lives in that conflict. Lives of highly-educated, expensively-trained aircrews. I was again part of the military effort to make the world safe for Democracy--- the right thing to do. Then last May, our Program took a direct hit and I was laid off for a reduction in force. I'm now looking for work in a specialty that encompasses only a handful of individuals in this country and only a few dozen in the world. I'm unemployed. My life is changing dramatically before my eyes, and I thought I had done the right thing: For family, for God, for Country. My perceptive twelve-year-old son, knowing all is not well, looked up at me last week and said "Dad, I hope you find a job soon...". That pains me more than I can tell you, Mr. President.

There are international moves afoot over which I have no control, like the Tokyo G7 Summit, but those moves have directly affected me and my family. Institutions that have been solidly predictable all my life are in turmoil. I was born as the Curtain of Iron fell across Europe, and I believed our elected leaders when they told us that we must strive against the Communist threat. I risked life and limb, and lost some friends, in that striving.

I asked what I could do for my Country, and answered its call--- twice. I still believe I did the right thing. But what's right now? Where do I sell my skills, or retrain for life in the moratorium? What do I tell my children when they come to the age of decision about serving our Country? What will be the right thing for them to do? We Americans are split, splintered and divided into antagonistic, self-serving groups, no more than bands, really, without institutions, and nationhood is dying. I love this Country. I can compare it to thirty-odd others I've experienced, and it's still the best place in the world. Can I teach that to my children while I'm unemployed, a cast-off peace dividend?

As you create jobs, Mr. President, keep me and the millions like me in mind. (I've enclosed a resume in case you hear of a job I might be qualified for. Hell, I've sent one to everyone else, I might as well send one to The White House...) Please also remember that we are only in the eye of the hurricane; the world is not a kinder, gentler place. Somewhere, maybe in Russian Georgia, is a counterpart to my son. The young Georgian has a burning, consumptive ambition to grasp power, and he will do it the only way he knows will work, by force of arms. What will I tell my son when his Country then asks for his committment to his American ideals, to institutions we hold dear, for his very life? I'll tell him to do the right thing.

God bless and guide you, Mr. President, and God bless and protect These United States of America.

Sincerely,

Jim England

J.E. England
4321 Philippine
Corpus Christi, Texas 78411
(512) 852-0748

Encl

THE WHITE HOUSE
WASHINGTON

DATE: 08/02/93

NOTE FOR: THE FIRST LADY

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

Information ☒

Action ☐

Thank you.

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

cc:

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
8.2.93

August 2, 1993

cc: ADC

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN RER

SUBJECT: **The Realities of Short-Term "Fixes"**

Today's Washington Post inadvertently posed what I think will be one of the key issues you will have to face on an on-going basis over the next year or two. The editorial page praised your program of "paying off debt, investing in new technology, improving the schools" and said that this provides "nothing that offers a quick return. The only thing to be said for this line of policy is that it's right." The news pages, on the other hand, had an article saying that politicians, namely Don Riegle, and some economists were focused on the plan not satisfying their short-term concerns.

As you said during the campaign and since, and as we have all known throughout this process, you have done exactly what the Washington Post editorial said and what Tom Friedman discussed in an article a couple of weeks ago in the New York Times, to wit, put in place long-term solutions to long-term problems to get us back on the right track over the long term.

I think the country's long-run interest, and your long-run political good, lie in fundamentally staying the course and not trying to adapt to meet the exigencies of the short term.

Firstly, I think attempted short-term "fixes" probably wouldn't work. Traditional macro stimulation during sluggish times is denied us by the fiscal mess we inherited, and partial measures in that direction, as suggested by some outside the Administration, would do more harm than good by up-ending lower interest rates. Obviously, all this notwithstanding, we want to monitor conditions carefully and we can try to adjust around the edges in ways that don't undermine our long-run program, to try to ameliorate the added front-end loading that Congress worked into your plan (CEA, as you know, has done a lot of good work on this).

Secondly, attempted short-term "fixes" would undercut the fundamental thrust of getting us back on the right track, e.g., beginning to reduce debt as a percentage of GDP, investing in the various areas that can really make a difference over the long run, opening markets through trade agreements, dealing with health care, and the rest.

I predict that at times there will be substantial political pressure to try to inject short-term solutions to the country's economic problems. **I would recommend that, at those times, we all sit and think them through in the context of hard-minded analysis of likely short-term impacts, and, more importantly, your long-term objectives, your long-term program and your long-term political good.**

Finally, private sector projections as to the balance of this year and next year vary rather widely. For example, after the announcement of the second quarter, J.P. Morgan raised its projection for the balance of this year to 3.6% and has a projection for next year of 3-3.5%. Similarly, Jack Welch said that business looks better to him. On the other hand, after the quarterly announcement, Goldman Sachs repeated its rather pessimistic projection of 2.2% for the balance of this year, but even they, who have been relatively bearish, are projecting 3% for next year. Proctor & Gamble monitors 40 different consumer areas and finds demand still sluggish and consumer uncertainty high.

cc: The Vice President
Mack McLarty
David Gergen
George Stephanopoulos

THE WHITE HOUSE
WASHINGTON

DATE: 08/02/93

NOTE FOR: ALAN BLINDER

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

Information ☐

Action xx

Thank you.

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

cc:

THE PRESIDENT HAS SEEN 8/2

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

93 JUL 30 P7:39

July 30, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ALAN S. BLINDER, MEMBER AB

SUBJECT: Interest Rates and the Stock Market, Week Ending Friday, July 30, 1993

Bond yields fell sharply this week, especially at the long end. Most of the declines came on Thursday, following release of the GDP report, which allayed fears of an imminent Fed tightening. Changes in Treasury borrowing rates over the week were as follows:

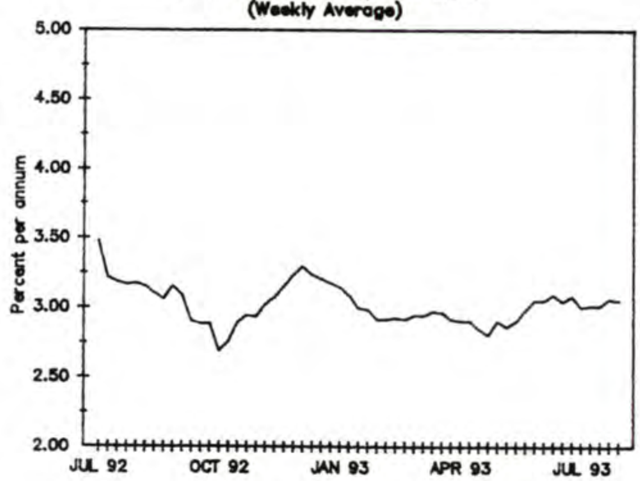
	Close 7/23/93	Close 7/30/93	Change
3-month bills	3.16	3.10	-0.06
10-year bonds	5.95	5.83	-0.12
30-year bonds	6.71	6.57	-0.14

The stock market closed virtually unchanged for the week. The S&P index closed Friday (July 30) at 448.13, up 0.2 percent from the preceding Friday's close. The Dow Jones Industrial Average broke last week's record, reaching a new all-time high on Monday, but fell 0.2 percent over the week to close at 3539.47.

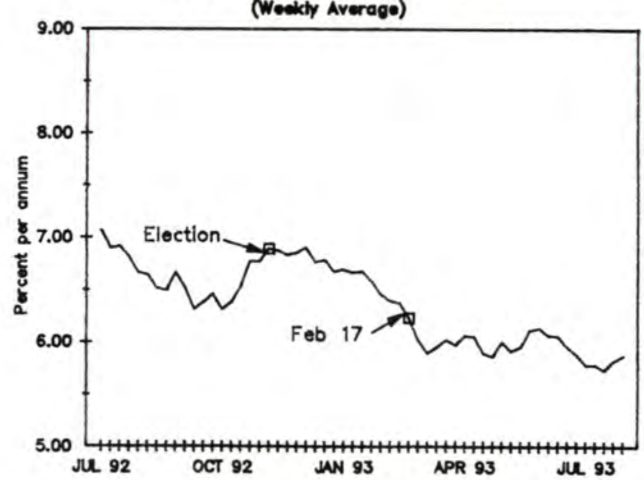
NOTE: Since Chairman Greenspan has stated that the Fed no longer uses the monetary aggregates to guide policy, we will no longer report weekly money supply numbers in this memo.

Is this a mistake on his part

3-Month Treasury Bill Rate
(Weekly Average)



10-Year Treasury Note Yield
(Weekly Average)



THE WHITE HOUSE
WASHINGTON

DATE: 08/02/93

NOTE FOR: JENNY MCCARTHY

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

Information ☐

Action ☐XX

[redacted]

Thank you.

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

cc:

[redacted]

ULt

This guy needs
some help His
brother - Maurice Scott
Blonde haired [illegible]
cocaine —

[redacted]

John
[illegible]

[redacted]

THE WHITE HOUSE

WASHINGTON

July 30, 1993

Bryan Randy Ballowe
3085 Spring Street
Hot Springs, Arkansas 71901

Dear Randy:

I want to thank you for your letter. It was good to hear from you and to have your advice about the armed forces. I have great confidence in the Department of Veterans Affairs, and I know they are vigilant in caring for the needs of veterans and their families.

I appreciate your sending Dorothy Teal's obituary. I was so sad to learn of her death.

Again, thank you for writing. I hope to hear from you again soon.

Sincerely,

Bill Clinton

Hillary's someone contact your cousin's brother to see if we can help —

Recd by
Trey on
7/29/93

July 14, 1993

Dear President Clinton

I am a classmate of yours. My picture is not in the OLD GOLD Book. I would not put it in there so my mom would not have to spend the $25 that it cost. We had very little money.

I am writing on behalf of all War Veterans who served in combat. I am not one of them even though I was in the Army during the Viet Nam war. I believe that if you do all you can to help those men & women who served in combat that you will gain total respect from all Veterans and their families among a lot of other people. My brother Darryl William Ballard is one of those who put their life on the line for this country. ~~He~~ He is having a hard time getting help from this government. He has liver problems that are

War related "Agent ORANGE."
He does not use alchoal - I
am ~~I~~ sure that there are
many more just like ~~him~~ him.
Please try to help them. They
deserve help from this government
above all others.

Very truely Yours

Bryan Randy Bellaire

P.S.

I don't think that you
are going ~~to~~ to have any
problem ~~of~~ being elected to a
second term. You have
reached the higest honor that
any man can reach on this
earth.
THE PRESIDENT OF THE
UNITED STATES OF AMERICA.
May the Lord guide you.

Rec'd by
Tey on
7/29/93

[redacted]

Obituaries

Dorothy E. Teal

LITTLE ROCK – Services for Dorothy Eileen Teal, 47, of Little Rock who died Sunday, July 11, 1993, will be at 2 p.m. Thursday in Highland Presbyterian Church with the Rev. Ario Duba officiating.

Honorary pallbearers are the Hot Springs High School Class of 1964 and Esther Teal.

Burial will be in Greenwood Cemetery under the direction of Hot Springs Funeral Home.

[redacted]

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 08/02/93

NOTE FOR: ANN STOCK
MARCIA HALE

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

Information ☒X

Action ☒X

Thank you.

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

cc:

cc Ann [illegible]
Maura [illegible]

May want
to see

THE WHITE HOUSE

WASHINGTON

August 2, 1993

Joab Thomas
President
The Pennsylvania State University
201 Old Main
University Park, Pennsylvania 16802

Dear Joab:

Thank you for your letter. I appreciate your invitation to host a reception for Penn State University's National Development Council at the White House in October. I have forwarded your letter to Ann Stock, Special Assistant to the President and Social Secretary for the First Lady.

I hope you are well, and I look forward to seeing you soon.

Sincerely,

Bill Clinton

PENNSTATE

1855

Joab Thomas
President

The Pennsylvania State University
201 Old Main
University Park, PA 16802

July 12, 1993

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

Penn State University's National Development Council, the volunteer group that assists our fund-raising program, is meeting in Washington on Friday, October 1, 1993. As you may recall, the group met briefly with you in Princeton, New Jersey, in 1987, prior to my appointment at Penn State and prior to your election as President.

The members of the Council, including some of our most successful alumni, would very much like to meet with you again when they are in Washington this fall. Toward that end, I am writing to ask if you and Mrs. Clinton might host a brief reception for them at The White House on the afternoon of Friday, October 1.

If this is feasible, we would like at that time to present Mrs. Clinton with a personal memento to recognize the recently established Hugh E. Rodham Memorial Scholarship Fund at Penn State. As you may know, Penn State established this endowed scholarship, which will support undergraduates in the University's College of Education, to honor Mr. Rodham.

I appreciate your consideration of our request and hope very much that calendars and events will make possible what would be a warm and memorable occasion.

Best wishes.

Sincerely,

Joab Thomas

Joab Thomas

cc: G. David Gearhart

THE WHITE HOUSE
WASHINGTON

DATE: 08/02/93

NOTE FOR: TONY LAKE

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

Information ☒XX

Action ☐

Thank you.

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

cc:

5433

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
8/21/93

93 JUL 31 P12:53

July 31, 1993

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE

SUBJECT: Letter from Pan Am 103 Family

WSJ, carries interesting piece

Purpose

To answer a letter from Elizabeth Philipps, a mother of one of the victims and President of Victims of Pan Am Flight 103.

Background

Elizabeth Philipps has written you sharing her generally supportive views on the action against Iraq. She also requests a meeting with you and suggests possible unilateral military action against Libya.

RECOMMENDATION

That you sign the letter to Elizabeth Philipps at Tab A.

Attachments

Tab A Presidential Letter to Elizabeth Philipps

Tab B Incoming Correspondence

cc: Vice President
Chief of Staff

THE WHITE HOUSE

WASHINGTON

Dear Mrs. Philipps:

Thank you for your thoughtful letter in support of the recent U.S. action in Iraq following the Iraqi plot against former President Bush. As Sarah's mother and a representative of the Pan Am 103 families, your support for our actions against terrorism is particularly heartening.

I appreciate your comments on the need to bring to justice those responsible for the attack against Pan Am Flight 103. Our efforts to bring the two indicted Libyans to justice by pressuring Libya through current UN imposed sanctions have not worked to date. However, the sanctions are having an effect on Libya's ability to sponsor terrorism. We are therefore working with our allies to increase those sanctions. Libya must never be allowed to think that any type of normalization with our country is possible until truth prevails in this case.

I will continue to support the cause of the Pan Am 103 families, not just for Sarah and the other victims, but because we share a common cause -- the welfare and interests of all Americans.

Your confidence, understanding and prayers continue to be greatly needed and much appreciated. I hope to have the opportunity to meet with you and the families before too long.

Again, thank you for your comments and continuing support.

Sincerely,

Bill Clinton

Mrs. Elizabeth Philipps
217 Milner Avenue
Albany, New York 12208

5433

217 Milner Avenue
Albany, NY 12208
July 1, 1993

The President
The White House
Washington, DC 20500

Dear President Clinton:

You took action against Iraq in the matter of the Bush assassination plot knowing that no-one anywhere could accurately predict all the possible outcomes; knowing that every American would insist on his or her own opportunity to agree or disagree with your action; knowing that you and America must act against state-sponsored terrorism. It's our new Cold War, if you will, and in many ways is more insidious and dangerous than the old one.

One of the outcomes of sending missiles against Baghdad is a lift in the spirits of many relatives of Americans who died on Pan Am Flight 103. How we agonize at the deaths of Iraqi civilians. How we regret George Bush - who wouldn't act for us in 1989-1992 - being the motive. How we applaud your tough, pragmatic, pro-active stance. How our expectations are raised about the possibility of American action against Libya.

Please continue to painstakingly weigh the dangers of feeding the tit-for-tat cycle of violence that is the hallmark of world terrorism. That said, please also be prepared to use your/our considerable political, economic, and military powers to act with resolve and vigor. When you do so, you speak and act in terms Qadaffi & Saddam Hussein and other terrorists understand in their bones.

I write this letter to you as the mother of Sarah Philipps, 20 year old college student passenger on Flight 103. In my other aspect, that of President of The Victims of Pan Am Flight 103, I look forward to meeting with you in due course to talk of these matters, as well as about UN Sanctions, possible unilateral actions against Libya, and about all the other elements of a full and just resolution to the Pan Am Flight 103 case. Until then, my thoughts and prayers for your success are with you as you wrestle with the awesome duties of your office. Although your substantial capacities for optimism and patience are under constant challenge, I believe you will prevail.

Yours sincerely,

Elizabeth Philipps

Elizabeth Philipps

THE PRESIDENT

8·293

BL - [illegible]

Deborah A. Widener
2111 Hyde Street, #405
San Francisco, California 94109
415/677-3232 (Office)
415/474-0755 (Home)

Objective:

To obtain a key position contributing to this administration by capitalizing on my leadership capabilities, business experience, negotiating skills and financial background.

Career Summary:

Fifteen years experience as a major decision maker in the financial service sector.

Robertson, Stephens & Co.	Managing Director	1989 - Present
Kidder Peabody & Co.	Managing Director	1987 - 1989
General Electric Capital Corp.	V.P. and General Manager	1982 - 1987
Salomon Brothers	Associate	1979 - 1981

Professional Accomplishments:

- Experience at Senior Levels in Worldwide Financial Markets.
  Effectively tapping hundreds of millions of dollars in debt and equity in U.S., European, and Japanese markets for a broad range of clients, including the public sector. Transaction sizes range from $15 million to $6 billion in financing. Clients range from new emerging growth to large multinational companies.

- Comprehensive Understanding of Capital Markets.
  In depth understanding of various financial instruments and their derivatives. Ability to create new, or tailor existing financial products. Practical experience complimented by sophisticated theoretical understanding of financial markets and monetary policy, culminating in appointment to the *1987 Presidential Task Force on Market Mechanisms* analyzing the 1987 stock market crash.

- Operating Line Responsibility with Superior Profitability.
  Proven track record of profitability managing major businesses.

  Most significant achievement: At General Electric Capital Corp. managed Capital Markets/ Acquisition Funding businesses which grew assets at 140% p.a. and produced $450 million in net income over three years.

  Most recent achievement: Managed one of Robertson, Stephens & Co.'s core corporate finance businesses. The rate of growth is such that the operating income is currently 200% above the previous record year, and a significant backlog has been generated.

- Leadership - Human Resource Development.
  Ability to consistently unify, motivate and energize individuals who together develop a common vision positioning the business unit to record levels of profitability while actualizing their professional goals. Because my real concern is the development of leaders, I strive to demonstrate a set of values and a skill base which couples authority with responsibility. I also have a history of mentorship and am sensitive to the need for diversity in a corporate workplace.

- Leadership - Networking.
  Significant long-term professional relationships with a sophisticated clientele. Consistently engender confidence of Chairmen and CEOs in capability to understand their business and issues. Clients routinely ask me to join their companies, continue to represent them, or sit on their Board of Directors.

- Superior Problem Solving Capabilities and Negotiating Techniques.
  Because of the high stakes involved, these negotiations are highly charged. Background includes very sophisticated tax driven transactions, multinational joint ventures and mergers and acquisitions. I bring an ability to stand calm and make decisions, understand real versus stated concerns, deal creatively with the problems, successfully work with cultural differences, monitor deal momentum and so control the atmosphere to permit closure.

<u>Commitment to Politics</u>:

From a 1970 mentorship by the late Congressman Al Lowenstein to current campaign activities with Kathleen Brown, I have maintained a commitment to addressing out national issues through the political system. I desire to spend a portion of my career in the public sector.

<u>Education</u>:

University of Michigan	BA	1972
- Advisory Council College of Engineering		1992 - Present
Harvard Business School	MBA	1979

U.S., European Allies Discuss Action Against Libya, Short of Oil Embargo

WASHINGTON INSIGHT

By Robert S. Greenberger
Staff Reporter of The Wall Street Journal

WASHINGTON — President Clinton retaliated swiftly for Iraq's bungled attempt to assassinate former President Bush. But he applies a softer standard to Libya.

Nearly two years ago, the U.S. indicted two Libyan operatives in the bombing of Pan Am 103, in which 189 Americans were killed. Now, for the second time since then, the U.S. and its European allies are talking about increasing pressure on Tripoli if it doesn't turn over the suspects.

But the measures currently being discussed fall considerably short of the one action—an international oil embargo—that might shake up Col. Moammar Gadhafi's regime enough to make it cough up the two Libyans.

Persuading European Allies

Washington, which already has a total trade embargo of Libya, is unable to persuade its European allies to go along with an oil embargo. So the U.S. is pushing for a freeze on Libya's foreign assets and an embargo on oil-industry equipment. The Europeans, however, are expected to try to water down even these measures, according to diplomats. They want to exclude from the assets freeze any revenue Libya derives from current oil sales and to limit the oil-equipment items that would be embargoed. Some U.S. officials say that may be the best the U.S. can get in talks scheduled for this week before the periodic review of United Nations sanctions later this month.

That passive U.S. attitude is far different from the aggressive tone struck by candidate Bill Clinton during the presidential campaign. In a letter in September to Daniel and Susan Cohen, whose 20-year-old daughter, Theodora, was killed in the Pan Am bombing, Mr. Clinton vowed that if the suspects aren't turned over, the U.S. "will press the United Nations to broaden the sanctions to include an oil embargo."

Failure of Earlier Sanctions

Mr. Clinton noted that U.N. sanctions slapped on Libya in April 1992, including a ban on international air links and arms sales to Libya, "have had little effect."

Henry Schuler, an expert on Libya and the international oil industry at the Center for Strategic and International Studies, believes it is time for a new approach. He notes that with the world awash in oil, a cutoff of Libyan oil would have minimal impact on world oil prices. Substitutes exist even for Libya's crude, which is particularly desirable because of its low sulphur content.

In a letter to Secretary of State Warren Christopher, Mr. Schuler says the U.S. should take the issue out of the U.N., where it has been debated endlessly. He says the U.S. should invoke its right of self-defense under international law, as it did in the retaliatory raid on Baghdad. Then, with the tacit threat of a U.S. military strike against Libya hanging in the air, Washington should demand that its allies fall in line with an oil embargo.

There is strong congressional support for an oil embargo. Last week, Democratic Sen. Edward Kennedy of Massachusetts and Republican Sen. Alfonse D'Amato of New York sent President Clinton a letter signed by 55 senators urging such a move.

Slow Movement

A senior U.S. official, in a comment reminiscent of the administration's failure last spring to lead the allies toward a more decisive policy in Bosnia, says that "what's important to us is to increase the pressure, but we can't do it ourselves." The official adds that "we are moving the ball, although not as far as we'd like."

But an incremental approach is likely to fail. Libya already has begun moving its liquid assets beyond the reach of an assets freeze. Mr. Schuler says he has been told by Libyan exiles that Col. Gadhafi is converting Libyan assets into bearer bonds and certificates, and depositing them in banks in Bahrain.

And Libya's foreign minister said during a visit earlier this year to Malaysia that his government planned to shift some assets from Europe to Asia, where they would be less vulnerable, according to published reports.

Stockpiling Equipment

Moreover, according to a congressional aide, U.S. intelligence sources estimate that Libya has stockpiled enough oil-industry equipment so that it wouldn't feel the pinch from an embargo for about a year.

The administration's slow approach will only make the Europeans more recalcitrant. France, which recently agreed to invest as much as $1 billion to help develop the Mabruk oil field in Libya, would be even more unlikely to agree to an oil freeze once its stake there increases.

In his letter to the Cohens, Mr. Clinton said: "If elected, I will do what is right and necessary to send a message that individuals who engage in and countries which lend support for terrorist activities will pay a high price for doing so." So far, that message hasn't been delivered.

THE WALL STREET JOURNAL MONDAY, AUGUST 2, 1993

THE PRESIDENT HAS SEEN
8/2/93

Tony
What about this? —
pretty persuasive
B.

Trouble for the Middle Class

WHEN A COUNTRY'S economy grows slowly over a period of years, as the American economy has done, people are tempted to press for laws to defend their own security. Unfortunately, most of the traditional ideas—like laws to discourage imports, or to slow down industrial restructuring—will make the economy grow still more slowly.

Speaking in Chicago at a conference on the future workplace, President Clinton once again made himself the evangelist for another and better response. He is going to have to give a great many of these speeches over the months and years ahead, for he was telling his audience that progress won't come rapidly or easily. It's a kind of politics that's going to require a lot of stamina—most of all from him, but also from the voters.

For a dozen years the country followed public policies that produced popular results in the short term, and at the end of those years it was in serious trouble. Public investment in skills and technology hasn't kept up with the need. One reason is unrestrained and continuing growth in the cost of health care, preempting steadily rising shares of state and federal budgets. Another reason is the cost of past borrowing itself, as interest costs accumulate. There won't be a dramatic new surge of public spending to make things better.

Even before Mr. Clinton came to office, a change in mood was rippling through the country. The economy's growth is being slowed because a lot of Americans, from those running big corporations to those running families, decided that it was time to pay off some of those menacing debts. The new caution has had a drastic impact on an economy accustomed to high consumption, and the adjustment is turning out to be difficult.

Paying off debt, investing in new technology, improving the schools and persuading people to keep going back to them—there's nothing very glamorous about that and nothing that offers a quick return. The only thing to be said for this line of policy is that it's right.

Over the past two decades, Mr. Clinton said in Chicago, there's been "a steady erosion in the security of average middle-class people." He reminded the businessmen in his audience that their labor forces are their most valuable assets, and their ability to compete will be heavily affected by society's ability to raise the quality of the labor that they can hire. That's a basic reality, but progress is always slow and gradual. Mr. Clinton is going to have to keep reminding the country what it's working toward and the penalties for falling short.

THE PRESIDENT HAS SEEN
8/2/93

MONDAY, AUGUST 2, 1993 THE WASHINGTON POST

Rubin / Tyson
interesting
B

Robert Kuttner

Competitiveness Craze

Don't count on corporations for job security.

A week ago in Chicago, President Clinton moderated a conference on the "Workplace of the Future." The upbeat meeting, conceived by the departments of Labor and Commerce, celebrated companies and unions that thrive by "empowering workers," relying on "total quality management" and creating "new social contracts" at the workplace.

But at the very moment the president was praising these virtuous corporate citizens, the IBM Corp., long a pioneer in cultivating smart and loyal "knowledge workers," was announcing it would lay off an additional 35,000 of its employees. And there is the rub.

While more corporate executives recognize that employees are their most important assets, the strategies they use to produce leaner corporations also eliminate jobs. It is hard to sponsor a convincing social contract in which employees innovate when the next money-saving innovation eliminates their own jobs.

There is a paradox here. When one company becomes more competitive by doing more with less, the result is greater productivity. But when the entire economy competes that way, the income lost to displaced workers may outweigh the gains to productivity. Unless we devise complementary strategies to yield jobs for the displaced, the "competitiveness" craze is likely to worsen this problem.

On the eve of the Chicago session, I attended a similar conference of corporate executives and business gurus. This one, sponsored by the Aspen Institute, was titled, "Tomorrow's Corporation." Here, the schizophrenia was even more dramatic.

On the one hand, these executives acknowledged the value of empowered employees, long-term relationships and a more democratic workplace. On the other hand, most insisted that the corporation was entering a period of unprecedented turbulence in which few employees could count on holding a job over time.

Many corporate executives view this new reality as a virtue. For it demands that managers and workers alike learn to be flexible, adaptable and, above all, "entrepreneurial."

At the Aspen meeting, the buzzwords suggested anything but long-term relationships between worker and company. One trendy idea is "the virtual corporation"—a pun on the computer concept of "virtual reality."

In this conception, the company is no longer a physical entity with a stable mission or location, but a shifting set of temporary relationships connected by computer network, phone and fax. Only a small set of corporate managers have permanent jobs.

In this brave new corporate world, workers are not "employees" in the traditional sense, for the corporation may not need their services next year or next month. Rather, workers become free-lancers, whose fate in the marketplace is determined not by their loyalty or diligence but by their knowledge and their skill in marketing it ever changing employers.

"Get used to the idea that we all mu become our own marketing manage throughout our working lives," said o expert.

There are two problems with this Utopi vision. One has to do with psychology, t other with economics.

Some people do thrive on insecurity. this case, a small elite of successful exec tives, consultants and academic entrepr neurs rides these shifting waves deftly a imagines that everybody is, or should b just like them.

But every vocational virtue cannot be r duced to entrepreneurship. Creativity, c igence, self-improvement and teamwork ten require a more stable work environme Many professions—such as doctor, teach minister, researcher, public servant—are c based when the individual thinks of hims primarily as an entrepreneur.

Most real people do not live in the "virtu reality" of computer cyberspace. We live tangible, local communities with mortgag and relatives and PTAs. These cannot instantly transformed by a keystroke. Wh some of our communities are no long territorial, there is more to life than fa phone and computer network.

Yes, more people are self-employed t day. But for every well-paid independe contractor who is a computer technician financial consultant, there are dozens wor ing at crummy "temp" jobs who would rat er have actual careers.

This raises the second problem, which economic. The ruthless corporate downs ing of recent years has demonstrated th the economy cannot bootstrap its way good jobs for all simply by running individu companies more efficiently.

If all of the new productivity is to add t to broadly shared prosperity, the huma workers shed in corporate restructurin need the availability of other work. Th reality requires national policies for:

- **Full employment.** Technological change broadly beneficial only when other jobs r place the ones lost.
- **Socialized fringe benefits.** If more peop work as independent contractors, the health insurance, pensions, retraining o portunities, child care and the like ha better become perquisites of citizensh rather than benefits tied to a particular job
- **Better buffers.** To humanize the new co porate turbulence, society needs to devis something better for workers between jol than unemployment compensation ar "temp" stints. Paid sabbaticals for retrai ing, parenting or public service could kee millions of workers productively occupied a corporate America downsizes.

Our workplaces are indisputably in brave new world, but not one that is simple blessing. It will take broader innova tions to make these shifts economicall beneficial and socially bearable.

William Raspberry

When Affirmative Action Ends

Critics of affirmative action (or "diversity," as it called these days) make two key arguments. The first is that efforts to recruit women and minorities lead to lowered standards; the second, that they encourage "reverse discrimination" and quotas. Why, they demand, can't we simply judge people on their merits?

Supporters of diversity respond that they, like their critics, would love to see the day when colorblind merit is the rule, but given America's history of discrimination it will take a period of explicit color-consciousness to reach that goal. What is needed, they say, is a period of deliberately fostered opportunity for those formerly shut out. After that, affirmative action will no longer be necessary.

The trouble, of course, is deciding when enough is enough. Advocates say we'll just know; it'll be obvious. Critics fear that once race and gender preferences are accepted, those who benefit from them will never say "enough." How *does* affirmative action end?

It will be a long time before this issue is resolved, either philosophically or practically. But the first half-year of the Clinton Cabinet may hold a lesson or two.

To begin with, Clinton is the first president to make diversity a stated goal in forming his administration. His Cabinet, he promised during the presidential campaign, would "look like America."

You remember the outraged reaction, particularly from the right. People who never lifted a finger on behalf of equal opportunity were suddenly solicitous of it. Gender and race don't matter, they insisted. It's time to end the hyphenation of America. Besides, minorities chosen *because they are minorities* will always wonder whether they could have made it on merit.

Yet here was Clinton, saying (as these critics thought they heard him) that the most important jobs in his administration would be parceled out on a quota basis: so many blacks, so many Hispanics, so many women, even a homosexual or two, with scant regard for competency. Wrong, wrong, wrong.

But look at what has happened: a Cabinet that looks startlingly like America. Five women, four blacks, two Latinos. And not just in the traditional posts. A Chicano at Transportation, a black man at Commerce, a woman attorney general.

Look too at what hasn't happened. There's been scarcely a peep about the competency of any of the Cabinet officers, and scarcely a complaint about numbers. Hardly anyone *knows* the precise numbers. They simply don't matter any more.

What does matter is that Clinton has managed to convey the sense that no job in his administration is closed to anyone on account of gender, race or other irrelevancy. That is a breakthrough of the first order. And while it took an affirmative effort on the president's part—a deliberate decision to take sex and ethnicity into account—the result is not the feared Balkanization of the government but the exact opposite.

It will take another presidential term or two to confirm that the barriers to high office have in fact been removed, and there will be some prodding to name a native American or an Asian American to an important post. But this administration has, I believe, brought us close to the answer to that troubling question: When is enough enough?

The Cabinet, granted, is an appointive body, with no entrance exams or competency tests or other ranking devices. Obviously diversity is more difficult to accomplish when such things as previous position, longevity and spelled-out qualifications have to be taken into account. Presidential Cabinets, that is to say, are not medical schools or corporate offices or newsrooms.

Still, a half-year of the Clinton approach suggests, encouragingly, that when diversity is seen as a worthy goal, and when it is pursued unapologetically, with a view to dismantling artificial barriers, the people—the beneficiaries as well as the skeptics—come around.

How does affirmative action end? Certainly not with a trumpet fanfare and an announcement from civil rights groups that some magic threshold has been reached.

It will end, I believe, when people really come to believe not that the numbers are perfect but that the system is open. It will end when we can, with confidence, simply stop counting and turn our attention to more important things.

THE PRESIDENT HAS SEEN
8/2/93

GS-Ex-R.

MONDAY, AUGUST 2, 1993 THE WASHINGTON POST

Mack/Berum
What's going to happen on this — B

THE PRESIDENT HAS SEEN
8/2/93

Lally Weymouth

Crown Heights Coverup

Aug. 20, 1991

5:05 P.M: Caller to 911: "They're heading down to my house. They're breaking the windows, please come!"

5:08 P.M: Caller: "They're breaking all the windows on my block. . . . Where are the police?"

5:09 P.M: Caller: "Please get the police here. . . . I am shaking. It's a riot."

7:40 P.M: Caller: "It's a pogrom. . . . If we have to wait for the killings, we're finished. . . . I'm not safe in my house. . . . I want to get out."

Almost exactly two years ago, a Jewish resident in the Crown Heights area of Brooklyn placed this series of calls to the police, only to receive no response. Such was the fate of most who placed emergency calls during a four-day riot that shook the area. In the course of that same disturbance, an antisemitic mob of black youths stabbed and killed a young orthodox Jewish man, Yankel Rosenbaum. Other Jews were injured. Since that time only one man has been arrested, charged with the Rosenbaum murder, and acquitted.

Now Richard H. Girgenti, Gov. Mario M. Cuomo's director of criminal justice, has produced an extraordinary 600-page report on the Crown Heights pogrom. Calling the riot "the most extensive racial unrest in New York City in over twenty years," Girgenti explains that it was a "disturbance" that differed from previous riots in one important way: It was directed only at Jews.

Who's to blame? The report presents a scathing indictment of Mayor David Dinkins and his disorganized, bumbling and tentative administration. Dinkins and his police department were either unable or unwilling to quell the riot. The state report also casts serious doubt on the claim of Dinkins and his chief aides that for the first three days of the riot, they had no idea that the Hasidic Jews of Crown Heights were in dire danger.

The study's implicit questions are plain: What did Dinkins' top-ranking aides know? When did they know it? And what did they tell the mayor? Girgenti, to be sure, notes that Dinkins himself shouldn't have needed aides in order to remain informed: Live television and radio broadcasts provided ample information on the unrest in Crown Heights.

The riot was triggered on the evening of Aug. 19, 1991, when a car that formed part of the motorcade of Rabbi Menachem Schneerson, spiritual leader of the Lubavitcher sect, accidentally struck and killed a black child, Gavin Cato. Almost immediately, black youths took to the streets of Crown Heights, a neighborhood in which Jews and blacks live together. The stabbing of the 29-year-old Rosenbaum by a gang of black youths yelling "get the Jew" occurred a few hours later.

Why did the violence continue for nearly four days? Girgenti faults former New York City police commissioner Lee Brown—now President Clinton's drug czar—for reassuring Dinkins that the situation in Crown Heights was under control: "He [Brown] simply repeated to the Mayor assurances that had been given to him by others. These assurances did not serve the Mayor well."

Deputy Mayor for Criminal Justice Milton Mollen doesn't come off much better. Although members of the Hasidic community claim they called Mollen on Monday and Tuesday to report they lacked adequate police protection, Mollen claims he doesn't remember such calls. Even on the second day of the riot, Mollen says he failed to communicate with the police department. "I assumed the police had control of the situation," he said. Not until utter chaos had reigned in the streets of Crown Heights for two full days did Mollen tell Brown to put down the riot.

> ***"Reno's impending decision will reveal a fair bit about her independence."***

Mayoral Assistant Herbert Block was meant to be a link between Dinkins and the Jewish community. Yet, although representatives of the Hasidic community told Girgenti that they telephoned Block on both Monday and Tuesday protesting a manifest lack of police protection, Block denies receiving the phone calls. The report holds Block's account "isn't credible."

Two genuine heroes emerge in the pages of the generally dispiriting report: Joseph Gonzales, director of the emergency branch of the Mayor's Community Assistance Unit, and Robert Brennan, a member of Gonzales's staff.

On Monday night, shortly after Rosenbaum had been stabbed, Brennan arrived in Crown Heights and told the NYPD communications division the situation was "extremely serious" . He also reported to the City Hall Police Desk that more police were needed. The Police Desk, in turn, notified Deputy Mayor Bill Lynch (who now heads Dinkins's reelection campaign) and the mayor's own security detail.

On Monday and again on Tuesday, Gonzales, according to the report, personally told both Lynch and Michael Kharfen, Gonzales's own boss, that the situation in Crown Heights was "out of control" and that the police were not in command of the streets. Brennan, meanwhile, called Lynch on Tuesday night and told him he personally had been bombarded by bricks. Brennan went on to describe seeing—for the first time in his life—police actually fleeing the scene of a crime: "They gave up their positions and ran."

That same day, after having been hit in the face and actually losing consciousness, Brennan, according to Girgenti, again called Lynch, telling the deputy mayor, "All hell is breaking loose." Brennan relayed the same message to Kharfen. Meanwhile, Gonzales also told Kharfen that the riot wasn't being controlled.

But Lynch maintained to Girgenti that he "did not recall being told by anyone on Monday or Tuesday that the police were not reacting or that things were out of control." Lynch—like the mayor—claims it wasn't until Wednesday that he began to understand the seriousness of the situation. Kharfen also testified that no one told him "the police were ineffective or that events were out of control."

Girgenti takes the Brennan-Gonzales report at face value, noting that "we found no reason to believe that their statements were less than truthful." He goes on to note that the events they related were independently corroborated by other sources.

Girgenti also finds "persuasive" evidence that "top City Hall officials, all of whom were in frequent contact with the Mayor . . . were informed that the situation in Crown Heights was not under control." According to Girgenti, "This information was provided . . . well before the Mayor" acknowledged having been made aware of these circumstances.

The report's conclusion is plain: "If the Mayor was told, a fundamental question would arise turning on why he did not act."

Now it's up to Attorney General Janet Reno to decide whether she will launch a federal investigation to determine whether the civil rights of the Jewish residents of Crown Heights were violated during the riot.

Reno's impending decision will reveal a fair bit about her independence. If she gives the Rosenbaum case the same treatment accorded the Rodney King episode, she runs the risk of hurting Dinkins's chances for reelection this fall. Moreover, she may find herself examining the past performance of a fellow Clinton Cabinet member—Lee Brown.

But she would do well to rise above partisan politics and follow the lead of her immediate predecessor, William P. Barr. Before leaving office, Barr instructed Mary Jo White, then acting U.S. attorney for the Eastern District, to pursue the Crown Heights matter vigorously and not to limit her probe to the murder of Yankel Rosenbaum. "Rather," wrote Barr to White, "you should follow the evidence wherever it leads, including any evidence that the community was deprived of its rights for discriminatory reasons."

49

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

02-Aug-1993 04:49pm

TO: David Watkins

FROM: John Podesta
Office of the President

SUBJECT: Paging guidelines

Can we add Todd Stern and Paul Richard to the list? I don't think they're paged very often by the operators, but sometimes they need to be found on the weekends and at night by staff outside the complex. If it's a big hassle, don't worry about it.

P.S. I use OASIS to page, which works great.

John P

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

02-Aug-1993 04:44pm

TO: Patsy L. Thomasson

FROM: John Podesta
Office of the President

SUBJECT: Harry

He's still in the OASIS EOP directory.

THE WHITE HOUSE
WASHINGTON

DATE: 08/02/93

TO: THE VICE PRESIDENT
MACK MCLARTY
DAVID GERGEN
GEORGE STEPHANOPOULOS

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

The attached has been forwarded to the President.

THE WHITE HOUSE

WASHINGTON

August 2, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN RER

SUBJECT: **The Realities of Short-Term "Fixes"**

Today's Washington Post inadvertently posed what I think will be one of the key issues you will have to face on an on-going basis over the next year or two. The editorial page praised your program of "paying off debt, investing in new technology, improving the schools" and said that this provides "nothing that offers a quick return. The only thing to be said for this line of policy is that it's right." The news pages, on the other hand, had an article saying that politicians, namely Don Riegle, and some economists were focused on the plan not satisfying their short-term concerns.

As you said during the campaign and since, and as we have all known throughout this process, you have done exactly what the Washington Post editorial said and what Tom Friedman discussed in an article a couple of weeks ago in the New York Times, to wit, put in place long-term solutions to long-term problems to get us back on the right track over the long term.

I think the country's long-run interest, and your long-run political good, lie in fundamentally staying the course and not trying to adapt to meet the exigencies of the short term.

Firstly, I think attempted short-term "fixes" probably wouldn't work. Traditional macro stimulation during sluggish times is denied us by the fiscal mess we inherited, and partial measures in that direction, as suggested by some outside the Administration, would do more harm than good by up-ending lower interest rates. Obviously, all this notwithstanding, we want to monitor conditions carefully and we can try to adjust around the edges in ways that don't undermine our long-run program, to try to ameliorate the added front-end loading that Congress worked into your plan (CEA, as you know, has done a lot of good work on this).

Secondly, attempted short-term "fixes" would undercut the fundamental thrust of getting us back on the right track, e.g., beginning to reduce debt as a percentage of GDP, investing in the various areas that can really make a difference over the long run, opening markets through trade agreements, dealing with health care, and the rest.

I predict that at times there will be substantial political pressure to try to inject short-term solutions to the country's economic problems. **I would recommend that, at those times, we all sit and think them through in the context of hard-minded analysis of likely short-term impacts, and, more importantly, your long-term objectives, your long-term program and your long-term political good.**

Finally, private sector projections as to the balance of this year and next year vary rather widely. For example, after the announcement of the second quarter, J.P. Morgan raised its projection for the balance of this year to 3.6% and has a projection for next year of 3-3.5%. Similarly, Jack Welch said that business looks better to him. On the other hand, after the quarterly announcement, Goldman Sachs repeated its rather pessimistic projection of 2.2% for the balance of this year, but even they, who have been relatively bearish, are projecting 3% for next year. Proctor & Gamble monitors 40 different consumer areas and finds demand still sluggish and consumer uncertainty high.

cc: The Vice President
Mack McLarty
David Gergen
George Stephanopoulos

sent
93 AUG 2 P12:52

To:
Neil Eggleston
383 6610 fax

AP story
CATHOLIC Flier

From: John Podesta
456-2702

2 pages to follow

o Marilyn
J4F
81

St. Ann's Rectory
4001 YUMA STREET, N.W.
WASHINGTON, D.C. 20016

July 26, 1993

THE CATHOLIC CHURCH: THE LAST ACCEPTABLE OBJECT FOR BIGOTRY

The current nominee for Surgeon General has made the following remarks: "The first 400 years black people had their freedom aborted and the (Catholic) Church said nothing. The way of life for the Native American was aborted; the Church was silent. We attempted to eradicate a whole race of people through the Holocaust, and the Church was silent." She accused others of having a "slave master mentality" and "conducting a love affair with the fetus," and "loving little babies as long as they are in someone else's uterus." This is an insult to the Jesuit North American martyrs who died in taking care of the North American Indians from whom came Blessed Kateri Tekakwitha.. This is a total ignoring of the overwhelming and salient examples of how the Church protected the Jewish people, denounced the Holocaust, and in many cases, gave their lives for the Jewish people. This is either total ignorance or bigotry. This is an insult to the fifty million Catholics in the United States who are the Church. I think an apology is due the Josephite Fathers, the Divine Word Fathers, the many nuns who were spit upon because they gave their lives to educating the Afro-Americans. These insults, along with her advocacy of giving every girl a condom for her pocketbook, do not auger well for fairness and morality in her upcoming appointment, and for one who will be charged with the physical and mental health of the people of our country. The appointment of a person with this kind of mentality is totally unacceptable.

Rev. Msgr. William J. Awalt
Pastor

^AM-AR--Elders Hearing,350
^Group Calls For Investigation Of Elders
^phjshoufon

FORT SMITH, Ark. (AP) An anti-abortion group has asked a Senate committee to investigate whether Dr. Joycelyn Elders lied during her confirmation hearing for U.S. surgeon general.

Dale W. Morfey, chairman of Westark Christian Action Council, said that in a response to written questions from members of the Senate Labor and Human Resources Committee, Mrs. Elders said she was not acting as Arkansas Health Department director when she addressed an abortion rights rally last year.

But Morfey said he has Mrs. Elders' on videotape of a news broadcast of the rally, saying that she was at the event doing her job as the state's health director.

The issue has been a bone of contention with the Arkansas group because it tried to have Mrs. Elders prosecuted for speaking at the rally in support of a state constitutional amendment to prohibit the state from restricting abortions.

The group alleged that as a public official, Mrs. Elders violated state laws that bar officials from soliciting referendum petitions while on duty and require the state to protect the unborn.

The group complained to the Arkansas State Police and the Pulaski County prosecutor's office, but neither found evidence of wrongdoing.

``I never lied to the Senate committee about anything,'' Mrs. Elders said Saturday in a telephone interview from her Little Rock home.

``I feel that Mr. Morfey's having fun, and I think that he should continue to have fun,'' said Mrs. Elders, who has resigned from her job as state health director.

She said she did not want to comment further while her nomination was pending.

The committee recommended her for the position Friday. The full Senate is to vote on the recommendation this week.

Morfey said he asked Sen. Edward Kennedy, D-Mass., who chairs the committee, and Sen. Nancy Kassebaum, R-Kan., the ranking Republican member on the committee, to investigate the group's accusation.

THE PRESIDENT HAS SEEN 3/7

B Rubin / Geyer / Mack
The other side

THE
NEW YORKER

March 10, 1993

Dear Hillary,

Here's FDR's 1939 State of the Union, which I mentioned. About halfway through, beginning at the top of page 8, he launches into a discussion of government spending as investment, related directly to the question of economic growth. If growth demands investing, then it follows that there must be a strategy: this is FDR's logic. It also follows, as he makes clear, that controlling spending must be in line with the strategy. Thus cutting for cutting's sake doesn't necessarily make sense. The historical context is pertinent. Up to this point, in fact, Roosevelt did not fully understand what he articulates in this speech. In 1937-38 the economy went into recession, even though there was a surplus in the treasury. Roosevelt was still wedded to classical ideas of economics, reinforced by his Treasury Secretary and neighbor, Henry Morgenthau. The dismal effects, economic and political, of FDR's own economic downturn led him finally to abandon the old ways. (He suffered a tremendous defeat in the midterm elections of 1938.) His State of the Union was his first statement that he was taking a new direction, though he had obviously been making extensive public investments for years.

I've faxed my FDR piece from The New Yorker, too. It's off the newsstands and might be hard to find. I'm checking on the Flying Karamazov Brothers, and I'll find a way to let you know about it. Hope to see you soon.

Best,

Sidney

Sidney Blumenthal

1156 15TH STREET NW, SUITE 1016, WASHINGTON, DC 20005 (202) 296-5810

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1 ¶ Annual Message to the Congress. January 4, 1939

Mr. Vice President, Mr. Speaker, Members of the Senate and the Congress:

In reporting on the state of the nation, I have felt it necessary on previous occasions to advise the Congress of disturbance abroad and of the need of putting our own house in order in the face of storm signals from across the seas. As this Seventy-sixth Congress opens there is need for further warning.

A war which threatened to envelop the world in flames has been averted; but it has become increasingly clear that world peace is not assured.

All about us rage undeclared wars—military and economic. All about us grow more deadly armaments—military and economic. All about us are threats of new aggression—military and economic.

Storms from abroad directly challenge three institutions indispensable to Americans, now as always. The first is religion. It is the source of the other two—democracy and international good faith.

Religion, by teaching man his relationship to God, gives the individual a sense of his own dignity and teaches him to respect himself by respecting his neighbors.

Democracy, the practice of self-government, is a covenant among free men to respect the rights and liberties of their fellows.

International good faith, a sister of democracy, springs from the will of civilized nations of men to respect the rights and liberties of other nations of men.

In a modern civilization, all three—religion, democracy and international good faith—complement and support each other.

Where freedom of religion has been attacked, the attack has come from sources opposed to democracy. Where democracy has been overthrown, the spirit of free worship has disappeared.

And where religion and democracy have vanished, good faith and reason in international affairs have given way to strident ambition and brute force.

An ordering of society which relegates religion, democracy and good faith among nations to the background can find no place within it for the ideals of the Prince of Peace. The United States rejects such an ordering, and retains its ancient faith.

There comes a time in the affairs of men when they must prepare to defend, not their homes alone, but the tenets of faith and humanity on which their churches, their governments and their very civilization are founded. The defense of religion, of democracy and of good faith among nations is all the same fight. To save one we must now make up our minds to save all.

We know what might happen to us of the United States if the new philosophies of force were to encompass the other continents and invade our own. We, no more than other nations, can afford to be surrounded by the enemies of our faith and our humanity. Fortunate it is, therefore, that in this Western Hemisphere we have, under a common ideal of democratic government, a rich diversity of resources and of peoples functioning together in mutual respect and peace.

That Hemisphere, that peace, and that ideal we propose to do our share in protecting against storms from any quarter. Our people and our resources are pledged to secure that protection. From that determination no American flinches.

This by no means implies that the American Republics disassociate themselves from the nations of other continents. It does not mean the Americas against the rest of the world. We as one of the Republics reiterate our willingness to help the cause of world peace. We stand on our historic offer to take counsel with all other nations of the world to the end that aggression among them be terminated, that the race of armaments cease and that commerce be renewed.

But the world has grown so small and weapons of attack so swift that no nation can be safe in its will to peace so long as any other powerful nation refuses to settle its grievances at the council table.

For if any government bristling with implements of war insists on policies of force, weapons of defense give the only safety.

In our foreign relations we have learned from the past what not to do. From new wars we have learned what we must do.

We have learned that effective timing of defense, and the distant points from which attacks may be launched are completely different from what they were twenty years ago.

We have learned that survival cannot be guaranteed by arming after the attack begins—for there is new range and speed to offense.

We have learned that long before any overt military act, aggression begins with preliminaries of propaganda, subsidized penetration, the loosening of ties of good will, the stirring of prejudice and the incitement to disunion.

We have learned that God-fearing democracies of the world which observe the sanctity of treaties and good faith in their dealings with other nations cannot safely be indifferent to international lawlessness anywhere. They cannot forever let pass, without effective protest, acts of aggression against sister nations—acts which automatically undermine all of us.

Obviously they must proceed along practical, peaceful lines. But the mere fact that we rightly decline to intervene with arms to prevent acts of aggression does not mean that we must act as if there were no aggression at all. Words may be futile, but war is not the only means of commanding a decent respect for the opinions of mankind. There are many methods short of war, but stronger and more effective than mere words, of bringing home to aggressor governments the aggregate sentiments of our own people.

At the very least, we can and should avoid any action, or any lack of action, which will encourage, assist or build up an aggressor. We have learned that when we deliberately try to legislate neutrality, our neutrality laws may operate unevenly and unfairly—may actually give aid to an aggressor and deny it to the victim. The instinct of self-preservation should warn us that we ought not to let that happen any more.

And we have learned something else—the old, old lesson that probability of attack is mightily decreased by the assurance of an ever ready defense. Since 1931, nearly eight years ago, world events of thunderous import have moved with lightning speed. During these eight years many of our people clung to the hope that the innate decency of mankind would protect the unprepared who showed their innate trust in mankind. Today we are all wiser—and sadder.

Under modern conditions what we mean by "adequate defense"—a policy subscribed to by all of us—must be divided into three elements. First, we must have armed forces and defenses strong enough to ward off sudden attack against strategic positions and key facilities essential to ensure sustained resistance and ultimate victory. Secondly, we must have the organization and location of those key facilities so that they may be immediately utilized and rapidly expanded to meet all needs without danger of serious interruption by enemy attack.

In the course of a few days I shall send you a special message making recommendations for those two essentials of defense against danger which we cannot safely assume will not come.

If these first two essentials are reasonably provided for, we must be able confidently to invoke the third element, the underlying strength of citizenship—the self-confidence, the ability, the imagination and the devotion that give the staying power to see things through.

A strong and united nation may be destroyed if it is unprepared against sudden attack. But even a nation well armed and well organized from a strictly military standpoint may, after a period of time, meet defeat if it is unnerved by self-distrust, endangered by class prejudice, by dissension between capital and labor, by false economy and by other unsolved social problems at home.

In meeting the troubles of the world we must meet them as one people—with a unity born of the fact that for generations those who have come to our shores, representing many kindreds and tongues, have been welded by common opportunity into a united patriotism. If another form of government can present a united front in its attack on a democracy, the attack must and will be met by a united democracy. Such a democracy can and must exist in the United States.

A dictatorship may command the full strength of a regimented nation. But the united strength of a democratic nation can be mustered only when its people, educated by modern standards to know what is going on and where they are going, have conviction that they are receiving as large a share of opportunity for development, as large a share of material success and of human dignity, as they have a right to receive.

Our nation's program of social and economic reform is therefore a part of defense, as basic as armaments themselves.

Against the background of events in Europe, in Africa and in Asia during these recent years, the pattern of what we have accomplished since 1933 appears in even clearer focus.

For the first time we have moved upon deep-seated problems affecting our national strength and have forged national instruments adequate to meet them.

Consider what the seemingly piecemeal struggles of these six years add up to in terms of realistic national preparedness.

We are conserving and developing natural resources—land, water power, forests.

We are trying to provide necessary food, shelter and medical care for the health of our population.

We are putting agriculture—our system of food and fibre supply—on a sounder basis.

We are strengthening the weakest spot in our system of industrial supply—its long smouldering labor difficulties.

We have cleaned up our credit system so that depositor and investor alike may more readily and willingly make their capital available for peace or war.

We are giving to our youth new opportunities for work and education.

We have sustained the morale of all the population by the dignified recognition of our obligations to the aged, the helpless and the needy.

Above all, we have made the American people conscious of their interrelationship and their interdependence. They sense a common destiny and a common need of each other. Differences of occupation, geography, race and religion no longer obscure the nation's fundamental unity in thought and in action.

We have our difficulties, true—but we are a wiser and a tougher nation than we were in 1929, or in 1932.

Never have there been six years of such far-flung internal preparedness in our history. And this has been done without any dictator's power to command, without conscription of labor or confiscation of capital, without concentration camps and without a scratch on freedom of speech, freedom of the press or the rest of the Bill of Rights.

We see things now that we could not see along the way. The tools of government which we had in 1933 are outmoded. We have had to forge new tools for a new role of government operating in a democracy—a role of new responsibility for new needs and increased responsibility for old needs, long neglected.

Some of these tools had to be roughly shaped and still need some machining down. Many of those who fought bitterly against the forging of these new tools welcome their use today. The American people, as a whole, have accepted them. The Nation looks to the Congress to improve the new machinery which we have permanently installed, provided that in the process the social usefulness of the machinery is not destroyed or impaired.

All of us agree that we should simplify and improve laws if experience and operation clearly demonstrate the need. For instance, all of us want better provision for our older people under our social security legislation. For the medically needy we must provide better care.

Most of us agree that for the sake of employer and employee

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alike we must find ways to end factional labor strife and employer-employee disputes.

Most of us recognize that none of these tools can be put to maximum effectiveness unless the executive processes of government are revamped—reorganized, if you will—into more effective combination. And even after such reorganization it will take time to develop administrative personnel and experience in order to use our new tools with a minimum of mistakes. The Congress, of course, needs no further information on this.

With this exception of legislation to provide greater government efficiency, and with the exception of legislation to ameliorate our railroad and other transportation problems, the past three Congresses have met in part or in whole the pressing needs of the new order of things.

We have now passed the period of internal conflict in the launching of our program of social reform. Our full energies may now be released to invigorate the processes of recovery in order to preserve our reforms, and to give every man and woman who wants to work a real job at a living wage.

But time is of paramount importance. The deadline of danger from within and from without is not within our control. The hour-glass may be in the hands of other nations. Our own hour-glass tells us that we are off on a race to make democracy work, so that we may be efficient in peace and therefore secure in national defense.

This time element forces us to still greater efforts to attain the full employment of our labor and our capital.

The first duty of our statesmanship is to bring capital and man-power together.

Dictatorships do this by main force. By using main force they apparently succeed at it—for the moment. However we abhor their methods, we are compelled to admit that they have obtained substantial utilization of all their material and human resources. Like it or not, they have solved, for a time at least, the problem of idle men and idle capital. Can we compete with them by boldly seeking methods of putting idle men and idle capital together and, at the same time, remain within our American way of life, within the Bill of Rights, and within the bounds of what is, from our point of view, civilization itself?

We suffer from a great unemployment of capital. Many people have the idea that as a nation we are overburdened with debt and are spending more than we can afford. That is not so. Despite our Federal Government expenditures the entire debt of our national economic system, public and private together, is no larger today than it was in 1929, and the interest thereon is far less than it was in 1929.

The object is to put capital—private as well as public—to work.

We want to get enough capital and labor at work to give us a total turnover of business, a total national income, of at least eighty billion dollars a year. At that figure we shall have a substantial reduction of unemployment; and the Federal Revenues will be sufficient to balance the current level of cash expenditures on the basis of the existing tax structure. That figure can be attained, working within the framework of our traditional profit system.

The factors in attaining and maintaining that amount of national income are many and complicated.

They include more widespread understanding among business men of many changes which world conditions and technological improvements have brought to our economy over the last twenty years—changes in the interrelationship of price and volume and employment, for example—changes of the kind in which business men are now educating themselves through excellent opportunities like the so-called "monopoly investigation."

They include a perfecting of our farm program to protect farmers' income and consumers' purchasing power from alternate risks of crop gluts and crop shortages.

They include wholehearted acceptance of new standards of honesty in our financial markets.

They include reconcilement of enormous, antagonistic interests—some of them long in litigation—in the railroad and general transportation field.

They include the working out of new techniques—private, state and federal—to protect the public interest in and to develop wider markets for electric power.

They include a revamping of the tax relationships between federal, state and local units of government, and consideration of relatively small tax increases to adjust inequalities without interfering with the aggregate income of the American people.

They include the perfecting of labor organization and a universal ungrudging attitude by employers toward the labor movement, until there is a minimum of interruption of production and employment because of disputes, and acceptance by labor of the truth that the welfare of labor itself depends on increased balanced out-put of goods.

To be immediately practical, while proceeding with a steady evolution in the solving of these and like problems, we must wisely use instrumentalities, like Federal investment, which are immediately available to us.

Here, as elsewhere, time is the deciding factor in our choice of remedies.

Therefore, it does not seem logical to me, at the moment we seek to increase production and consumption, for the Federal Government to consider a drastic curtailment of its own investments.

The whole subject of government investing and government income is one which may be approached in two different ways.

The first calls for the elimination of enough activities of government to bring the expenses of government immediately into balance with income of government. This school of thought maintains that because our national income this year is only sixty billion dollars, ours is only a sixty billion dollar country; that government must treat it as such; and that without the help of government, it may some day, somehow, happen to become an eighty billion dollar country.

If the Congress decides to accept this point of view, it will logically have to reduce the present functions or activities of government by one-third. Not only will the Congress have to accept the responsibility for such reduction; but the Congress will have to determine which activities are to be reduced.

Certain expenditures we cannot possibly reduce at this session, such as the interest on the public debt. A few million dollars saved here or there in the normal or in curtailed work of the old departments and commissions will make no great saving in the Federal budget. Therefore, the Congress would have to reduce drastically some of certain large items, very large items, such as aids to agriculture and soil conservation, veterans' pensions, flood control, highways, waterways and other public works, grants for social and health security, Civilian Conservation Corps activities, relief for the unemployed, or national defense itself.

The Congress alone has the power to do all this, as it is the appropriating branch of the government.

The other approach to the question of government spending takes the position that this Nation ought not to be and need not be only a sixty billion dollar nation; that at this moment it has the men and the resources sufficient to make it at least an eighty billion dollar nation. This school of thought does not believe that it can become an eighty billion dollar nation in the near future if government cuts its operations by one-third. It is convinced that if we were to try it, we would invite disaster—and that we would not long remain even a sixty billion dollar nation. There are many complicated factors with which we have to deal, but we have learned that it is unsafe to make abrupt reductions at any time in our net expenditure program.

By our common sense action of resuming government activities last spring, we have reversed a recession and started the new rising tide of prosperity and national income which we are now just beginning to enjoy.

If government activities are fully maintained, there is a good prospect of our becoming an eighty billion dollar country in a very short time. With such a national income, present tax laws will yield enough each year to balance each year's expenses.

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It is my conviction that down in their hearts the American public—industry, agriculture, finance—want this Congress to do whatever needs to be done to raise our national income to eighty billion dollars a year.

Investing soundly must preclude spending wastefully. To guard against opportunist appropriations, I have on several occasions addressed the Congress on the importance of permanent long-range planning. I hope, therefore, that following my recommendation of last year, a permanent agency will be set up and authorized to report on the urgency and desirability of the various types of government investment.

Investment for prosperity can be made in a democracy.

I hear some people say, "This is all so complicated. There are certain advantages in a dictatorship. It gets rid of labor trouble, of unemployment, of wasted motion and of having to do your own thinking."

My answer is, "Yes, but it also gets rid of some other things which we Americans intend very definitely to keep—and we still intend to do our own thinking."

It will cost us taxes and the voluntary risk of capital to attain some of the practical advantages which other forms of government have acquired.

Dictatorship, however, involves costs which the American people will never pay: The cost of our spiritual values. The cost of the blessed right of being able to say what we please. The cost of freedom of religion. The cost of seeing our capital confiscated. The cost of being cast into a concentration camp. The cost of being afraid to walk down the street with the wrong neighbor. The cost of having our children brought up, not as free and dignified human beings, but as pawns molded and enslaved by a machine.

If the avoidance of these costs means taxes on my income; if avoiding these costs means taxes on my estate at death, I would bear those taxes willingly as the price of my breathing and my children breathing the free air of a free country, as the price of a living and not a dead world.

Events abroad have made it increasingly clear to the American people that dangers within are less to be feared than dangers from without. If, therefore, a solution of this problem of idle men and idle capital is the price of preserving our liberty, no formless selfish fears can stand in the way.

Once I prophesied that this generation of Americans had a rendezvous with destiny. That prophecy comes true. To us much is given; more is expected.

This generation will "nobly save or meanly lose the last best hope of earth. . . . The way is plain, peaceful, generous, just—a way which if followed the world will forever applaud and God must forever bless."

2 ¶ The Five Hundred and Fourteenth Press Conference. January 4, 1939

(Explanation of budget message—National defense—W.P.A.—Ordinary and extraordinary expenditures—R.F.C.—Permanent additions to national wealth—Stabilization fund—Taxation.)

THE PRESIDENT: Steve [Mr. Early] suggests, because there are quite a number of new faces, we repeat that this is not a Press Conference in any sense of the word. It is merely an effort to be helpful in explaining the Budget Message and a lot of figures for your own help. That follows the custom of other years. Of course, the release of this is not until it is actually delivered to the Congress tomorrow at twelve o'clock.

Q. May I ask a question? There is a certain type of stories which, I understand, has been criticized, coming from this Conference. Would you care to elaborate on that?

THE PRESIDENT: For the benefit of interpreters or columnists, I do not think we want personal stories about wisecracks that are made or about my turning to the Director of the Budget, or the Director of the Budget not knowing the answer to the question. After all, that is between us and I think prob-

A LIBERAL WELCOME

CLINTON GETS ADVICE TO BORROW AND SPEND

An economist, writer and diplomat by profession, John Kenneth Galbraith is widely regarded as America's foremost liberal thinker. Born just outside the southwestern Ontario town of Iona Station, Galbraith went to the University of California in 1931 to work on a doctorate based on studies begun at the University of Guelph. He has been a committed Democratic Party supporter ever since. His new book, The Culture of Contentment, *which president-elect Bill Clinton read recently, has been praised for its attack on America's self-satisfied ruling elite. Now 84, Galbraith lives in Cambridge, Mass., where he spoke to* Maclean's *Associate Editor Victor Dwyer by telephone.*

Maclean's: *What is your reaction to the election?*

Galbraith: I think this is very good news. We move from George Bush's committed inaction to the possibility of getting something done.

Maclean's: *Has supply-side economics been buried and discredited forever?*

Galbraith: I would certainly hope so. It was only a cover story for enriching Reagan's and Bush's supporters. It never had economic merit.

Maclean's: *Is the U.S. economy in such severe economic trouble now that it needs a New Deal-style kind of government?*

Galbraith: Absolutely. We need to have a lot of energetic people come to Washington determined to address three things. First, the economy, and that means public job creation that wouldn't be accomplished by prayer. Second, we need to have a strong program in the central cities, which are in terrible shape. Third, we need to have a health-care program, broadly speaking, along Canadian lines. Canada has never been so popular in the United States on any subject more than it is now on the subject of its health-care system.

Maclean's: *In his first 100 days, what specific things should Clinton do to show he is leading the way forward?*

Galbraith: I think the 100 days scenario is nothing more than a cliché. He has four years to prove himself.

Maclean's: *What, specifically, should be done to create jobs?*

Galbraith: This can't be done overnight. But a broad program on the infrastructure: roads, railways, airports, mass transportation, housing stocks, schools—the sort of thing that the Japanese are doing and the Canadian government is thinking of. This will require transferring funds from the defence budget, which is a very expensive way of providing jobs. And it will require putting a new tax on the rich, which president-elect Clinton has already proposed. And it means accepting for the time being that the deficit will increase.

Maclean's: *Is taxing the rich going to scare the rich away?*

Galbraith: Where will they go? If we lose any of them to Yellowknife I'm prepared to let it happen.

Maclean's: *Isn't the deficit part of the problem?*

Galbraith: Until the economy begins to function again, I'm prepared to accept an increase in government borrowing.

HENRY SABA

Galbraith: deficit will have to wait

Maclean's: *But are most Americans?*

Galbraith: This is a good question. For 12 years, the conservatives and reactionaries have been using the deficit as an excuse for avoiding needed public action. And I think that will now be recognized. I hope so. I'm not liberally optimistic but I do think there's a change in prospects.

Maclean's: *But Clinton has promised to cut the deficit by half.*

Galbraith: That will have to be postponed.

Maclean's: *You worked with John F. Kennedy and knew him well. How does Clinton compare with Kennedy intellectually and politically?*

Galbraith: The greatest thing they share is that they represent a younger generation taking power, and I'm all for that, bringing a new group of eager people to Washington, people who regard government as an opportunity and not a burden.

Maclean's: *What are Clinton's biggest strengths?*

Galbraith: I would say his background. He has an excellent education and strong public experience. Being governor of a poor state like Arkansas is no idle exercise. His greatest single weakness is the scale of the problems he faces—the problem of quickly getting jobs for people is really an enormous challenge.

Maclean's: *Despite his support for free trade, some of Clinton's economic rhetoric is pretty nationalistic, his targeting of multinationals for new taxes, for example. Is there a danger that he will become protectionist?*

Galbraith: Don't worry about that. In an election year, where nationalism and patriotism are concerned one should always divorce rhetoric from reality.

Maclean's: *Can the Canadian government continue to operate under conservative principles and policies once Clinton takes power and sets out to prove that governments can fix economies?*

Galbraith: My family are longtime Liberals in Ontario, and I should hope that Bill Clinton will be an inspiration for both the Liberals and the NDP in Canada. But I will stress one point: I have had a lifelong rule against advising Canadians on politics. If I were doing that I should have stayed in Canada.

Maclean's: *Is there one particular danger that you would advise Clinton to look out for?*

Galbraith: Yes, having economists who are more concerned with their own reputations than with Clinton's political success. There's always a tendency for economists to take the conservative course even if it is politically damaging to their president.

Maclean's: *Were you involved in Clinton's campaign?*

Galbraith: Certainly not. I haven't worked on a presidential campaign strenuously since 1968. There are some luxuries associated with great age. □

UNITED STATES DEPARTMENT OF COMMERCE
National Institute of Standards and Technology
Gaithersburg, Maryland 20899

93 JUL 28 P3:13

CANON FAX L-700
COMMERCIAL FAX
301 948-1784
VOICE
301 975-3587

COMPUTER SYSTEMS LABORATORY

To: MIKE WAGUESPACK	From: Ed Roback
Tele:	Tele:
Fax: 202 395 1475	Fax:
	No. of pages transmitted

Brief Message:

SSCI QFRs — Slightly Revised Answers —

return to Waguespack

John —
Please provide me with any comments by Friday so I can get back to NIST of concurrence. Thanks.
Mike Waguespack

Mike — Question 1 part 4 needs an update. The rest is OK
JDP

If transmittal is unreadable or message incomplete, please call Ramona at 301/975-3587

July 28, 1993

NOTE

To: NSC - Mike Waguespack

From: NIST - Ed Roback

Subject: Revised Answers to SSCI QFRs for NIST

Attached for your review is the draft of our answers to the SSCI. I have received comments from NSA, DoJ, and FBI which I have incorporated. We are ready to go with these, pending NSC's final approval. Please contact me on (301) 975-3696 with your comments.

Thank you.

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Raymond Kammer to Senators DeConcini and Warner [partial] (1 page)	07/28/1993	P3/b(3)

COLLECTION:

Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 1390

FOLDER TITLE:

August 1-7, 1993 [2]

2018-0662-S
rs3063

RESTRICTION CODES

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b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Mat's comments added
DoJ's comments added
no comments from NIST/Verna
no comments from NIST/OGC/Mike R
NSA - comments from Fritz Fielding - added, none from (b)(3)
FBI -two small comments added from Barry Smith

doc: SSCI

DRAFT

Your Ref.: SSCI# 93-2998

Dear Senators DeConcini and Warner:

I am pleased to provide you with the enclosed answers to your questions regarding the Administration's key escrow encryption initiative. Please contact me should you require any additional information.

Sincerely,

Raymond G. Kammer
Deputy Director

Enclosure

1. What is the planned timing for the various implementation steps in the Clipper Chip system? For example, what implementation steps will be taken before the inter-agency review is completed?

Answer: The President has directed the following steps be taken to implement the key escrow encryption system:

1) The Attorney General shall request manufacturers of communications hardware which incorporates encryption to install the U.S. government-developed key-escrow microcircuits in their products.

Status: We currently anticipate that the key escrow chips will be available in commercial quantities in November, for integration into AT&T's secure telephone product. We are also discussing the benefits of utilizing this technology with other security product manufacturers.

2) The Attorney General shall make all arrangements with appropriate entities to hold the keys for the key-escrow microcircuits installed in communications equipment.

Status: The Department of Justice is currently discussing plans with two federal organizations to serve as key component escrow agents. The discussions are focusing on the responsibilities of the key component escrow agents. When agreement is reached, hopefully in the next month, the entities will be announced by the Department of Justice.

3) The Attorney General shall review for legal sufficiency the procedures by which an agency establishes its authority to acquire the contents of such communications [encrypted by devices containing the microcircuits].

Status: The Department of Justice, in cooperation with state and local authorities, is refining its procedures under which federal, state, and local law enforcement agencies will be able to request and receive key components for decryption of communications in conjunction with lawfully authorized surveillance.

4) The Secretary of Commerce... shall initiate a process to write standards to facilitate the procurement and use of encryption devices fitted with key-escrow microcircuits in federal communications systems... on a schedule that will permit promulgation of a final standard within six months of this directive.

Status: A proposed standard has been drafted and will be announced for public comment in the <u>Federal Register</u> within two weeks. The standard will be limited to applications involving voice, fax and low-speed data telephonic transmissions.

5) The Attorney General will procure and utilize encryption devices to the extent needed... [and] shall utilize funds from the Department of Justice Asset Forfeiture Super Surplus Fund to effect this purchase.

The purchase of AT&T TSD 3600 devices involves two contracts, the first of which was awarded on June 1, 1993 for 9000 units. The second contract will be to retrofit the devices with the key escrow encryption chips. The second contract is under negotiation. Delivery of the devices is not expected to begin until late this year.

2. The President has ordered the Secretary of Commerce to "initiate a process to write standards to facilitate the...use of encryption devices fitted with key escrow microcircuits in federal communications systems that process sensitive but unclassified information," with an eye to issuing such standards by October of this year.

-- Does the Administration intend to promulgate those standards even if it has not yet decided how to implement the key escrow system and the provision of keys and/or decrypted messages to state and local law enforcement agencies?

Answer: We anticipate promulgation of these standards on a timeframe consistent with the President's directions and are confident that procedures for access to the escrowed key components will be in place by then including access by local and state law enforcement.

-- Does it intend to promulgate these standards if the above decisions have been made, but the resulting systems are not yet in place? If so, will the phase-in period be tied in any way to the entry of such systems into operation? Or will there be a period during which Clipper Chip encryption systems are required for certain conversations, but there is no mechanism for handling state and local law enforcement needs with proper safeguards against abuses?

Answer: We anticipate that by the time these standards are promulgated in final form, procedures for access to the escrowed key components will be established. Escrowed key components will not be released to law enforcement agencies, whether Federal, state, or local, without appropriate release procedures being in effect. In any event, there is no intention to require use of key escrow encryption technology, even by agencies of the Federal Government. They will be used <u>only</u> where such security is appropriate.

3. You testified that interested persons and groups had made a number of useful points in their criticisms of Clipper Chip. Please describe their most salient points and indicate what changes, if any, you may be planning as a result.

Answer: Three contributions were of particular merit.

First, it was observed the system would be more secure if the unencrypted escrowed key components were never available to any individuals. We agree and are working on a technical solution so that the key escrow holders only have access to encrypted key components, [encrypted at the factory during chip programming]. We anticipate that when such components are authorized for legal release by the escrow holders, they will be sent via encrypted line (a second degree of protection) directly into the computer to be used for decryption of the communications. Only within this computer would the key components be decrypted and combined, never exposed in unencrypted form to any individual.

Second, there have been some comments about the fact that once the key components are released, they could be used for decryption beyond the date of the expiration of the legal authorization for the wiretap. While such surveillance would be illegal, the automatic erasing of the cryptographic keys could provide a useful secondary security check. The decryption computer is therefore being designed to automatically "zeroize" the key at the expiration date of the legal authorization.

Last, we received a number of comments that since the chip is a hardware device, interoperable key escrow encryption can not currently be implemented in software. While we are currently uncertain how a secure software-based key escrow could be built, we are planning to announce our willingness to enter into Cooperative Research and Development Agreements with parties interested in jointly pursuing this goal.

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 7/31

TO: Carol Rasco

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

[redacted]

fyi

John

[redacted]

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

July 28, 1993

93 JUL 28 P12:49

93 JUL 2

MEMORANDUM FOR DESIGNATED AGENCY HEADS
(SEE ATTACHED DISTRIBUTION LIST)

FROM: Robert G. Damus RGD
Acting General Counsel

SUBJECT: Proposed Executive Order Entitled "Amendment to Executive Order No. 12569"

Attached is a proposed Executive order entitled "Amendment to Executive Order No. 12569."

It was prepared by the Department of State, in accordance with the provisions of Executive Order No. 11030, as amended.

On behalf of the Director of the Office of Management and Budget, I would appreciate receiving any comments you may have concerning this proposal. If you have any comments or objections, they should be received no later than close of business Friday, August 6, 1993. Please be advised that agencies that do not respond by the August 6, 1993 deadline will be recorded as not objecting to the proposal.

Comments or inquiries may be submitted by telephone to Mr. Mac Reed of this office (Phone: 395-3563; Fax: 395-7294).

Thank you.

Attachments - Distribution List
Proposed Executive Order

cc: Alice Rivlin
Chris Edley
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Counsel to the President

Honorable John Podesta
Assistant to the President
and Staff Secretary

Honorable Jack Quinn
Chief of Staff to the Vice President

EXECUTIVE ORDER

\- - - - - -

AMENDMENT TO EXECUTIVE ORDER 12569 --
MANAGEMENT OF THE COMPACT OF FREE ASSOCIATION WITH THE REPUBLIC OF MARSHALL ISLANDS, THE FEDERATED STATES OF MICRONESIA, AND THE REPUBLIC OF PALAU

By virtue of the authority vested in me by the Constitution and laws of the United States of America, including the Compact of Free Association (the Compact), Public Law 99-239 and Public Law 99-658, I hereby order that Executive Order 12569 of October 16, 1986, shall be amended as follows:

Section 1. Paragraphs (1) - (3) of subsection (e) of Section 3, shall read --

(e)(1) The Secretary of State shall conduct United States relations with the Freely Associated States and carry out related matters, as the Secretary of State shall direct and delegate, and provide appropriate support to the Interagency Group, bearing in mind the continued special relationship between the United States and the Freely Associated States.

(2) The Secretaries of Defense and Interior may, to the extent permitted by law, delegate any or all of their respective authorities and responsibilities as described in this Order to the Secretary of State or his or her designee. The Secretary of State or his or her designee shall serve as Executive Secretary of the Interagency Group.

(3) Personnel additional to that provided by the Secretary of State may be detailed to the Department of State by the Executive departments and agencies that are members of the Interagency Group, and by other agencies as appropriate. Executive departments and agencies shall, to the extent permitted by law, provide such information, advice, and administrative services and facilities to the Secretary of State as may be necessary to conduct United States relations with the Freely Associated States.

Section 2. Section 5 shall read --

Sec. 5. Cooperation among Executive Departments and Agencies. All Executive departments and agencies shall cooperate in the effectuation of the provisions of this Order. The Interagency Group and the Secretary of State shall facilitate such cooperative measures. Nothing in this Order shall be construed to impair the authority and responsibility of the Secretary of Defense for security and defense matters in or relating to the Freely Associated States.

THE WHITE HOUSE
, 1993

LISC
LOCAL INITIATIVES SUPPORT CORPORATION
1825 K STREET, N.W.
SUITE 909
WASHINGTON, D.C. 20006
TEL: (202) 785-2908
FAX: (202) 835-8931

to Ricki Seidman

July 27, 1993

John Podesta
Assistant to the President
and Staff Secretary
The White House
Washington, DC 20500

Dear John:

Last Thursday we met with Gene Sperling and Paul Dimond to discuss the community development movement, its links to the President, and the opportunity presented by Reconciliation and the urban initiatives to strengthen the relationship. Gene asked us to immediately prepare a specific proposal for a Presidential event focused on the community development impact of Reconciliation and the President's Urban Initiatives. He suggested the event be in one city with satellite linked events in a number of other cities.

We have prepared a detailed proposal which we think meets the objectives. We can deliver such an event on short notice because of LISC's national network, media credibility, corporate/community partnerships, and experienced team of professionals.

I hope you will review the attached proposal and give it your support.

Sincerely,

Pati A Foley
Patricia Foley
Senior Vice President

Tim
Timothy Barnicle
Consultant to LISC

MEMORANDUM

TO: Gene Sperling, National Economic Council, White House

FROM: Paul Grogan, President, LISC
Patricia Foley, Senior Vice President, LISC

RE: The Victory Lap: The Role for Community-Based Economic Development

DATE: July 26, 1993

As you requested in our meeting of July 22, we have provided information on sites for the President to consider as host and satellite cities for inclusion in his Victory Lap after passage of his reconciliation package. These cities offer dynamic illustrations of how community-based developers are revitalizing local economies, activities we believe provide a perfect complement to the President's goal of rebuilding America's economy.

COMMUNITY DEVELOPERS -- A Snapshot

Nonprofit community developers generate significant economic activity in their neighborhoods. For the past generation, community development corporations (CDCs) have accumulated an impressive track record of attracting and leveraging capital investment in areas long-starved for such resources. A 1991 survey showed that approximately 2,000 community organizations reported having: (1) created or retained 90,000 jobs in the past five years alone, (2) constructed or renovated more than 17 million square feet of commercial and industrial space, (3) made 3,512 loans to community businesses or residents, (4) made equity investments in 242 ventures, (5) produced 320,000 units of housing for nearly one million low and moderate income people, (6) built or rehabilitated 87,000 units of affordable homes in the past three years alone.

THE ECONOMIC DEVELOPMENT APPROACH -- Making Capitalism Work for Everyone

Community developers operate in neighborhoods where traditional methods of creating and sustaining individual and community wealth have failed. They are successful because they recognize that poverty results from an intertwined set of problems. Accordingly, they are like master crafts-persons who rely upon a sophisticated array of tools to accomplish the goals of providing jobs, identifying business opportunities, and building local leadership. The community development approach is based on an exciting new model of partnership, between neighborhood leaders, corporate sponsors from Fortune 500 companies and local financial institutions as well as major foundations, mayors and governors, intermediaries such as LISC, and supportive news media.

LOCAL INITIATIVES SUPPORT CORPORATION -- Background

LISC is a nonprofit corporation founded by the Ford Foundation and several other corporations in 1979. It is the largest financial intermediary assisting CDCs, and it operates in more than 30 offices around the country. We have raised nearly $1 billion in private funds to produce 46,000 units of affordable housing and 8 million square feet of commercial and industrial space. We are the largest syndicator of low-income housing tax credits.

PRESIDENTIAL TOUR & SATELLITE TOWN HALL MEETINGS

Tour
We envision the President leading a tour in a neighborhood which will demonstrate his victory in several ways:

(1) It will show him triumphantly returning to a community he visited during the campaign to demonstrate that he kept his commitment to "put people first," securing passage of his economic bill just seven short months after his inauguration.
(2) It will illustrate how his legislative and administration proposals are building upon successful neighborhood enterprises and partnerships.
(3) It will show him at the center of a convincing portrait of economic renewal, job creation, and neighborhood revitalization.

Format
The President's tour and visit will be in a community setting, a vibrant neighborhood replete with the symbols of economic renewal, surrounded by key players in a local partnership, including community residents, business leaders, and government officials. Following the neighborhood tour, the President will have the opportunity to engage in a town hall meeting, an exchange with leaders in the host city, as well as in additional cities to which he is connected by satellite. This town hall can take the format of his recent visit to San Diego where he took questions from an assembled group, talk show style. Or it might more closely resemble his recent summit on forests in Oregon with a round table style group interacting with an audience.

Town Hall Meetings
Although the President's tour will generate considerable media coverage, we expect that a town hall meeting interactive with additional cities will provide the President with the ability to, not only multiply media coverage of his message, but also to interact with significantly more constituents in regions around the country.

We propose that you consider having the Vice President, members of the Cabinet, and Senior Administration officials who may moderate the event arrive in the satellite cities the day before the President's own tour. Their presence will generate local events across the country and increase media coverage for the President's town hall. This will strengthen the message of victory for the administration.

Goal
To build public support for the President's program for restoring communities embodied in the Economic Empowerment Act. To show how various element of the Act -- (Low Income Housing Tax Credits, Empowerment Zones, economic development funds under the National Community Economic Partnership Act, Earned Income Tax Credits, Mortgage Revenue Bonds) and other Administration proposals (Community Development Banks, strengthened implementation of the Community Reinvestment Act, additional funding for CDBG and HOME) -- will continue to help lift communities into the economic mainstream.

Audience
This event will have appeal beyond inner city constituencies. At the center will be fundamental values such as self-help and tangible progress that all Americans can respond to. It will also display the collaboration among business, community leaders, and government at the heart of the President's program.

Message
▪ President Clinton will be encouraging already successful partnerships at work in America's neighborhoods. ▪ Federal initiatives will reinforce the mainstream values of hard work, self-help, and local initiative at work in these neighborhoods. ▪ The government does not have to do it alone, it has an important role in the overall partnership. ▪ Government, community, corporate, and foundation leaders do know what works. ▪ Neighborhood changes can be seen not only in physical improvements but in the changed spirits of residents. ▪ There is cause for hope.

Assets
The LISC organization will be available to work with the Presidential advance team and White House communications. The work will be directed by Senior Vice President Patricia Foley, who has substantial experience in policy and politics, both in her current capacity as well as prior to coming to LISC. Ms. Foley served as Chief of Staff for Massachusetts Senator John Kerry for eight years, including working as Campaign Manager in the Senator's 1990 reelection. Washington consultant Tim Barnicle of Neece, Cator, Barnicle and Associates will be an integral part of the LISC effort. LISC's policy and communications team in our New York, Los Angeles, Washington, and Chicago offices will be of service as well.

Capacity
LISC has a proven ability to plan and to implement such an event. We have been able to mobilize thousands of grassroots constituents of the community development movement to generate support for its legislative agenda, to build crowds for news events, and to maintain special ties with key leaders. Additionally, we have developed a network of support among elected officials from mayors and governors to Senators and members of Congress, from both sides of the aisle, and have experience in similar events with these elected officials. Finally, we have developed excellent relationships with leading editorial boards and news media around the country who have championed the community development movement.

Possible Sites
Below you will find extensive descriptions of possible sites to consider for a Presidential tour and satellite town hall. Each site offers dynamic visuals and solid economic development accomplishments. The cities we suggest as host cities are (1) New York, (2) Liberty City, Miami, (3) San Francisco-Oakland Bay Area, (4) Cleveland, and (5) Philadelphia. The cities we suggest as satellite cities are (1) Kansas City, (2) Chicago, (3) St. Paul, (4) Los Angeles, and (5) Phoenix.

It is our conviction that, at the least, these sites can provide unique, convincing portraits of bottom-up neighborhood strategies that work and have resulted in the creation of hundreds of thousands of jobs. At best they demonstrate what one newspaper has called "mighty little miracles" that, with the partnership of the federal government, can add up to the "mighty giant miracle" the country needs.

POSSIBLE HOST CITIES FOR TOUR

SOUTH BRONX, NEW YORK CITY

The South Bronx was perhaps the most notorious slum in America. In the 1970s and 1980s, the image of America's urban decay was defined by the vacant, garbage-strewn lots, crack dealers, abandoned tenements and lunar landscape of "Fort Apache -- the Bronx." Today, however, those images of Bronx neighborhoods no longer reflect the growing reality of community change and new leadership.

The new reality of the South Bronx is blocks of renovated, affordable rental apartment buildings with graffiti-free facades and small, tidy parks. Surrounding these are single and two-family homes with well-groomed yards that reflect the pride of ownership. This housing has, in itself, been an economic engine.

Using the federal Low Income Housing Tax Credit, CDCs have developed 1930 rental apartments in the area creating hundreds of construction jobs -- many for local residents. Total development costs are approximately $165 million. All told, nonprofits have developed thousands more homes in the South Bronx, and the citywide figure tops 45,000 units.

Just as these communities have sprung back from the nadir of blight, new goals have arisen that reflect residents' economic needs. CDCs' current projects, such as developing retail strips and day care centers, exemplify that broader agenda. Newly developed homes have also been a magnet for additional businesses and services that comprise an economically healthy neighborhood.

-- In the South Bronx, MBD Community Development Corp., a CDC that got its start as the "Mid-Bronx Desperadoes", today manages 2,000 units of housing and is planning a 10-acre, $20 million community shopping center that will include a supermarket, video store, and other neighborhood service businesses and that will also create jobs for local young people.

-- Nearby, the Banana Kelly Community Improvement Association is spearheading a $2 million project that will convert a former synagogue into a community-based facility providing day care, and other neighborhood services to the area's primarily Latino residents.

-- Also in the Banana Kelly neighborhood that has battled back from a steep population loss and property abandonment, new homes prompted the NYPD to build a state-of-the-art precinct house. The Police Athletic League is constructing a new $8 million community center and sports facility. And the Archdiocese of New York has built a new elderly care facility in this area.

-- CDCs are planning development of $4 million in day care facilities for children from low-income families.

-- South Bronx 2000 Local Development Corporation has established a $3 million, community-based national plastics recycling company. The company has paid out $4 million in wages and other payments to employees and local recyclers. This venture that combines economic development and "environmental enterprise."

NOTE: Since 1980, LISC and its corporate and philanthropic partners alone have invested over $198 million in grants, loans and equity investments in New York City.

Participants: <u>Community Leaders</u>

- Ralph Porter, Executive Director of MBD Community Development Corporation a CDC which has produced more than 1200 units of affordable housing.

- Genevieve Brooks, Deputy Bronx Borough President and founder of MBD.

- Yolanda Rivera, Chairperson Banana Kelly Community Improvement Association.

Government Leaders

- Mayor David N. Dinkins

- Felice Michetti, Commissioner, New York City Department of Housing, Preservation and Development

- Fernando Ferrer, Bronx Borough President

- US Senator Daniel P. Moynihan

- Congresspersons Charles Rangel, Nydia Velazquez, Jerrold Nadler, Charles Schumer

Business and Philanthropic Leaders

- John Mascotte, Chairman and CEO, Continental Corporation

- Franklin Thomas, President, The Ford Foundation

- Frederic V. Salerno, Vice Chairman and President, NYNEX World Wide Services

- Walter Shipley, Chairman & CEO, Chemical Bank

- Robert Schwartz, Chairman, President & CEO, Metropolitan Life Insurance

- Hildy Simmons, Managing Director, J.P. Morgan & Co.

Mr. Mascotte is the Chairman of the Board of Local Initiative Support Corporation, the largest community development support organization in the country.

LIBERTY CITY, MIAMI, FLORIDA

President Clinton is already familiar with the man who led the way to Liberty City's turnaround. During the President's primary campaign visit to Liberty City he met Otis Pitts, LISC Board Member and Executive Director of Tacolcy Economic Development Corporation. Pitts has subsequently been tapped by the President to serve as Assistant Deputy Secretary of HUD for the recovery efforts out of Homestead.

In 1980, and then again in 1989, all hell broke out as Liberty City exploded into days of rioting. But the consistent, targeted community development work of Tacolcy EDC has permanently and dramatically changed the devastation as well as the perceptions of the area. Liberty City continues to experience increased economic vitality.

The revitalization has occurred primarily within the N.W. 7th Avenue corridor and surrounding area -- a neighborhood without a supermarket for its residents and where no new housing had been built in 20 years. Since 1980, the area has undergone a quiet, steady revolution that has taken the form of:

-- 200 units of new affordable housing,

-- 90 facade renovations and sidewalk and streetscape improvements

-- a new $2.1 million, 48,000 square foot renovated shopping center anchored by Winn-Dixie supermarket. Created 135 jobs. Services in excess of 17,000 customers a week. Other tenants include: New Era Pharmacy, national chains such as Colortyme Rental and Subway, and the Flair Beauty Salon.

-- spinoff developments: $1 million dollar MacDonalds restaurant located next to Edison Plaza. Hired more than 60 young people. New Beginnings shopping center, the first commercial construction in 20 years on 7th Avenue corridor. Crystal Palace shopping mall.

-- the construction of a Miami Police substation

-- the construction of Miami Dade Community College Entrepreneurial Institute.

NOTE: Since 1984, LISC and its corporate and philanthropic partners alone have invested over $26.2 million in grants, loans and equity investments in Miami.

Participants:

Community Leaders

- Lorenzo Summons, President, Tacolcy Economic Development Corp.
- Rev. Walter Richardson, We Will Rebuild Cochair, Pastor, Sweet Home Baptist Church
- Elaine Black, Executive Director, Tools for Change
- T. Willard Fair, Urban League

Government Leaders

- Otis Pitts, Jr. Assistant Deputy Secretary of HUD, former Executive Director, Tacolcy Economic Development Corporation, LISC Director.
- US Senator Bob Graham
- Congresswoman Carrie Meek

Business and Philanthropic Leaders

- James Batten, Chairman & CEO, Knight Ridder Corporation, an early, enthusiastic supporter, funder, and investor in neighborhood revitalization.
- M. Anthony Burns, Chairman & CEO, Ryder System, Inc.
- Creed Black, President & CEO, John S. and James L. Knight Foundation
- Robert H. Coords, Chairman & CEO, Sun Bank/Miami N.A.

Media Support

Among other media, *the Miami Herald* has touted the merits of community-based development since its earliest days in Liberty City.

SAN FRANCISCO-OAKLAND BAY AREA, CALIFORNIA

The Bay Area illustrates how community developers tackle economic conditions in diverse neighborhoods and in a diverse economy. The community development partnership is strong on entrepreneurship and jobs creation and this has grown out of a long-term history of successful affordable housing development in the most expensive real estate market in the country. A cross-section of thriving economic development projects is described below.

• Specialty Mill Products. A light industrial facility owned and managed by the nonprofit Asian Neighborhood Design in the Bayview-Hunter's Point neighborhood of San Francisco. After nine years of operation, its accomplishments include:

-- Creating more than 45 permanent jobs

-- Revenues reaching $1.3 million annually; $900,000 in custom casework, and nearly $400,00 in furniture production.

-- Developed and own 17,000 square foot industrial facility which houses both business and their Employment Training Center.

-- Trained more than 700 primarily high-risk youth in carpentry, cabinet-making, drafting and related building trades. They have the highest positive termination rate of any JTPA funded provider serving high risk youth.

-- Training center is a state designated state Workplace Learning Center and model for community-based vocational and remedial training.

-- Have begun the expansion of their production capacity by starting a new factory in the distressed neighborhood of West Oakland which will result in 35 new jobs for low-income neighborhood residents.

Other noteworthy community development accomplishments:

-- Women's Initiative for Self-Employment (WISE) has, in four years, served over 1,200 women, assisted in the start-up of 74 businesses and 47 business expansions. Businesses include a Filipino restaurant, a handcrafted beeswax candle producer, a chocolate specialty wholesale bakery, a desktop publishing company, and a personal fitness training center.

-- Asian Immigrant Women's Advocates operates Shin-Sun Foods, a newly-launched Asian specialty foods manufacturing business/cooperative designed to create jobs, equity and meaningful worker participation for low-income immigrant Korean women.

NOTE: Since 1981, LISC and its corporate and philanthropic partners alone have invested over $48 million in grants, loans and equity investments in the Bay Area.

Participants: <u>Community Leaders</u>

- Maurice Lim, Executive Director, Asian Neighborhood Design, San Francisco

- Etienne LeGrand, Executive Director, WISE, the only Bay Area nonprofit offering business development services for low-income women.

- Arabella Martinez, Executive Director, Spanish Speaking Unity Council, a group which is revitalizing the traditionally Latino Fruitvale neighborhood in Oakland.

- Executive Director, Asian Immigrant Women's Advocates, Hayward.

- Gordon Chin of Chinese Community Housing, Greg Hyson of Oakland Community Housing, Inc., Lynette Lee of East Bay Asian Local Development Corporation, Dan Hernandez at Mission Housing, and Catholic Charities and Jubilee West.

<u>Government Leaders</u>

- Oakland Mayor Elihu Harris

- San Francisco Mayor Frank Jordan

- US Senators Barbara Boxer and Diane Feinstein

- Congresspersons Nancy Pelosi, Ron Dellums, and Pete Stark

<u>Business Leaders and Philanthropic Leaders</u>

- Dennis Collins, President, The James Irvine Foundation

- Richard Rosenberg, Chairman and CEO, BankAmerica Corp.

- Walter Haas, Jr., Director, Levi Strauss Company

- Sam Ginn, Chairman & CEO, Pacific Telesis Group

- Richard A. Clark, Chairman & CEO, Pacific Gas & Electric; Chairman, Bay Area Council

<u>Media Support</u>

Major media including *the San Francisco Chronicle, San Francisco Examiner, Oakland Tribune* and *KRON TV* have favorably covered community development efforts in the Bay Area.

CLEVELAND, OHIO

Once a vital manufacturing center, Cleveland has seen its population, along with its industrial base and economic health ebb away. Cleveland's poorest residents who had neither the means to move were left behind with limited employment opportunities.

Cleveland nonprofits have focused their economic development initiatives on services and programs aimed at creating jobs and supporting long term employment growth. CDCs, working in consortia and on their own, have established business incubators and other job support programs to address the city's employment issues. These projects complement the significant development of affordable, single family homes underway or completed in Cleveland and are part of a community-driven effort to rebuild the center city.

-- Glenville Enterprise Center, on Cleveland's East Side is a 12,000 square foot nonprofit business incubator. 13 of the 14 businesses in the center are minority owned. Most are start-ups. This economic development site is adjacent to 45 new homes developed by the CDC for low-to-moderate income residents.

-- Wirenet, (Westside Industrial Retention and Expansion Network) is a job training, support and referral network established by Cleveland CDCs ; and Miles Ahead, on Cleveland's Southeast Side is another nonprofit job retention organization.

-- Neighborhood Progress, a local intermediary that funds community-based developers, is in discussion with Chicago's South Shore Bank about starting a development bank in Cleveland to stimulate lending in low-income areas, a venture that has also
received significant press coverage. Cleveland's corporate community plans a major fund-raising effort to support this community development bank's arrival.

-- The Cleveland Housing Network, a consortium of 12 housing groups, has brought 300 newly renovated homes to Cleveland -- each year. Another CDC, Mount Pleasant Now Development Corporation is developing 50 new homes now under construction thanks to use of the federal Low Income Housing Tax Credit.

NOTE: Since 1982, LISC and its corporate and philanthropic partners alone have invested $7.6 million in grants, loans and equity investments in Cleveland.

Participants: <u>Community Leaders</u>

Mark McDermott, Executive Director of Cleveland Housing Network. Heads this consortium of 12 housing groups that has developed 300 single family homes per year.

India Pierce, Executive Director of Mount Pleasant Neighborhood Development Corporation and President of Cleveland Neighborhood Development Corporation

Government Leaders

- Mayor Michael R. White

- US Senators Metzenbaum and Glenn

- Congressmen Stokes and Fingerhut

Business and Philanthropic Leaders

- Henry Meyer III, President, Society Bank; Chairman, Neighborhood Progress, Inc.

- Edward B. Brandon, National City Bank, Chairman & CEO

- David Bergholz, Executive Director, The George Gund Foundation

- Steve Minter, Director, The Cleveland Foundation

- Robert Horton, Chairman, British Petroleum Company (BP)

Media Support

Cleveland Plain Dealer has covered homeownership programs and community lending, also coverage in Crain's Cleveland Business

PHILADELPHIA, PENNSYLVANIA

Comprehensive community development is the idea behind the Germantown Settlement's revitalization of Philadelphia's Germantown neighborhood. While this historic and integrated area is not among the city's most blighted, a strong textile industry hit hard by a weak economy, created unemployment and left areas with sub-standard living conditions.

If you walk along the neighborhood's main thoroughfare, Germantown Avenue, you'll see economic development and housing production moving hand in hand. Freedom Square, a 20,000 square foot retail center, anchored by Rite Aid just opened. This retail center not only makes a notable impact on the neighborhood's physical appearance, but also gives residents access to goods and is a source of jobs.

Adjacent to Freedom Square, on the left, an 8-story building is under construction. It is a HUD 202 project which will become home to 50 elderly people. And to the right of the retail center, construction of 12 townhouses, made possible through the Low Income Housing Tax Credit, is nearly complete. These townhouses are part of a larger project that includes scattered site housing.

The Germantown Settlement provides counseling, job training, youth employment and other community services. It is also the parent company of the Greater Germantown Housing Development Corporation and the Whister Neighborhood Council, the Settlement's community organizing and planning arm.

NOTE: Since 1981, LISC and its corporate and philanthropic partners alone have invested $35.96 million in grants, loans and equity investments in Philadelphia.

Participants:

Community Leaders

- Emanuel Freeman, Executive Director Germantown Settlement, President Greater Germantown Housing Development Corporation, who is one of Philadelphia's most influential African American leaders and a LISC board member

- Cornelia Swinson, Germantown Settlement

- Geneva Lankford, Whister Neighborhood Council

Government Leaders

- Mayor Ed Rendell

- City Council President John Street

- US Senators Harris Wofford

- Representatives Tom Foglietta, Lucien Blackwell, Robert Borski

Business and Philanthropic Leaders

- Rebecca Rimel, Executive Director, The Pew Charitable Trusts

- Thomas F. Donovan, Chairman & CEO, Mellon Bank PSFS

- Robert Valentini, President & CEO, Bell of Pennsylvania

- Wilson H. Taylor, Chairman & CEO, Cigna Insurance Co.

Media Support

The Philadelphia Inquirer has written positive editorials and stories on LISC, community development and corporate participation in community development. *The Philadelphia Observer* has also provided significant coverage.

POSSIBLE SATELLITE CITIES

KANSAS CITY, MISSOURI

Like many cities, Kansas City has suffered from the deterioration of older neighborhoods and the attendant increase in crime and drug problems. For more than 20 years, public/private partnerships have focused on stabilizing neighborhoods, building strong anti-crime block clubs, and supporting and creating small business and industrial facilities. Community developers have not only constructed and rehabilitated housing, they have built community centers for seniors, a postal station, a large shopping center, and a community library.

Many of the city's CDCs, including the Black Economic Union, the Community Development Corporation of Kansas City, and the Citizen Housing Information Council have put increasing minority business opportunities and providing job training to minorities and youth at the top of their priority lists. This has resulted in:

-- the creation of more than 1,000 permanent manufacturing and development jobs through the Community Development Corporation of Kansas City alone.

-- the transformation of a blighted abandoned hospital into a modern 80,000 square foot retail complex housing a supermarket and novelty shops among other things.

-- renovation of the 30,000 square foot, historic Lincoln Building, which is 100 percent occupied by minority owned small businesses ranging from a publishing house to a barber shop.

-- the current redevelopment, in the 18th & Vine Historic District, of 250,000 square feet of commercial and specialty retail space. Housed there will be the GEM Theater Cultural & Performing Arts Center, the International Jazz Hall of Fame Complex, the Negro Baseball Museum and the Black Archives of Mid-America facility as well as affordable housing units.

NOTE: Since 1982, LISC and its corporate and philanthropic partners alone have invested over $27 million in grants, loans and equity investments in Kansas City.

Participants: Community Leaders

- Sylvester Holmes, President of the Black Economic Union
- Donald Maxwell, President of Community Development Corporation of Kansas City
- Bob Brim, President of Citizen Housing Information Council
- Colleen Hernandez, Executive Director of Kansas City Neighborhood Alliance

Government Leaders

- Mayor Emmanuel Cleaver
- Congressman Alan Wheat

Business Leaders and Philanthropic Leaders

- David Stanley, Chairman & CEO, Payless Cashways is a past chair of the Neighborhood Alliance.★
- Donald Hall, Chairman, Hallmark Cards which along with other major banks and corporations has been a major investor and funding partner of neighborhood efforts.

- William Hall, President, Hall Family Foundations

- William C. Nelson, Chairman, President & CEO, Boatmen's First National Bank of Kansas City

- Jonathan M. Kemper, President & CEO, Commerce Bank of Kansas City

Media Support

In addition to other major news outlets, the *Kansas City Star* has favorably chronicled the success of community developers in the City.

★ Mr. Stanley is Chairman of the Board of the National Equity Fund, an affiliate of Local Initiatives Support Corporation and the largest syndicator of Low Income Housing Tax Credits in the country.

CHICAGO, ILLINOIS

Chicago is famous for its distinct neighborhoods, working class culture and brawny image. Although the city, like other major metropolitan areas, has suffered from the loss of major industries, community development organizations have taken the lead in providing the housing and economic development activity that has given new hope and stabilized neighborhoods for greater private investment. The range of neighborhood-based activities and successful redevelopment models offered by Chicago is rich and diverse. Chicago' Hispanic neighborhoods, along with the African American community and white ethnic neighborhoods have all proved fertile ground for successful community-based job training, housing, and community-building activities. The community development partnership in Chicago can be said to have extended and improved upon Chicago's long history of social betterment, mutual assistance, and neighborhood service.

-- Hispanic Housing Development Corporation (HHDC) on Chicago's West Side has built 775 affordable housing units with a total investment of $38 million.

-- HHDC also initiated the renovation of a 17,250 square foot vacant industrial building for a community health clinic to be operated by Lutheran General Hospital and Cook County Hospital; and the construction of a Social Security Administration building.

-- The Fund for Community Redevelopment and Revitalization, is developing 5,000 units of housing in the neighborhoods of North Kenwood-Oakland and Woodlawn. It also plans to revitalize core commercial areas over the next ten years, and to create education opportunities, recreational facilities, social services, and cultural programs.

-- Jane Addams Resource Corporation, the economic affiliate of the Jane Addams Center/ Hull House Association, offers job retention programs and classes for worker training and adult literacy to promote leadership development, business investment and capital retention on the North Side of Chicago. JARC has retained 33 jobs and created 55 more through its economic development programs.

NOTE: Since 1980, LISC and its corporate and philanthropic partners alone have invested over $75 million in grants, loans and equity investments in Chicago.

Participants: Community Leaders

- Paul Roldan, Executive Director, Hispanic Housing Development Corp. Mr. Roldan also participated in the President's economic summit.

- Victor Knight, Executive Director, Fund for Community Redevelopment and Revitalization

- Mary LaPorte, Executive Director, Jane Addams Resource Corporation.

Government Leaders

- Mayor Richard Daley

- Senator Carol Mosley-Braun

- Congresspersons Dan Rostenkowski, Bobby Rush, Luis Gutierrez

Business Leaders and Philanthropic Leaders

- William Weiss, Chairman & CEO, Ameritech Corporation

- Adele Simmons, President, John D. and Catherine T. MacArthur Foundation.

- Bruce Newman, Executive Director, Chicago Community Trust

- Laurance Fuller, Chairman & CEO, Amoco Corporation

- Lester Crown, Chairman, Material Service Corporation

- Thomas Theobald, Chairman, Continental Bank Corporation

Media Support

Among other major media, the *Chicago Tribune,* and especially well-known columnist Clarence Page, the *Chicago Sun Times,* and *Crains Chicago Business* have supported partnerships responsible for revitalizing Chicago's communities.

ST. PAUL, MINNESOTA

St. Paul has experienced one of the highest poverty growth rates in the country. As industries departed and middle class families fled the suburbs leaving lower-income families behind, St. Paul has seen its city neighborhoods of primarily single family homes and local commercial strips, decline. Observing this, corporate, foundation, community, and civic leadership in both cities have chosen community-based development as their main strategy for stabilizing neighborhoods and bringing them to new life. Today virtually all of St. Paul's CDCs are undertaking some new economic development project that reaches beyond their traditional housing experience.

-- Eastside Neighborhood Development Corporation is reclaiming another neighborhood that would have been abandoned by economic and demographic shifts by funding housing renovation and commercial revitalization within its target area. This CDC has provided commercial real estate loans and worked on improving the look as well as the economy of the community.

-- Westside Neighborhood Development Corporation, a St. Paul community organization has used federal funds provided through the city, as well as state dollars, to develop a day care center that also offers office space for community groups.

-- North End Area Revitalization (NEAR) is chiefly responsible for bringing the vacancy rate on a neglected commercial strip to just five percent from 40 percent. NEAR also developed a retail center along this commercial stretch, marketed the area to new businesses, funded facade improvements and provided loans to small business.

NOTE: Since 1988, LISC and its corporate and philanthropic partners alone have invested $44.4 million in grants, loans and equity investments in St. Paul.

Participants:

Community Leaders

- Jan Morlock,Executive Director, Eastside Community Development Corporation, St. Paul
- Jerry Carrier, Executive, Westside Community Development Corporation
- Ron Pauline, Aurora/St. Anthony Area Block Clubs, St. Paul
- Ed Johnson, West 7th Front Road Federation, St. Paul

Government Leaders

- Mayor James Scheibel
- US Senator Paul Wellstone
- Congressmen Vento and Sabo

Business and Philanthropic Leaders

- Douglas Leatherdale, Chairman & CEO, The St. Paul Companies
- James J. Howard, Chairman & CEO, Northern States Power Co.
- John Grundhofer, Chairman, President & CEO, First Bank Systems
- Richard M. Kovacevich, President & COO, Norwest Corp.

- Cynthia Binger Boynton, Executive Director, McKnight Foundation

- Western Bank, through its community based Western Initiatives and Neighborhood Development program is providing micro loans to businesses in low-income areas. Other CDCs in St. Paul work closely with this bank, identifying projects and business to finance.

<u>Media Support</u>

In addition to significant local coverage in news articles and columns in the *St. Paul Pioneer Press* and *Minneapolis Star Tribune, NBC's Nightly News with Tom Brokaw* recently featured efforts in Minneapolis-St. Paul on its "What Works" series.

LOS ANGELES, CALIFORNIA

The rapid growth of its multi-ethnic population combined with economic decline has rendered community economic development a significant source of economic activity in diverse neighborhoods across the vast expanse of the city. The range of economic development activities include living space for artists, job training and small business centers, retail and office space, and cultural and performing centers for new immigrant groups.

-- Westminster Neighborhood Association in Watts is completing a three-story complex with a new Watts public library, two floors of office space for neighborhood concerns, and a separate building with a 2,000 square foot restaurant. This development is seen as a pivotal investment for further redevelopment in the area.

-- Vermont-Slauson Economic Development Corporation constructed and operates one of two major supermarket shopping centers in this South Central neighborhood. Currently developing a multi-vendor fresh food market.

-- Concerned Citizens of South Central Los Angeles is constructing an office complex which will include a print shop providing jobs and training for neighborhood youth in conjunction with Los Angeles Trade Tech College.

-- United Cambodian Community recently renovated an abandoned movie theater, converting it into office and retail space and a home for a cooperative of women worker-owners who preserve the cultural arts of Cambodia such as silk-weaving.

-- Coalition for Women's Economic Development, provide credit training and credit circles for low-income women starting small businesses. Businesses include El Salvadorean catering company, fashion manufacturing and distribution, etc.

-- Pacific Asian Consortium in Employment operates several employment programs for Korean and other Pacific Asian youth. Recently completed a grocery warehouse to employ low-income youth and improve Black-Korean relations.

NOTE: Since 1987, LISC and its corporate and philanthropic partners alone have invested over $71 million in grants, loans and equity investments in Los Angeles.

Participants:

Community Leaders

- Dr. E Grace Payne, Westminster Neighborhood Association, founded after the 1965 riots

- United Cambodian Community, county-wide JTPA and refugee assistance agency, based in Long Beach.

- Coalition for Women's Economic Development

- Marva Smith Battle Bey, Vermont-Slauson Economic Development Corporation

- Juanita Tate, Concerned Citizens of South Central Los Angeles

- Kerry Doi, Pacific Asian Consortium in Employment

Government Leaders

- City Council Members Mike Hernandez, Mark Ridley-Thomas, Rita Walters

- US Senators Barbara Boxer and Diane Feinstein

- Congresspersons Lucille Roybal-Allard, Walter Tucker III, Maxine Waters

Business Leaders and Philanthropic Leaders

- James Montgomery, Chairman and CEO, Great Western Bank

- Lodwrick M. Cook, Chairman, Atlantic Richfield Company (ARCO)

- Robert Erburu, Chairman, Times Mirror Corporation

- Christine Sisley, Executive Director, Ralph M. Parsons Foundation

Media Support

Major newspapers of the state including *the Los Angeles Times, Daily Commerce, Los Angeles Business Journal along with broadcasters have consistently supported community development approaches and policy.*

PHOENIX, ARIZONA

The community development partnership is relatively recent in the Southwest. However, with the establishment of a LISC office in 1992, the formation of a coalition of corporations to bring the LISC program to the area and a newly-launched training program for community developers, the alliance is gaining maturity and visibility. One of the most successful community builders in Phoenix, Chicanos Por La Causa, has been instrumental in a variety of economic development undertakings since its founding in 1969.

- Chicanos Por La Causa headquartered in Phoenix:

-- is one of the largest community developers in the country with 200 full time staff and 38 offices around the state of Arizona.

-- provides business development, housing and social services to more than 30,000 lower income Arizonans each year.

-- operates two revolving loan funds for small businesses, including a Rural Development Loan Fund utilizing $2 million federal dollars, and an Urban Loan Fund. To qualify, borrowers must show how they will create jobs for low-income workers and that they were denied funding by two other financial institutions.

-- completed its $25 million Mercado in the downtown area which includes offices, restaurants, specialty boutiques, a Latino museum and cultural center.

-- built and operates a computer training center, day care facilities, offices and specialty retail stores.

-- constructed affordable housing, recreational complexes for the elderly and disabled and, with the Resolution Trust Corporation, helps low-income Arizonans buy homes, along with operating a homeownership training program.

NOTE: Since 1992, LISC and its corporate and philanthropic partners alone have contributed over $2 million in grants and loans in Phoenix.

Participants:

Community Leaders

- Pete Garcia, Chicanos Por La Causa
- Sheila Harris, Phoenix Revitalization Corp.
- Conrad Sponhotz, Lutheran Social Ministries of the Southwest
- Tom Espinoza, Founder, Chicanos Por La Causa; LISC board member

Government Leaders

- Mayor Paul Johnson
- Congressmen Ed Pastor, Jim Kolbe

Business and Philanthropic Leaders

- William Randall, Chairman, President & CEO, First Interstate Bank of Arizona

- Jerry Colangelo, President & CEO, America West Arena/Phoenix Suns

- Stephen D. Mittenthal, President & CEO, Arizona Community Foundation

- Robert Matthews, Chairman, Phoenix Community Alliance

Media Support

The *Arizona Republic, Phoenix Gazette,* and other newspapers and broadcasters around the state have welcomed the community development partnership.

THE WHITE HOUSE

WASHINGTON

August 6, 1993

Dear Dennis:

I want to personally thank you for your vote in support of our economic growth and deficit reduction package.

Tonight the winners are middle class Americans and all those who stood by them and delivered. We promised a plan of major reductions in the federal deficit, deep cuts in spending, a return to tax fairness, incentives for our businesses, and investments in the skills and productivity of our people.

Thanks to the efforts of all those who supported this plan, our citizens can look forward to $500 billion of deficit reduction and a revival of the job growth and opportunity that are the hallmark of the American economy. You should be very proud of your vote.

Moreover, in moving this far-reaching plan through both houses of Congress, making the tough choices and casting the tough votes that the effort required, we have sent a powerful message to the American people -- that Washington can act promptly and decisively in the national interest. Your vote was not only good for the economy, but good for our nation's faith in democracy.

Thank you for your support, for your hard work, and for your dedication to the American people.

With best wishes,

Sincerely,

Bill

The Honorable Dennis DeConcini
United States Senate
Washington, D.C. 20510