THE WHITE HOUSE
WASHINGTON

DATE: 09/01/93

TO: BILL BURTON

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

FYI.

THE WHITE HOUSE

WASHINGTON

September 2, 1993

Mr. Tom Shields
Jury Commissioner
Franklin County Municipal Court
375 High Street, 9th Floor
Columbus, OH 43215

Dear Mr. Shields:

As you may know, President Clinton has asked former Governor Celeste to direct the National Health Care Campaign. This task will require him to spend a great deal of time away from his home during the next few months.

It would be extremely helpful to the President if you would defer Governor Celeste's jury service until the completion of this important national project.

Thank you for your consideration of this request.

Sincerely,

John Podesta
Assistant to the President
and Staff Secretary

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

Date: 8/30/93 Response needed by: ASAP

COS Office Contact: Bill Burton

30 P4:38

	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:
John - Rather than a letter asking that a Presidential appointee be excused from jury service, could you not simply do a letter, over your signature, acknowledging to the jury commissioner that Celeste was appointed to the NHCC? Thanks.

Response:

Celeste & Sabety Ltd.

August 30, 1993

TELEFAX

TO: Betty Mitchell
Personal Secretary to The President

FAX: 202/456-2883

FROM: Dick Celeste

Dear Betty:

I was scheduled for Jury Duty the weeks of August 30 and September 6, but have been excused due to chairing the NHCC. Even though the Jury Commissioner has already excused me, he asked for a letter from The President. Is there any chance we can get The President to sign something like the attached note?

Many thanks.

Love you.......Dick

240 North Fifth Street, Suite 380, Columbus, Ohio U.S.A., 43215 Phone (614) 224-3300 Fax (614) 224-3350

THE WHITE HOUSE

WASHINGTON

93 SEP 1 P6:38 / Sent. S

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: RAYMOND BUCKLEY

Fax Number: 603 225-6797 **Phone Number:** 603 225-6899

FROM: JOHN PODESTA

SUBJECT: BIO PER YOUR REQUEST

DATE: 09/01/93

NUMBER OF PAGES (including cover sheet): 2

MESSAGE:

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

JOHN D. PODESTA

John D. Podesta serves in the Clinton Administration as Assistant to the President and Staff Secretary.

Before joining the Administration he was Vice President and General Counsel of Podesta Associates, Inc., a Washington, D.C. government relations and public affairs firm.

He has had extensive Capitol Hill experience, serving as Chief Counsel to the Senate Committee on Agriculture, Nutrition, and Forestry and as Chief Minority Counsel to the Senate Judiciary Committee Subcommittees on Patents, Copyrights and Trademarks; Security and Terrorism; and Regulatory Reform.

He served as a trial attorney in the Department of Justice's Land and Natural Resources Division and as a Special Assistant to the Director of ACTION, the federal volunteer agency.

He has written and lectured extensively on intellectual property, privacy and technology issues. In the Spring of 1991, he chaired a Task Force on Privacy and Technology for the Senate Judiciary Subcommittee on Technology and the Law which made recommendations to the Senate on updating the Electronic Communications Privacy Act in light of new technological developments.

His publications include Protecting Electronic Messaging: A Guide to the Electronic Communications Privacy Act of 1986 and Access to and Use and Disclosure of Electronic Mail Company Computer Systems: A Tool Kit for Formulating Your Company's Policy, with David Johnson.

He is a 1976 graduate of Georgetown University Law Center and a 1971 graduate of Knox College.

THE PRESIDENT HAS SEEN
9-1-93

VP
Do we have anything from him lest in here?
B.

Robert J. Samuelson

Government at Its Worst

We are all waiting breathlessly for Vice President Al Gore's report on how to "reinvent government." Gore has been regaling audiences and reporters for months with horror stories about absurd government rules. He's ridiculed the regulations (supposedly weighing 1,088 pounds) that govern the hiring, firing and promotion of federal workers. He's waved around government ashtrays while denouncing hideously complex purchasing rules. They say, for instance, that ashtrays shouldn't splinter into more than 35 pieces if dropped.

All this is good theater. It may not be much else. You can be sure of one thing: Al Gore won't reinvent government. To do that, he'd have to tear up the Constitution. "Reinventing government" is just another slick phrase. The crucial question about Gore's report (due Sept. 7) is whether its proposals go beyond streamlining rules and consolidating programs (taking 12 similar programs and merging them into, say, three).

Some or all of these recommendations might be worthwhile. Even if they didn't save money, they might improve government's performance. But the crucial step in overhauling government is to decide what it should and shouldn't do—and then to eliminate the programs and agencies that don't belong. These are political choices, not questions of management efficiency. If Gore doesn't make the choices, then his report will largely be a sham and won't achieve many permanent savings.

Plenty of programs deserve to be eliminated. Although they may have loyal constituencies, they don't serve any essential public purpose. For example, all of the following:

- **Farm Income Supports:** We do not need to subsidize farmers to ensure adequate food supplies. Annual savings: $9 billion. (All savings are based on estimates by the Congressional Budget Office. Figures are for fiscal 1998, permitting programs to be phased out.)
- **The Small Business Administration:** Yes, America would still have small businesses if government didn't lend money, guarantee loans or advise a tiny fraction of these companies through the SBA. Annual savings: $1 billion.
- **Amtrak:** Trains that carry a trivial share of intercity travelers (about 0.7 percent) are not an essential government service. Annual savings: $950 million.
- **Propaganda Broadcasts:** Hey, the Cold War is over. We don't need Radio Free Europe, the Voice of America or TV Marti (that's a broadcast service to Cuba). People around the world can tune in CNN. Annual savings: nearly $700 million.
- **Culture Subsidies:** We have plenty of art, radio and TV without government subsidizing them. Scrap the national Endowments for the Arts and Humanities. Also kill the Corporation for Public Broadcasting. Annual savings: $700 million.
- **Regional Subsidies:** There's the Economic Development Administration, the Rural Development Administration, the Appalachian Regional Commission and others. In a $6 trillion economy, their effect on regional development is tiny. Annual savings: $1 billion.
- **Local Transit Subsidies:** These go to localities to buy and operate buses and subways. But local transit is not a national matter. Localities should decide how much they want to subsidize local transit with their taxes. Annual savings: $4.1 billion.
- **Farmers Home Administration:** It subsidizes rural housing loans and farm operating loans. Defaults are high, because borrowers are often not credit-worthy. Annual savings: $1 billion to $2 billion, depending on how fast loans can be ended.
- **Highway "Demonstration" Projects:** These projects, required by Congress, often wouldn't be approved by states. This type of road building serves mainly political—not transportation—needs. Annual savings: $1.2 billion.

These cuts total roughly $20 billion annually, and they're just a start. For space reasons, the list doesn't include many small but unneeded programs, such as the Rural Electrification Administration (1998 savings: $200 million). It also excludes many questionable big programs (the space station, community development block grants) for which at least a modest "public interest" case might be made. The programs on the list are the worst of the worst.

The crucial steps in overhauling government involve political choices, not questions of management efficiency.

BY JOHN OVERMYER

That judgment, of course, will incite howls of protests. You will hear that the programs do a lot of good and that their demise would create huge hardships. Nonsense. "A lot of good" doesn't justify government spending. Baskin-Robbins ice cream does lots of good, but we don't subsidize it. And ending these programs wouldn't trigger a series of social calamities. Federal transit subsidies, for instance, equal only about 9 percent of local transit operating deficits. Farmers get less than 5 percent of their gross incomes from government subsidies.

Government will never operate as efficiently as the private market, where companies that don't provide desired products at acceptable costs fail. The only way to end wasteful government spending is to end it. That's why Gore shouldn't dance around the problem. He should name names and argue that many programs are not needed. Eliminating them won't end budget deficits. Curbs on health spending, retirement programs and new taxes also are needed. But abolishing some programs would help, while also establishing the principle that all programs are not immortal.

This would foster a climate in which other outdated programs could be ended. It would also make it easier to enact process changes—simpler hiring, firing or procurement rules. Supporters of all sorts of government programs would realize that, unless these programs operate effectively, they face elimination.

All this ought to fit the White House's political agenda. President Clinton is seen as being soft on spending. He also pledged at the end of the fight over his budget to make more spending cuts. For once, the White House should get ahead of its critics. Gore's report is the place to start. Government doesn't need to be reinvented. It needs to be disciplined. Just do it.

Mack
on need to discuss
B

DRAFT

THE PRESIDENT HAS SEEN 9/1

BIPARTISAN COMMISSION ON ECONOMIC REVITALIZATION

<u>Section 1</u>. Establishment. (a) There is established the Bipartisan Commission on Economic Revitalization ("Commission"). The Commission shall comprise 18 members to be appointed by the President. Six of the 18 members shall be Senators - three each from the Democratic Majority and Republican Minority parties. Six of the 18 members shall be Congressman - three each from the Democratic Majority and Republican Minority parties. The remaining six members shall be individuals who have experience and expertise in the areas to be considered by the Commission. The President shall consult with the Majority and Minority Leaders of the Senate and the Speaker and Minority Leader in the House of Representatives in making appointments from the Senate and House of Representatives, respectively.

(b) The President shall designate two Co-chairpersons from among the members of the Commission - one each from the Democratic Majority and Republican Minority parties.

Be careful

<u>Sec</u>. <u>2</u>. Functions. (a) The Commission shall: (a) recommend economic goals for the nation, including annual deficit reduction targets, (b) recommend specific spending and tax options necessary to achieve those goals, and (c) report its recommendations to the President and to the Congressional leadership by December 1, 1993 ("Report").

(b) The Commission shall decide by a majority vote of its 18 members which recommendations to include in the Report. At the request of any Commission member, the Report will include that Commission member's dissenting views or opinions.

Sec. 3. Administration. (a) To the extent permitted by law, the heads of executive departments, agencies, and independent instrumentalities shall provide the Commission, upon request, with such information as it may require for the purposes of carrying out its functions.

(b) Members of the Commission appointed from among private citizens may receive compensation for their work on the Commission at the daily rate specified for GS-18 of the General Schedule. While engaged in the work of the Commission, members appointed from among private citizens of the United States may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law for persons serving intermittently in the Government service (5 U.S.C. 5701-5707).

(c) To the extent permitted by law and subject to the availability of appropriations, the Department of [ ] shall provide the Commission with administrative services, funds, facilities, staff, and other support services necessary for the performance of the Commission's functions. The Secretary of [ ] shall perform the functions of the President under the Federal Advisory Committee Act, as amended (5 U.S.C. App.) ("Act"), except that of reporting to the Congress, in accordance with the guidelines and procedures established by the Administrator of General Services.

(d) The Commission shall adhere to the requirements set forth in the Act. All executive branch officials assigned duties by the Act shall comply with its requirements with respect to the Commission.

<u>Sec</u>. <u>4</u>. General Provision. The Commission shall terminate 30 days after submitting its Report to the President.

MACK McLARTY

THE PRESIDENT HAS SEEN 9/1

August 31, 1993

93 AUG 31 P6:47

To The President:

The attached is in keeping with Alan Nelson's August 23rd article from The New York Times which you sent me.

M.

We need another meeting on this pretty soon —

B.

/ Mack

THE WHITE HOUSE

WASHINGTON

'93 AUG 30 P2:08

August 30, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER HP

SUBJECT: REPRESENTATIVE HOWARD BERMAN

I thought you would find interesting a conversation I had late last week with Howard Berman.

He said he had 250 angry and upset constituents at a town meeting, and I asked with great trepidation if it had to do with reconciliation, i.e. taxes. Actually, he reported, except for a couple of mild questions about retroactivity there were no questions about reconciliation and no concern about fuel taxes. The sources of the anger he said were crime and illegal immigration. On the former he said anything that puts more cops on the street is to be welcome. On the latter, he acknowledged the unique problems in Southern California, but also speculated the issue had currency elsewhere.

From a legislative perspective, this is a reminder that we have to expend resources on the crime and immigration bills in the coming weeks and months even while focusing on the big three of health, NAFTA, and reinventing government.

Howard —

I fully agree w Howard's insights. Same themes I have noted to the Pres as has Gergen. Your comments reinforce my feelings — we need a coordinated agenda to the extent w issues that resonate [illegible] members w real people. Mack

cc Gergen
Jim
Desi

Mack — we need to discuss this — B.

THE PRES[illegible] HAS SEEN 8/30

Mack - we need to discuss this. - B

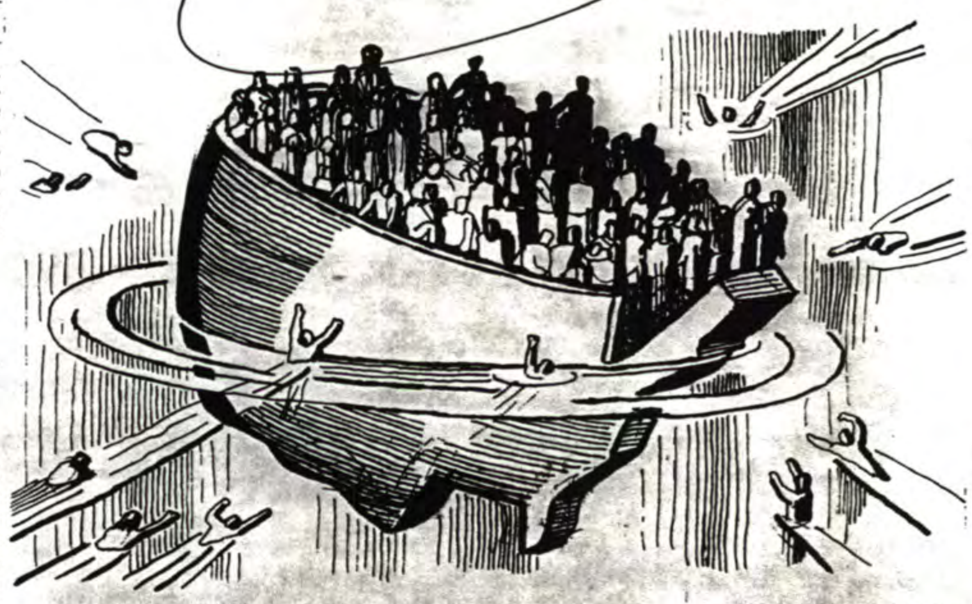
THE NEW YORK TIMES OP-ED MONDAY, AUGUST 23, 19

A Governor's Brave Stand on Illegal Aliens

By Alan C. Nelson

SACRAMENTO, Calif. Gov. Pete Wilson of California recently made reasonable recommendations for Federal action to help stem the flow of illegal immigration to the U.S. His critics tried to derail the discussion by denouncing his plans as nativist and insensitive. But his proposals, and the many other ideas for reducing the heavy social service burden on state budgets, deserve to be openly debated. Millions of people are in the U.S. in violation of the law. We must treat them humanely, but that does not mean we should allow them to stay.

Pete Wilson's proposals are realistic.



David Suter

Despite the critics' outcry, there is popular demand that illegal immigration be stopped. Polls show that 80 to 90 percent of Americans — black, Hispanic, white and Asian — favor tighter policies. Politicians are taking heed: liberals and conservatives admit that the burden of the illegals is too heavy, in education, health and welfare benefits, and can no longer be tolerated.

To succeed, reforms have to be bipartisan, as Congress's passage of the Immigration Reform and Control Act in 1986 proved and bills now being passed by the California Legislature establish. Changes must be comprehensive, taking place in *all* areas: foreign and trade policy, border control, employment, welfare and health services, education, housing and crime.

Consider Governor Wilson's specific proposals:

1. The approval of the North American Free Trade Agreement to specific cooperation by Mexico to stop illegal immigration. For example, the U.S. should require a jointly shared border crossing fee and use the money to improve immigration inspections and enforcement and to return illegal migrants to their homes in Mexico, not just over the border.

The Bush Administration buried its head in the sand on the issue of linking immigration reform to Nafta. The Clinton Administration has made side agreements to the pact on environmental and labor issues, but not yet on immigration.

2. Seek Congressional action or a constitutional amendment to change the rule under which children born in the U.S. to illegal aliens are automatically given citizenship.

What other country has such loose citizenship rules? Two-thirds of the births in Los Angeles County Hospital are to illegal aliens. The mother applies for welfare, knowing the child is eligible, and lives off the grant. Twenty-three percent of the Los Angeles County welfare load consists of children of illegal migrants, the fastest-growing group of welfare dependents.

3. Stop Federal benefits to illegal aliens. It is against Federal law for illegal aliens to receive welfare, but the system is a sieve. There is too little cooperation and sharing of information between agencies to prevent abuses. A computer checking system, enacted with the immigration control act in 1986 to keep illegals from receiving benefits, works well. But it must be expanded to all benefit programs.

Governors can also act. State and local legislation, regulations and actions often undercut the Federal law and paradoxically assist illegal aliens in obtaining jobs and benefits.

The idea that illegal aliens would receive regular health care or insurance under a final Clinton health plan is ludicrous. That idea creates a magnet and must be dropped. Emergency care is different. No one, including Governor Wilson, would deny such care to anyone.

Some critics complain that Mr. Wilson did not emphasize stricter penalties on employers as a way to control illegal immigration. He should do this, but that does not mean his other ideas are not worthwhile, too.

Let the public's voice be heard. It wants the rhetoric translated into specific and responsible actions. □

Alan C. Nelson, Commissioner of the Immigration and Naturalization Service from 1982 to 1989, is a consultant to the Federation for American Immigration Reform.

A Scandal Without a Crime

By Philip K. Howard

The juicy scandal involving top aides to Mayor David Dinkins has heated up the mayoral race. One prominent head has already rolled, that of the Budget Director, Philip Michael.

A close look at the scandal sheds light on considerable hypocrisy and no discernible fraud.

Mr. Michael and the First Deputy Mayor, Norman Steisel, have been excoriated, not for secret influence-peddling but because they openly backed a plan to privatize parking ticket collections. They supported a proposal by a division of Lockheed, which has a record of government scandals, that promised an extra $100 million in annual collections.

A city investigative report accused the officials of "favoritism." The term seems to be used here as a pejorative synonym for "enthusiasm." There was no suggestion of payoffs or other illicit acts. Nor was there any suggestion of back-room dealings, although one former employee said he almost "wet his pants" when he arrived at a meeting to find Mr. Michael, all by himself, talking to Lockheed representatives. This seems a little overwrought.

The important fact is that Mr. Michael, far from lurking in the shadows and cleverly manipulating the system, was pounding the table for this deal. He wanted to take responsibility. It would be unusual for a sleazy politician to reach for responsibility.

According to the report, bias was established by the fact that Mr. Michael took "affirmative action" in promoting Lockheed's proposal. Other telltale indications were that Mr. Michael and Mr. Steisel devoted "unusual time and attention" and argued "forcibly in favor" of the plan. These allegations, if they can be called such, are completely innocuous. It seems that the two men believed the proposal was in the public interest.

New York City's contract process is the real villain.

Another accusation is that Mr. Michael offered the city transportation agency better treatment in the budget if it approved a trial project by Lockheed. The investigation described this as "unethical." It sounds more like standard politics.

New York City's contracting process is a notorious quagmire. To quote a recent city report, it is "awash in a sea of paper, plagued by inordinate delays and clouded by unclear and inconsistent rules and procedures which slow city business to a crawl." With this nearly inert system, it is hardly surprising that the Budget Di[illegible] and the First Deputy Ma[illegible] believing that taxpayers would appreciate $100 million in extra revenue, actively intervened.

The scandal's unspoken premise is that government contracting should be as neutral as judicial process: everything should be formal, each party take its turn and nothing should be decided until the end. It is hard to imagine a more inappropriate model than a courtroom for these kinds of decisions. The already clogged gears would grind to a halt as inept or manipulative vendors argued that they had not been treated fairly or given equal access. The litigation would last forever.

If there is a villain, it is an absurdly complex, sanctimonious process that pretends to eliminate human judgment in areas where the public's best interest demands good judgment. We don't need greater adherence to process. Delay and phony moralism are the hallmarks of New York's tortured system. We need public officials who are willing to stand up and take responsibility. They might get something done. If not, we would know whom to blame. Fraud, which thrives in dense procedural thickets, withers in daylight.

It appears to me that the sin of Mr. Michael and Mr. Steisel was that they had a point of view and the nerve to stand up in meetings and argue forcibly for it. Of course, if it is discovered that they had economic or other personal interests in Lockheed, they should be held accountable. But if they were strong-minded officials doing what they thought was right, we should give them an award and try to find more lik[illegible]m. □

Philip K. Howard, a lawyer, is writing a book on the failures of law.

THE PRESIDENT HAS SEEN 9/1

Immigration Costs Dominate House Hearing in Los Angeles

In Fiscal Crisis, California Targets Illegal Aliens

By Roberto Suro
Special to The Washington Post

LOS ANGELES, Aug. 31—In California this summer, hardly a day passes without some politician offering up a plan to crack down on illegal immigration as a way of solving the state's economic and budgetary problems.

Today, State Treasurer Kathleen Brown (D), likely to be a leading candidate for governor next year, joined the pack.

Brown says that California could save $500 million a year if it did not have to incarcerate about 14,000 illegal aliens who have committed crimes here. Her plan is to arrest and try them here, but then send those who are convicted back to Mexico to serve their sentences. Testifying at a congressional hearing here today she said approval of the North American Free Trade Agreement (NAFTA) should be linked to Mexico's approval of this idea.

California was supposed to receive some reimbursement for the cost of incarcerating criminal aliens under federal legislation enacted in 1986, but Congress has never appropriated any money. Rep. Gary A. Condit (D-Calif), chairman of the House Government Operations subcommittee on information, justice, transportation and agriculture said he called today's hearing "so we can build a case to seek federal aid" for the incarceration costs.

Brown, and many other Democrats, are catching up with Republican Gov. Pete Wilson, who has hammered the immigration issue for months. In an open letter to President Clinton three weeks ago, Wilson called for a constitutional amendment denying U.S. citizenship to children born in the United States to illegal immigrants. He also called on Congress to find some way around a 1982 Supreme Court decision guaranteeing a public education to all children regardless of their immigration status.

The proposal seemed to boost Wilson's popularity out of a deep trough. Brown, who has raised $3.5 million for a possible run against him, said today that she opposed Wilson's proposal for a constitutional amendment because it could not be enacted in time to solve California's problems.

California's two U.S. senators, Dianne Feinstein and Barbara Boxer, both Democrats, have each come up with their own plans. Feinstein, who also faces an election next year, has proposed hiring 1,000 new officers for the Border Patrol, to be paid for with a new $1 tax on all cars passing from Mexico into the United States. Boxer's plan involves using the National Guard to back up the Border Patrol.

The immigration issue has heated up in California as the state has suffered a brutish combination of economic woes. While the recession rolled across the country in 1991 and 1992 California saw some of its most vibrant business sectors, aerospace and defense contracting, knocked down by Pentagon spending cuts that are unlikely to be reversed.

To the insult of state and local budget crises over the past three years has been added the injury of drought, earthquakes and riots.

Amid all this, Southern California still is digesting the largest and most concentrated influx of immigrants to any region since immigration swelled New York's huddled masses at the turn of the century. In the 1990 census, nearly 10 percent of the population of Los Angeles County was made up of foreign-born persons who had entered the country since 1985, a time when a booming economy provided jobs for immigrant workers.

Now, with job losses still mounting and no engine of recovery in sight, politicians who will face the voters next fall are offering a crackdown on immigration as a large part of the solution to the state's problems.

"The anti-immigrant backlash is having a tremendous resonance," said Steve Erie, a political scientist at the University of California at San Diego. "It may be the only card Wilson has to play, given the condition of the economy, but you cannot underestimate how much mileage he can get out of it. Now the Democrats are catching on."

At today's hearing Kim Belshe, a state official testifying for the Wilson administration, recited the politically potent math that can be pulled out of the anti-immigration backlash. If California did not have to spend $500 million a year incarcerating illegal immigrants, she said, "We could put a computer on the desk of every fifth-grader in the state." Overall, she said, state spending on illegal immigrants totals $2.9 billion, almost exactly the size of the state's budget deficit this year.

But a General Accounting Office report released at the hearing showed just how hard it is to make such calculations. Credible estimates of the number of undocumented aliens in the United States still range from 1.7 million to 5.5 million, the GAO said, offering its own estimate of 3.4 million as a maximum.

Since it is difficult to calculate the costs of illegal immigration without knowing how many illegal immigrants there are, Condit said of the report, "this calls into question the data that we use and the assumptions that we make regarding immigration."

Mack / VP
we remain behind the curve on this / Treasury
B.

42

Well — lets discuss

From: Curt Bradbury

THE PRESIDENT HAS SEEN 9/1

In Defense of Jackson Stephens

America's quagmire of regulations swallows up the time and energy of venture capitalists and creates abundant opportunities for the regulatory police to abuse their power. I often write about such abuses but have never been as close to the facts as in the case of the Federal Reserve's continuing investigation of Little Rock investment banker and venture capitalist Jackson Stephens. I know Jack Stephens. We sit together on a university board, and he has supported a research institute of which I am a trustee. I am confident of the following facts, which contrast

Counterpoint

By Paul Craig Roberts

with the portrait of wrongdoing and influence-buying painted by this newspaper in its stories and editorials.

In April 1985 Worthen Bank & Trust, the lead bank of Worthen Banking Corp., entered into a repurchase agreement with a government securities dealer that promptly went bankrupt, thus wiping out the bank's capital. With Arkansas's largest bank faced with immediate closure, Jack Stephens was approached to recapitalize it. Mr. Stephens worked out the terms of the capital infusion with the two top Federal Reserve officials in Washington, Bill Taylor, director of supervision and regulation, and Mike Bradfield, general counsel. The bank, with more than $2 billion in federally insured deposits and many uninsured deposits that would have threatened other banks, was saved.

Or so it seemed. When the new management team took over, it found that unbeknownst to Mr. Stephens, the bank had $130 million in bad loans on its books. Good management saved the bank a second time, and the loans were written off.

By 1990 it was clear to everyone that the bank had made an amazing recovery and was an outstanding success. Early in 1992 Worthen told the St. Louis Fed that it wanted to acquire Union of Arkansas Corp., the fourth-largest banking company in the state. In March 1992, the St. Louis Fed began examining Worthen for the Union purchase. Its investigation, however, took an unusual direction and focused on Mr. Stephens's ownership of Worthen rather than the bank's financial capacity to absorb Union.

The informal investigation went on for a year before the Fed's governors approved Worthen's acquisition of Union on March 31, 1993. The same day, the Fed told Worthen it had begun a "formal investigation" of the Stephens family's holdings in Worthen despite the dilution of these holdings to 26% from 36% as a result of the Union acquisition. Sources familiar with the investigation say it has become a fishing expedition unrelated to the operation of the Worthen holding company. "The Fed is looking for Leona Helmsley's maid" is the way one source put it.

This is extraordinary. There could be no Glass-Steagall violation because the Fed itself had worked out the terms of Mr. Stephens's capital infusion. If, instead, the Fed has reasons to suspect Mr. Stephens of violating the Bank Holding Company Act by secretly holding more than the permitted ownership share through nominees or stock parked with institutional investors, then the Fed was negligent in approving the Union acquisition.

What seems to have happened is as follows: According to Worthen board members, the St. Louis Fed felt bypassed when Mr. Stephens and Fed officials in Washington worked out the terms of the 1985 capital infusion, as Worthen is in its regulatory district. Miffed at Washington, St. Louis has a vested interest in finding incompetence or wrongdoing in the way the home office handled the Worthen bailout. When Bill Taylor died in 1992 and Mike Bradfield left for private practice, the St. Louis Fed got its chance to reopen the matter.

The St. Louis Fed is also miffed at Curt Bradbury, Worthen's CEO. As a bank, Worthen is examined by the comptroller of the currency. As a holding company, it is examined by the Fed. During the years of the bank's recovery, the comptroller of the currency recognized the progress and accommodated the plans of the bank's management. In contrast, the St. Louis Fed refused to see progress and kept the most stringent controls on the activities of the company. According to Worthen board members, at one point Mr. Bradbury complained to the St. Louis Fed that it was holding the recapitalization money hostage and keeping the bank at a competitive disadvantage by blocking its plans.

> *Sources say the investigation has become a fishing expedition unrelated to the operation of the Worthen holding company.*

Matters came to a head in 1989 when the Fed and the comptroller of the currency in an interagency turf battle both conducted an examination of the Worthen holding company. The scope of the exams was the same but the examiners came to totally different conclusions, with the comptroller's exam being very positive and the St. Louis Fed's very negative.

St. Louis Fed President Thomas Melzer came to a Worthen board meeting to summarize the results of the Fed's exam. Worthen board members confirm that at the meeting he was confronted with the comptroller's exam and asked to explain the differences. Matters became very tense, and Mr. Melzer complained that he was ambushed. The surmise of members of the independent Worthen board, who resent the St. Louis Fed's assumption that they are controlled by Mr. Stephens, is that Mr. Melzer carries his grudge to this day.

Mr. Melzer came to the St. Louis Fed from Wall Street, which has its own problems with Mr. Stephens. For example, one of Stephens Inc.'s products is Stephens Link, which put small banks in the business of securities distribution.

Last fall, the Fed, under pressure to bring its informal investigation to a close, "leaked" a story to a Journal reporter. The story, which ran in October, was designed to raise all sorts of suspicions about Mr. Stephens and Worthen despite the Fed's own investigation that uncovered no supporting facts for the leaked story. This story apparently was then used to justify the "formal investigation," announced the day the Board of Governors approved the Union acquisition by Worthen. A Journal editorial then stirred the pot by fantasizing that Mr. Stephens was buying influence from Bill Clinton.

The Fed claims to have found a Glass-Steagall violation in the Stephens family ownership of the small First National Bank in Stuttgart, Ark. That bank is totally unrelated to Worthen. Moreover, the "violation" was approved in writing in 1979 by the office of the comptroller of the currency. Armed with the comptroller's approval and an independent legal opinion that the configuration of ownership was legal, the Stephens family has openly owned 60% of the small bank for 14 years.

At the insistence of Mr. Melzer, the Fed has tied up Worthen for two years to the benefit of the bank's competitors and has done its best to damage the prominent and successful 60-year-old investment banking firm of Stephens Inc. A full-scale investigation of this abuse of power is called for.

Mr. Roberts is at the Center for Strategic and International Studies in Washington.

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THE PRESIDENT HAS SEEN 9/1

Dole stands alone on sin taxes

GOP colleagues flay comments

By Ralph Z. Hallow
THE WASHINGTON TIMES

A1

Senate Minority Leader Bob Dole's hints that he could accept higher "sin" taxes to pay for President Clinton's health care plan ran into a flurry of sharp criticism from his Republican colleagues yesterday.

"I will oppose any new tax to pay for health care," Sen. Larry E. Craig of Idaho said in a telephone interview between speaking appearances in his home state. He was one of many Republican critics of Mr. Dole's position.

Scattered across the nation during the late-summer congressional vacation, Republican lawmakers said the Kansas Republican's statement Sunday that was widely interpreted as meaning never say never on alcohol and tobacco taxes could sink his presidential hopes.

In an appearance on CNN's "Newsmaker Sunday," Mr. Dole said, "Well, I'm not interested in taxes, but it seems to me we can't say, 'Well, never are you going to touch the so-called sin taxes.' "

When it comes to making deeper cuts in Medicare and Medicaid, he said "our members ... may find those votes tougher than voting for a little increase in sin taxes."

From the road in his home state of Indiana, Rep. Dan Burton said, "It's bad, and politically it's wrong."

"I don't think it's good policy or politics," Sen. Christopher S. Bond of Missouri said on a car phone from his home state.

"We are spending enough on health care — 14 percent of gross domestic product. We have to cut costs, using the competitive forces of the marketplace, and not put more money into the system," Mr. Bond said.

Rep. David Dreier said from a California highway phone booth, "It concerns me greatly that we have people in our party advocating tax increases when, following Bob Dole's own refrain of 'Cut spending first,' we stood united in the Senate and the House against Clinton's tax increase."

"I am not going to vote for a hike in sin taxes or any other taxes," said Rep. John T. Doolittle of California. "If we are to pay for health care, we

see DOLE, page A8

DOLE

From page A1

will have to make spending cuts elsewhere, and I am willing to do that."

"As politically popular as sin taxes might be, the public generally is very cynical about tax increases accomplishing anything," said Sen. Charles E. Grassley of Iowa.

Sen. Kay Bailey Hutchison of Texas "thinks sin taxes are the least objectionable [form of taxation], but she sees no need to raise taxes in any way, shape or form," spokesman David Beckwith said.

Several of his colleagues seemed puzzled that Mr. Dole would put his hopes for the 1996 Republican presidential nomination at risk.

"I have regard for Senator Dole as minority leader, but if he has presidential ambitions, he has got to get off this tax kick," Mr. Burton said.

"Sin taxes are the most regressive taxes we have," said Sen. Christopher S. Bond.

"Sin taxes mean money taken out of the economy and jobs lost," Mr. Doolittle said. "I think he's dooming his bid for the presidency."

"If Dole does more than consider sin taxes, it will be bad for him because he will be funding big government programs for Bill Clinton and will undermine the conservative foundation Dole has built for his public image this year," Republican campaign consultant John McLaughlin said.

Several conservative Republicans close to Mr. Dole said his words did not signal approval of more federal sin taxes — now at 24 cents a pack for cigarettes and $2.14 for a fifth of a gallon of liquor.

"With Bob Dole, you have to listen to exactly what he said, and all he said is that we cannot say we'll never raise sin taxes," said Republican consultant Donald J. Devine, a longtime Dole associate.

"If those guys at the White House think from that statement Bob Dole has agreed to raise the cigarette tax $2 a pack, they're smoking something more dangerous than tobacco," Mr. Devine said.

Whatever Mr. Dole intended by his sin-tax comments, fellow Republicans said an increase in alcohol and tobacco taxes will hurt legal sales and reduce tax revenues, forcing Congress to enact other taxes for which Republicans will get blamed.

"Any time we signify a willingness to hike taxes, it blurs the differences between us and the Democrats," Mr. Doolittle said. "We need to keep those differences as clear and sharp as possible in order to eradicate the socialists that dominate our government."

"Sin taxes hit middle-income wage earners, and I'm opposed to any kind of tax increases at this time," Mr. Dreier said.

The Republican critics were divided over whether sin taxes are safer politically than other taxes.

"There is a qualitative difference between all other taxes and a sin tax," Republican pollster Ed Goeas said. "People almost don't consider it a tax. Since it always has been the most acceptable of any type of taxes, saying you would accept them fuzzes up the Republican Party's anti-tax image less than would be the case with other kinds of taxes."

"Sin taxes are the most regressive taxes we have," Mr. Bond said.

Many Republicans say the economy can't afford another tax hit and that voters will blame both parties.

"I hear the argument that people who smoke or drink should have to pay through taxes for the impact they have on society, but I look at sin taxes as a hit on the economy," Mr. Craig said.

"It is another $100 billion pried out of the private economy and funneled through the government," he said. "In most instances, 30 to 40 percent will be caught up in wages and salaries of government employees and don't go to serve the public. So I have never used the argument that sin taxes are less than onerous."

Increasing the federal tax on alcohol will affect employment at breweries and distributors. "Clinton talks about creating jobs while proposing programs that destroy them," Mr. Craig said.

WEDNESDAY, SEPTEMBER 1, 1993 The Washington Times

Bernie
What are we
Doing about This?
B.C.

At B.A.T.F., Do It Now

It is too late for Attorney General Janet Reno and President Clinton to undo their seven months of delay in removing William Sessions as Director of a demoralized Federal Bureau of Investigation. But they can avoid repeating the error with the Bureau of Alcohol, Tobacco and Firearms.

The B.A.T.F. Director, Stephen E. Higgins, made so many mistakes in the raid on the Branch Davidian cult near Waco, Tex., that merely to list them seems like cruel and unusual punishment. Four B.A.T.F. agents were killed and fifteen wounded when the agents attacked the cult's heavily armed compound on Feb. 28.

Advance reports on a Treasury Department investigation provide shocking glimpses of incompetence. Mr. Higgins approved the raid even though none of the agents in charge had training in military-style raids. In other words, the tactical squads of mid-sized police departments would have been better prepared. Equally troubling, Mr. Higgins consistently misled the public and possibly his superiors by insisting that the agents had been ambushed, when in fact they invaded the compound knowing that David Koresh and his followers had been tipped off. There have also been persistent and plausible reports that Mr. Higgins has not acted forcefully to end racial discrimination and sexual harassment in the agency.

His case differs in one respect from that of Mr. Sessions. He is ready to go, but would like to stay on until he reaches retirement age in October. Administration officials say they are looking for a "graceful way" to avoid a replay of the Sessions debacle.

Fine, let it be graceful, so long as it's fast. That means President Clinton and Treasury Secretary Lloyd Bentsen should replace Mr. Higgins as soon as possible. Surely they can preserve his retirement rights by putting him into some sort of emeritus status.

The Administration needs to show that it learned the lesson of the F.B.I. experience, which is not to put the convenience of a failed administrator above the health of an agency and the law enforcement needs of the country.

Seven Minutes Closer to Death

If cutting back has failed, if going cold turkey has failed, if the patch has failed, take heart. There's a new, very simple way to give up smoking. Before you light up, count to seven. That's how many minutes every cigarette is taking off your life.

The Centers for Disease Control and Prevention counted the 418,690 deaths in this country in 1990 that were premature (before 65) and attributable to cigarette smoking. Next it compared the average number of cigarettes the victims had smoked with the number of years they'd lost. Every minute spent smoking had robbed the smoker of one minute of life. And seven minutes is about what it takes to finish a cigarette.

True, the number of smokers has declined substantially. In 1965, when the Surgeon General's office issued its powerful first warning, 42.4 percent of all Americans smoked. Twenty-five years later the rate had declined to 25.5 percent.

But the number of teen-age smokers hasn't declined since 1980 — and it's in their teens that people become addicted to tobacco. Ninety percent of all smokers start before they're 18; the average age for a new smoker is 13; and each day 5,000 children light up for the first time.

Why do they do it? Mix peer pressure, adolescents' belief in their own immortality and the ease with which they can buy tobacco products. Then watch those cigarette packs fly off the shelves.

How to discourage them? First, states should better enforce their laws barring tobacco sales to minors; then prohibit smoking in schools and make it harder to smoke in indoor public areas.

The final step has to do with promotion. If the Government were only half as successful at turning kids off cigarettes as the marketing folks are at turning them on to them, hundreds of thousands wouldn't be smoking years off their lives.

THE NEW YORK TIMES, WEDNESDAY, Sept. 1, 1993

THE PRESIDENT HAS SEEN

Mack

This entire memo
Have you seen that
we discussed – BC

August 14, 1993

Hillary —

Attached is the following information on the 25% White House staff reduction:

1. Staff Definitions;

2. Summary of personnel who count under the 25% cap;

3. Public #'s breakdown;

4. Memo to David Watkins from Jennifer O'Connor on whether we can get around the 25% cut;

5. 2/9/93 Press Release on White House Reorganization;

6. Graphics (1 pg.) displayed at press conference and released to the public;

7. Compilation of quotes by the President and staff during the campaign and the transition on cutting White House staff (unless otherwise noted, all quotes are the President's);

8. Transcript of the President, Mack McClarty and Mark Gearan's remarks when announcing the cuts on February 9, 1993;

9. Internal figures outlining the reduction;

10. Summary of Requests for Additional Staff.

Let me know if you need anything else.

Kim

① Personnel (Definitions of Most types of staff.)

MEMORANDUM

TO: DAVID WATKINS

FROM: JENNIFER O'CONNOR

DATE: JANUARY 30, 1993

RE: TYPES OF OTHER GOVERNMENT EMPLOYEES (OGEs)

There are 7 types of staff who are not regular full time or hourly staff of the EOP. The GAO agrees with all definitions except number 3. These OGEs are:

1. **Reimbursable detailees**

   Staff temporarily assigned to perform a White House function, a job different from their normal duties at their home agencies, who will return to their normal duties at the end of their details. Because they are performing a White House function, the White House reimburses their agencies.

   Example: The Chair of the CEA asks the Secretary of Treasury to send an urban economics expert to assist with a CEA project.

2. **Non-reimbursable detailees**

   Staff temporarily assigned to do a function of their own agencies (e.g. a Dept. of Justice staffer doing DOJ work), but a job different from their normal duties at their home agencies, who will return to their normal duties at the end of their details. Because they are performing the work of their home agencies, and not White House functions, they are not reimbursable.

   Example: The Secretary of State decides to send a Central Europe expert to the NSC to help the NSC deal with the crisis in Bosnia.

3. **Assignees**

   This is the type of staff the GAO believes is illegitimate but also agrees is not illegal.

   Assignees are staff assigned to perform the normal duties of their own permanent jobs in their own agencies but who are performing those jobs, permanently or temporarily, in the EOP because the location is appropriate.

   Example: Because Barbara Bush was focused on literacy, a Dept. of Education staffer who would have been coordinating literacy efforts at the DOE, came and worked that same job here.

4. **White House Fellows**

   There are very few of these. They are non-federal government employees who are given temporary placements throughout the federal government through the President's Commission on White House Fellows.

5. **Presidential Management Interns**

   The Office of Personnel Management (OPM) manages this program in which graduate school graduates are given rotating positions in different federal agencies.

6. **Agency Representatives**

   These are staff who as part of their regular duties of their permanent jobs, are assigned to represent their agency as a member of a Task Force, Board, Council or Committee.

   Example: Council on Competitiveness staff were agency staffers representing their agency by working on that council. (This is what Ira Magaziner's staff will be.)

7. **Historically Provided Services**

   These staff performs jobs which have historically been provided by their agencies for the EOP.

   Example: National Park Service employees maintaining the grounds; Military Office staff; Post Office staff, etc.

②

Summary of personnel who count under the 25% cap

Counted in Bush baseline

Exec. Off. of Pres. FTEs (both full & part-time)

Detailees (both reimbursable & non-reimbursable)

Assignees

Presidential Management Interns

White House Fellows

Not counted in Bush baseline

Agency Representatives (to a working group, council, etc.)

Historically Provided Services (military office, personnel who maintain the grounds, etc.)

"SBAs" -- services by agreement -- these are individuals with whom we contract, but who do not become federal government employees

Volunteers -- paid (by another organization) or unpaid

Student interns -- unpaid

IPAs -- Intergovernmental Personnel Act personnel -- through arrangements with state or local governments or governmental orgs. or universities or OPM-approved non-profits (tend to be research/public advisory types of groups), EOP agencies can accept professors & employees of state or local governments or non-profits for periods of up to two years -- either for free or in return for a lump sum payment from the EOP.

Senate employees -- on the VP's staff

Executive Potential Program or Women's Executive Program -- these OPM programs rotate career staff for 60 days into different agencies to enhance their careers & experiences; the program participants solicit their own rotations.

Kim - "Counted in Bush Baseline" is who counts. We did tell the press. "Not counted..." is who doesn't count. We did not tell the press or anyone else about these.

- Jen

(This page is internal, conf'd.)

DETERMINED TO BE AN ADMINISTRATIVE

MARKING INITIALS: M' DATE: 10/31/18

2018-0662-S

TREASURY, POSTAL SERVICE & GENERAL GOVERNMENT APPROPRIATIONS ($ Thousands)
EXECUTIVE OFFICE OF THE PRESIDENT

	1993 Appropriated				1994 Request			
	$	FTEs *	Other Government Employees **	Total Actually On-Board ***	$	FTEs *	Other Government Employees	Total Actually On-Board
White House Office	35,385	408	57	470	38,914	401	29	430
Executive Residence/ White House	7,598	97	0	95	7,925	89	0	89
Res. of the Vice Pres.	324	1	0	1	324	1	0	1
Special Assistance to the Pres. (Office of the Vice President)	3,150	26	24	48	3,270	21	11	32
Office of Administration	24,438	234	0	236	24,850	189	0	189
Council of Economic Adv.	3,428	41	6	42	3,420	35	0	35
POLICY OFFICES								
Council on Enviro. Quality	2,560	40	1	31	0	0	0	0
Office of Policy Development	3,772	51	9	49	5,122	40	10	50
National Security Council	6,118	60	124	179	6,648	60	87	147
National Space Council	1,591	7	39	44	0	0	0	0
Critical Materials Council	235	3	0	2	0	0	0	0
Nat'l Drug Control Policy	17,348	112	31	146	5,800	25	0	25
Science & Tech Policy	6,225	43	17	51	5,170	40	6	46
POLICY OFFICE SUBTOTAL	37,849	316	221	502	22,740	165	103	268
SUBTOTAL	112,172	1,123	308	1,394	101,443	901	143	1,044
Compensation/President	250		0	0	250		0	0
Office Mgmt & Budget	52,981	540	10	549	53,481	526	10 ****	536
Office of Fed Proc. Policy	3,058	33	6	37	3,058	30	6 ****	36
US Trade Rep.	19,992	162	35	214	20,616	156	35 ****	191
Unanticipated Needs	1,000	0	0	0	1,000	0	0	0
TOTAL	189,453	1,858	359	2,194	179,848	1,613	194	1,807

* This column represents authorized FTEs. The White House 25% cut was based on staff on-board, which was lower than authorized levels.
** "Other Government Employees" includes: Reimbursable detailees, Non-reimbursable Detailees, Assignees, White House Fellows, Presidential Management Interns, Board Members, Consultants & Experts.
These figures represent "OGEs" on November 7, 1992.
*** E.O.P. regular employees and OGEs on November 7, 1993.
**** Estimates based on FY'93.
***** Shaded rows represent Executive Office of the President agencies that are in other House Appropriations Subcommittees.

Kim - this is what we released to Congress + the press. Jen

3

Cvm — (4)
Recent memo
on whether
we can
get a second
25% cut

July 8, 1993

MEMORANDUM TO DAVID WATKINS

FROM: JENNIFER O'CONNOR

SUBJECT: BACKGROUND ON FTES

At Paul Toback's request I have outlined below the issues regarding FTE limits.

Background

On February 9, 1993, the President announced that he would cut the Executive Office of the President by 25%. This cut is separate from his February 10, 1993 Executive Order mandating that federal agencies cut a total of 100,000 jobs. The 25% cut was over the entire EOP, minus OMB & USTR -- but it was not evenly distributed, so some agencies were cut by larger percentages than others. We announced the agency by agency cuts but not the staff levels of the departments within the White House itself (e.g. Office of the Chief of Staff, Office of the First Lady, etc.)

The 25% cut referred to overall totals of FTEs plus OGEs. These totals were essentially the "body count" of staff who worked in EOP agencies. FTEs are full time equivalent staff on EOP agency payrolls. OGEs are the myriad detailees from other agencies, White House Fellows, Presidential Management Interns, assignees from other agencies, etc. who are not on the EOP payrolls but do work here.

On November 7, 1993, the EOP (minus OMB & USTR, which we excluded from the cut) had 1,394 "bodies" -- a total of 1,123 FTEs and 308 OGEs. The President announced that by October 1, 1993 we would cut 350 bodies -- 25% -- leaving a total of 1,044 bodies: 901 FTEs and 143 OGEs.

In the White House specifically, this meant cutting from 408 FTEs to 401 FTEs and cutting from 57 OGEs to 29 OGEs. In ONDCP it meant cutting from 112 FTEs to 31 FTEs and cutting from 31 OGEs to zero OGEs.

OGEs

There are no formal limits on numbers of OGEs -- although agencies are required by law to keep track of detailees and reimburse their parent agencies for them when appropriate. Even when we reimburse agencies for detailees, these personnel are not considered FTEs because they are not paid from our payroll accounts. There are political issues in that Congress has in the past requested agency reports and GAO audits to determine how many OGEs worked at the White House. These requests for reports and audits stemmed from mostly partisan congressional interest in quantifying the cost of running the White House. However, there are no numerical limits other than those we have imposed on ourselves through the 25% cut announcement.

FTEs

Numbers of "authorized FTEs" for each agency are not written into law anywhere. However, there are three "formal" mechanisms that govern the number of FTEs an agency may have.

1. Congressional Approval of FTE levels

Congressional approval has two aspects.

The first is the committee report. House committee reports always state (and Senate committee reports sometimes do as well) that $X,XXX,XXX was appropriated to cover XXX FTEs. While reports are not law, they provide a measuring stick for next year's appropriations process. If the White House exceeds the FTE level printed in the committee report, it will face tough questioning and potentially a public bashing at the hands of the Republicans during next year's appropriations process. However, we are not compelled to ask permission to exceed what is printed in the report and it would not be public until the submission of the FY 1995 budget -- next March.

The second type of congressional approval of FTEs occurs if we need to do a "reprogramming." The trigger for reprogramming is an increase in dollars spent for personnel compensation, not an increase in FTE positions. We submit and Congress passes budgets arrayed into "object classes," including "full time equivalents." For FY 1994, for example, we requested $17,982,000 to fund 401 full time equivalent positions. (401 is the number the White House announced it would reach by October 1 to meet the 25% cut goals).

If we want to spend more than the congressionally approved amount on salaries for FTEs (by taking funds from another object class, such as equipment), we may do so without asking anyone's permission as long as we do not increase salary expenditures to more than 10% of the amount approved by Congress or $500,000, whichever is larger. So, in this example, we could spend an additional $1,798,200 without being "subject to reprogramming."

If we wanted to increase spending on FTEs by more than 10%, we would have to ask for the approval of the House & Senate Treasury Postal General Government subcommittees (Cong. Hoyer & Sen. DeConcini), usually by a letter to them from David Watkins. (The Chairmen insist on such requests being in the form of a letter.)

Note however that we would still be subject to congressional ire for exceeding the FTEs in the committee report as noted above.

A reprogramming request would likely become public as soon as we made it, which we would have to do prior to the end of the first quarter in which we plan to overspend the personnel budget. (i.e., if we want to carry a 1994 personnel budget that requires reprogramming, we would need to make the request next December.)

FYI -- we are anticipating an FTE payroll in the White House for next year of $19,588,153. This is clearly higher than the $17,982,000 which we requested from Congress although it does not exceed the 10% window we are granted before we would be subject to reprogramming. We are now very close to the 10% mark and cannot add any new salaries for next year without requesting reprogramming.

2. Presidential Executive Order 12839

President Clinton, on February 10, 1993, signed Executive Order 12839. It ordered all federal agencies with more than 100 employees to cut a total of 100,000 federal jobs by the end of 1995. It requires the reduction of 1% in 1993, 1.5% in FY 1994 and the rest by the end of FY 1995. This order includes the White House.

Executive Orders are not laws. They are binding on executive branch agencies, but this one does not have a penalty attached to it. However, it will obviously be more difficult for the OMB Director to force other federal agencies to comply with this Executive Order if the White House does not comply.

At the beginning of FY 1993, the Bush White House had 408 congressionally authorized FTEs. We announced to the world on February 10, 1993 that we would be at 401 September 30, 1993. In FY 1994, we would have to cut to 397 in order to continue to comply with the Executive Order. Whether we comply or not will be public when we submit the FY 1995 budget next March.

3. OMB Control

OMB issues tables to each agency in October, stating its FTE ceiling. OMB's tables are based directly on what Congress appropriates. So if Congress increases or decreases an agency budget, OMB produces an FTE level that matches the appropriated funds. If we want to exceed the limit, even by less than 10% (not a reprogram), we must ask Director Panetta to allow us to, in the form of a letter to him. This is not made public and is not a big deal.

Summary

The issues regarding FTEs & OGEs are more political than they are legal. We have four main options: 1) stick to 25% cut (both FTE & OGE), 2) increase OGE levels, 3) ask for more FTEs now as part of the FY 1994 budget process, or 4) exceed FY 1994 limits.

1) Stick to 25% cut limits

This option is to stick to the plan. We have most agencies on target to meet their goals, although as you know, many would like relief from the cap. For example, Lee Brown, has asked for a significant increase in his staff, above our 25% cut levels. (His office was cut from 146 to 25.)

Result: We keep the President's promise but suffer with current or smaller staff levels.

2) Stick to requested FTE levels but release the limits on OGEs.

We will be asked in October whether we met the 25% cut goals. If we allow agencies as many detailees as they wish, the only fallout will be that we will break the 25% cut promise. However, no formal action must be taken to increase OGE levels. Lee Brown, for instance, could fill many of his needs with detailees from drug enforcement agencies. If we decide on this course of action, it becomes public when it leaks or when we announce on or around October 1 that we are not going to meet the cut goals.

Alternatively, we could set new detailee goals so that we are able to announce a 20% cut. This action would provide some relief to agencies who are requesting more staff, but would still allow us to point to staff cuts.

Result: We break the 25% cut but do not need Congressional approval.

3) Ask for more FY 1994 funding & FTEs now -- prior to passage of the budget.

If we decide we need more FTEs for next year, we can ask the Senate to increase our (or ONDCP's or any other EOP agency's) personnel budget for next year. We could do this before the Senate Appropriations Committee marks up its bill (around July 22) or we could try to do a last minute change during the conference on the Treasury Postal bill. We would most likely be forced to find offsets from elsewhere in the budget -- from GSA or the Treasury Department to offset any increases we would want in the White House or in ONDCP. DeConcini may not force us to find offsets for an increase in ONDCP's budget, because he believes in it. But we are likely to have to find offsets for any other increase in an EOP budget.

This action would be public between now and mid August and we would face fallout because we would be forgoing our 25% cut pledge.

Result: If we have to ask DeConcini or Byrd for an increase, we will have negative press stories during the reconciliation discussions about our breaking the 25% cut promise. If DeConcini or Byrd just give us increases because they want to (unlikely unless the increases are to ONDCP) then we will not face as much criticism but we will still have broken the 25% pledge.

4) Spend more next year, without prior authority

If we don't ask for more FTEs and funding now, we can still spend more next year in any EOP agency that has budgetary ability to spend extra funds on personnel. We can spend up to 10% more on personnel in any agency without having to take any action other than asking Director Panetta to approve the increase. We can increase personnel budgets even more than that if we are willing to request a reprogramming and deal with the political fallout from such a request.

Result: We break the 25% cut pledge and, depending on the level of increase (10% of the personnel budget or more) we may need congressional approval for a reprogramming. This action becomes public whenever we exceed the 401 or ask for a reprogramming -- most likely next December.

Note that option 4) is not valid for ONDCP. The House has approved $5.8 million in spending for ONDCP, which will not allow it to hire many more than 25 people. However, Senator DeConcini is planning to try to add more FTEs and funding to ONDCP already. If we want to increase FTE in ONDCP, therefore, it makes sense to ask for it in the budget process.

(5)

The White House

Office of the Press Secretary

For Immediate Release February 9, 1993

White House Reorganization:
THE FACTS

• During the campaign and in <u>Putting People First</u>, President Clinton promised to cut the White House staff by 25%. This reorganization fulfills President Clinton's commitment, trimming 350 positions from the Bush staff as of November 3, 1992.

• Starting January 20, the Clinton White House took office with a smaller staff. The salaries of senior staff were set at 6-10% less than the salaries of Bush senior staff.

• The cuts are real. Reductions are based on a <u>total staff count</u> of the White House and Executive Office of the President, including employees borrowed from other agencies of government (detailees). OMB and USTR, as full cabinet level agencies, will be directed to make staff and budget reductions along with the rest of the cabinet.

• Reductions will be implemented by October 1, 1993, not through protracted phase-in.

• Cuts will include senior level appointive positions and administrative positions alike.

• The newly reorganized White House will be better suited to promote the agenda for change mandated by voters on Election Day. Through greater emphasis on policy councils and the Cabinet, the President will reach beyond the White House for policy development and ideas.

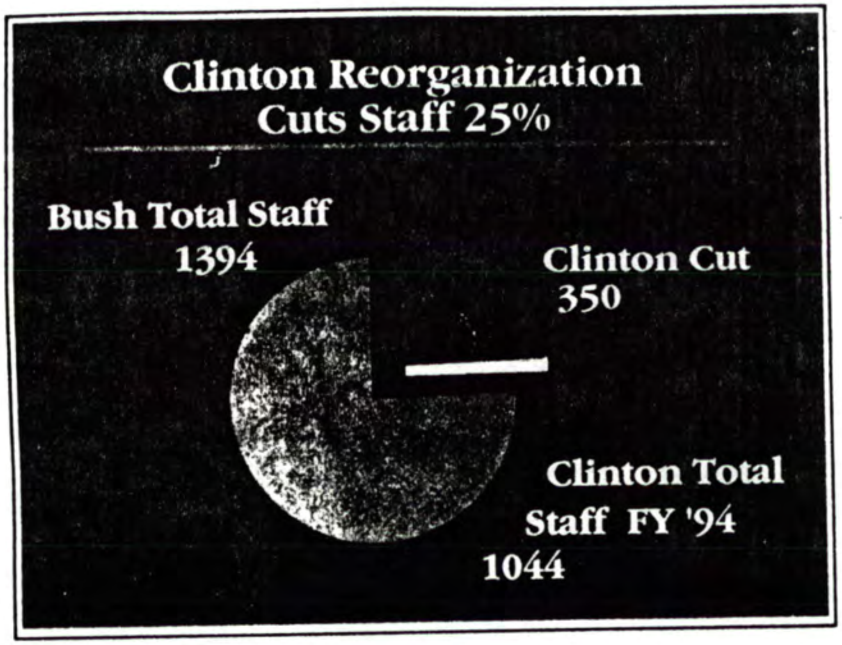
• Through Vice President Gore's leadership, environmental policy will be coordinated by the Office of Environmental Policy. The Council on Environmental Quality will be abolished as an unnecessary layer of bureaucracy between the President and agencies implementing environmental policy.

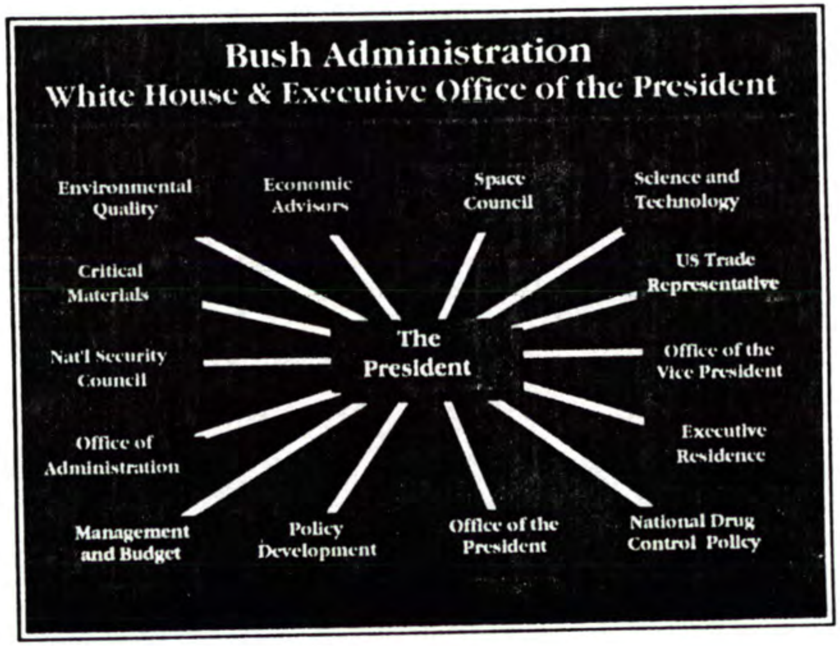
• The President will reemphasize drug control strategy by elevating the Drug Czar to cabinet rank and restructuring the office to better focus its efforts on policy development and coordination. Under ~~President Bush~~, the drug office became a political dumping ground: the agency had a higher proportion of political appointees than any other agency of government [Orlando Sentinel 6/28/92]. President Clinton plans to fight drugs with law enforcement and treatment, not Washington bureaucrats and political appointees.

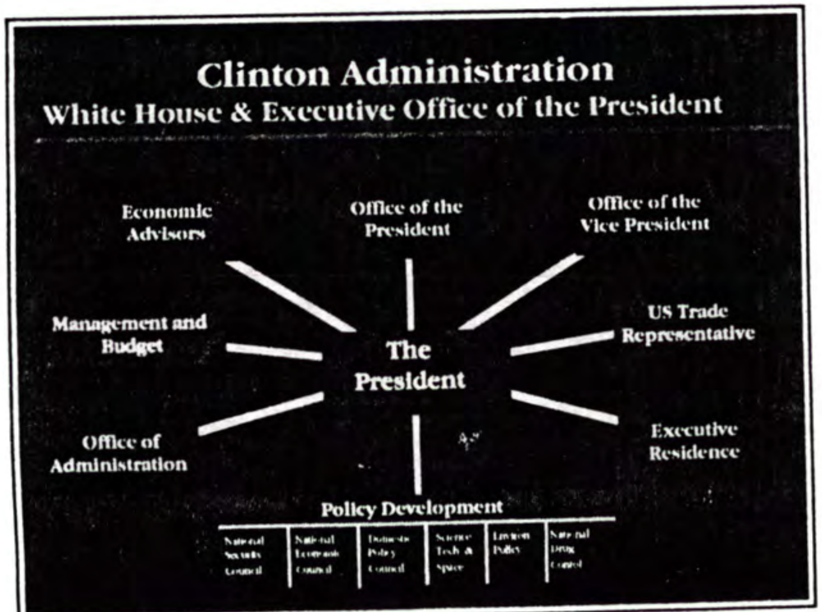
• Science, Space and Technology policy development will be consolidated to one office, under the direction of the Assistant to the President for Science and Technology. The Director will serve on the National Economic Council to ensure that technology issues are incorporated in our economic revitalization plan.

• Cutbacks are difficult under any circumstance, but the President will proceed responsibly sensitively, and with appropriate regard for each individual employee. Some of this reduction has been and will continue to be accomplished by hiring fewer new people. The President has directed the Office of Personnel Management to assist affected employees with finding new jobs and smoothing their transition.

⑨







Total Staff Reduced 25%

	Bush Admin.	Clinton Admin.
Office of the President	461	419
Executive Residence	95	89
Office of the Vice President	49	35
National Security Council	179	147
Policy Development	58	--
National Economic Council	--	28
Domestic Policy	--	21
Office of National Drug Control Policy	146	25
CEQ / Environmental Policy	31	10
Science, Tech. & Space Policy	95	46
Council of Economic Advisors	42	35
National Critical Materials Council	2	0
Office of Administration	236	189
	1394	1044

Notes: Excludes OMB and USTR.
Bush Admin. figures on Election Day, 1992.

file wt cuts (7)

M E M O R A N D U M

February 4, 1993

TO: Ricki Seidman

FROM: Ann Walker

RE: Clinton Campaign and Transition Quotations on Cutting White House Staff by 25 Percent

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The following are statements made during the campaign and transition and relate to White House staff cuts:

- "You know, without a Congress, I can keep my word to present a budget to cut the White House staff by 25 percent after the previous administrations ran against government and expanded it." (Albany Civic Center, Albany, GA: 11/23/92)

- "... a specific plan to revolutionize government that includes cutting 100,000 federal workers, cutting the White House staff by 25 percent, and cutting all administrative costs by federal agencies by 3 percent." (George Stephanopoulos: 11/17/92)

- "I want to reduce the White House staff and ask the Congress to reduce their staff." (Detroit Town Hall Meeting: 9/22/92)

- "Some time ago, I called for a 25 percent cut in aggregate Congressional and White House staffs, an end to perks, privileges, and pay raises...." (Economic Club of Detroit: 8/21/92)

- "Mr. Bush rails against helping people in need [while] he increased the White House staff 56 percent. He helped himself in need." (*Get-Out-The-Vote*, Cobo Hall, Detroit, MI: 10/29/92)

- "And for all Mr. Bush's talk about downsizing the government, the fastest-growing part of the executive branch? The White House staff, up by 56 percent. Indeed, between 1990 and 1991, the budget increased by 23 percent, 10 times the rate of revenue growth." (University of Connecticut, West Hartford, CT: 9/25/92)

- "Staff reductions. I will reduce the White House staff by 25 percent and challenge Congress to do the same." (*Putting People First*: 6/21/92)

"Breakdown of Savings
"(in billions of dollars)

	1993	1994	1995	1996
o "Cut White House staff by 25 percent	0.01	0.01	0.01	0.01"

(*Putting People First*: 6/21/92)

o "... And get this -- the fastest-growing bureaucracy in the federal government was the White House staff." (*The Great Debate*, Michigan State University, East Lansing, MI: 9/22/92)

o "And how can he explain that for all of his attack on government spending, the fastest growing part of the executive branch was the White House staff." (*A Debate About American Jobs*, Louisville, KY: 9/29/92)

o "The White House staff -- he talks about cutting spending -- has increased by 56 percent. He's made it a virtual empire." (Louisville, KY: 10/28/92)

o "I have already said that I'll present to the United States Congress a plan to cut the White House staff by 25 percent, that the Republicans have ballooned. Even as they were campaigning against big government, they were pumping it up." (Macon City Hall, Macon, GA: 11/23/92)

o "And let me say this: unlike the present administration, I want to set an example. I have called for cutting the White House staff by 25 percent.

"Now, let's look at what they did. Between 1990 and 1991 the White House staff's budget increased in one year by 23 percent. Ten times the rate at which revenues are going up. While the President is telling elderly people to do without medical care, telling the veterans to do without health care, they increased the size of the White House staff by 23 percent in one year, ten times as much as revenues went up, even more than health care went up." (Macon-Gibb Senior Center, Macon, GA: 9/1/92)

o "And let me say one final thing, I want to set a good example. I've called for cutting the White House staff by 25 percent and my opponent who talks about how frugal he is, you need to know this. Between 1990 and 1991, when they were cutting everything else, like education, they increased the budget of the White House staff, now get this, by 23 percent in one year, ten times the amount of revenue growth. But they want you to believe that they are really tightening the belt up there." (*Education Address*, Rockville, MD: 9/2/92)

- "I'm going to cut the White House staff by 25 percent, ask the Congress to pass a bill cutting Congressional staffs by 25 percent." ("Putting People First," Address to the Conference of Mayors, Houston, TX: 6/22/92)

- "He talks about how he wants to cut spending -- he wants to cut the White House staff. Guess what? He's increased the White House staff more than any President in recent memory. The White House staff is the third biggest item -- fastest growing item in the executive branch since Bush has been President. He's been putting on his cronies there so fast he can hardly get the money to pay for them." (Milwaukee, WI: 10/20/92)

- "I want to set an example, I'll cut the White House staff by 25 percent, and send a budget to cut Congressional staffs by the same." (National Association of Manufacturers, Washington, DC: 6/24/92)

- "... But the Congress took a cut last year, and the White House staff exploded in the last four years. So I'm going to get out there and set an example. I'm going to cut 25 percent from the White House staff and continue to work with Congress. I hope we can keep on the downward trend there so that in the end we'll wind up with more or less the same pace. But they did take a cut last year, while the White House continued to expand the White House staff." (Congressional Leaders Press Conference, Old State House, Little Rock, AR: 11/16/92)

- "Here we've got a $400 billion deficit and this administration found the money to increase the White House staff by 56 percent." (Pittsburgh, PA: 10/30/92)

- "A Clinton/Gore Administration will ... reduce the White House staff by 25 percent and challenge Congress to do the same." (*Decreasing Government Regulation*: 9/30/92)

- "My program would eliminate by attrition 100,000 federal jobs; reduce the White House staff by 25 percent. By the way, under Mr. Bush, the fastest growing part of the executive branch has been the White House staff. He rails against government, and increases his own." (*Strengthening America's Small Businesses*, Clinton, MD: 9/30/92)

- "George Bush likes to attack big government, but he's increased the White House staff by over 50 percent.... I will cut the White House staff by 25 percent, challenge Congress to do the same, and limit the influence of special interest political action committees, and lobbyists on the political process." (Tampa Bay, FL: 10/27/92)

- "Mr. Bush loves to attack big government, but he hasn't done much but increase it. He increased the White House staff by 56 percent, making it a virtual empire, even as he was railing against the Congress." ("People First Economics," University of Toledo Student Union Auditorium, Toledo, OH: 10/29/92)

- "[Bill Clinton and Al Gore] will cut $144 billion in unnecessary government spending -- including 100,000 federal bureaucrats, administrative waste and White House staff." (Talking Points: *George Bush and his Trillion Dollar Plan*: 9/3/92)

THE WHITE HOUSE

8a

Office of the Press Secretary

For Immediate Release February 9, 1993

STATEMENT BY THE PRESIDENT

The Briefing Room

11:34 A.M. EST

THE PRESIDENT: Good morning. Next week I will outline our new economic plan to create jobs, to raise incomes, to reduce the deficit, and to lay the foundation for long-term economic growth for this country. Twelve years of denial and delay have left a legacy that will take years to overcome. Economic renewal will require tough choices from every American. But we have to ask the most of those who got the most and gave the least during the last decade -- those at the top of the ladder and those who have the levers of government.

We in government cannot ask the American people to change if we will not do the same. Most families in this country have had to adjust their priorities and tighten their belts in the last decade. Just about every American business from the smallest hardware store to the largest conglomerate has had to change to meet increased competition. And so, too, the government must do more and make do with less.

During the recent campaign I pledged to reduce the White House staff by 25 percent below the size left by my predecessor. Today I am announcing a reorganization of the White House that keeps that commitment to the American people. Our White House will be leaner but more effective, and designed to work both hard and smart for the changes we seek in America.

These cuts come as part of a quite significant reorganization of the Office of the President. The reorganization will reduce the size of the President's Office, including the White House and the Executive Office of the President by some 350 people from its staffing at the end of the Bush administration, not counting, of course, OMB and the Trade Representative's Office, nor part of the Cabinet.

This reduction will be implemented in the next fiscal year -- that is the one that begins with the new budget -- not at some distant date in the future. And these cuts will come at all levels of our operations. I should point out that this is one of the few times in this century that any President has actually shrunk the size of the White House staff.

In addition, we'll be cutting back on some of the perks that can too often delude public servants into thinking that the people work for them instead of the other way around. And the salaries of many top White House staff have been reduced also.

I take these steps not simply to save the taxpayers' money, but also because I believe this smaller White House will actually work better and serve the American people better. We have begun a process of revitalization and reorganization that must consume our entire government and not simply its most visible symbol here on Pennsylvania Avenue.

MORE

Over the past decade the best American businesses have had to reorder themselves and revitalize themselves. They've had to reduce layers of bureaucracy, give people on the front lines the freedom to innovate, and do more with less to better serve their customers. Well, the taxpayers of this country are our customers, and we intend to follow those methods of modernization to increase our services to them and to do it at an affordable cost so that this money can be put to more productive purposes.

Millions of dollars will be saved by this reorganization. But we will do more. In the other Cabinet departments, throughout the government, and not just in this year but in the years ahead. Too often in recent years our government has been on automatic pilot -- people do things today just because that's the way they were done yesterday. It has grown to satisfy not only the needs of the people but its own needs. America has changed, but Washington hasn't. Now, as have so many businesses before, our government must reform itself to regain the people's trust and to be able to take the lead in the challenging decisions which lie ahead of us.

Now Mr. McLarty, my Chief of Staff, will explain the details of the reorganization.

Q Mr. President, are you sending a special emissary to Bosnia?

THE PRESIDENT: I'm only discussing this right now.

END 11:39 A.M. EST

8b

THE WHITE [illegible] Nancy Ward
White House Press Office
Room 173 OEOB

Office of the Pres[illegible]

For Immediate Release February 9, 1993

PRESS BRIEFING
BY
CHIEF OF STAFF THOMAS MCLARTY

The Briefing Room

11:40 A.M. EST

MR. MCLARTY: Thank you, Mr. President. (Laughter.) Good morning.

As many of you know, the majority of my experience before joining the President's team was in the private sector. I had the privilege to be involved with both our family business and a Fortune 500 company. Experiences from those endeavors taught me the strength of any organization is really the dedication and the competence and the creativity of its people. Success comes from having a thoughtful plan and from your people, and success comes from an unwavering attention to the needs of your customer -- in this case, the American people.

In reorganizing the White House staff, we have sought to bring some of these truisms and lessons from the private sector into government. My task today is to explain with you and to you what we're doing, how we are doing it, and why we believe this will better serve the American people.

We undertake this reorganization with several goals in mind: First, we are committed to creating a more effective, leaner White House. Secondly, we are committed to keeping the President's pledge to cut the size of the White House staff. These cuts must be real and they must be credible.

Thirdly, this new structure needs to reflect the new priorities of our government. And finally, we are committed to building a White House operation that stays in touch with the American people. I believe we are headed in the right direction and on our way to success.

We began to implement President Clinton's pledge on the first day we arrived. From the very first day, we made certain that the direct office of the President's staff was measurably smaller than it had been. And we accomplished this by simply hiring fewer people. Today, President Clinton is keeping his campaign promise to reduce the White House staff by 25 percent. This represents a total of 350 fewer staff by October 1, the beginning of the fiscal year for 1994. And this compares with the White House's 1,394 people on Election Day.

These reductions will come throughout the White House at all levels. In particular, President Clinton will employ a significantly smaller senior staff than did his predecessor, approximately a 10-percent reduction in senior staff.

In making these calculations, we tried to avoid any budgetary gimmickry. Our definition of total employees includes full and part-time staff, employees borrowed from other federal agencies, detailees, White House fellows, and presidential management interns. These figures do not include personnel from the Office of Management

MORE

and Budget and the U.S. Trade Representative's office, two major Cabinet level agencies that will be directed, along with the rest of the Cabinet, to reduce their spending and streamline their operations.

This staff reduction is part of a larger reorganization of the functions and the institutions of the White House and the executive office of the President. The structural changes serve not only to reduce staffing, but to improve the functions of several offices through consolidation and through stewardship.

Our next chart indicates how we have restructured the White House to better implement the President's agenda. Most significantly, the President will be served by a reorganized cluster of policy development offices. These include the National Security Council; the Domestic Policy Council; the Science, Technology and Space Council; the Office of Environmental Policy; and the Drug Policy Advisor.

As announced yesterday, the White House environmental functions will be reorganized and will be led by Vice President Gore. The existing Council on Environmental Quality will be replaced by the White House Office of Environmental Policy.

In addition, the role of the office of the National Drug Control Policy will be significantly restructured. This office will be reduced in size, but it will be elevated in stature by giving it Cabinet rank. President Clinton believes that resources to fight the drug problem should go to education, to treatment and to enforcement at the state and local level.

The White House's science and technology function is another major area that will be reorganized. Both the National Space Council and the Critical Materials Council will be merged into the Office of Science Technology and Space Policy, headed by the President's senior science advisor. This distinguished individual will sit on the National Economic Council as well as serving as an Assistant to the President.

The last chart indicates staff reductions in individual categories. As you can see, we will eliminate some functions and shrink others. In sum, we believe this reorganization is real and it is credible and we believe it will improve the way the White House works.

Let me take a moment to discuss the way we very much we very much want to implement these changes because that has been of understandable interest and concern to many of you. Staff reductions, cutbacks are a difficult process under any circumstance. And we need to proceed very responsibly and with sensitivity and with appropriate regard for each individual.

Some of this reduction has been and will continue to be accomplished by simply hiring fewer new people. Some, over the balance of this year, will be done by attrition. We're exploring early retirement and voluntary severance options where possible. There will be some involuntary terminations, and our staff is working very closely, as we should be, with the Office of Personnel Management to develop an out-placement program to help any individuals directly affected by the reduction, locate opportunities in the public or the private sector.

Questions of implementation are never easy, but they do not change the fact that we are committed to having a better organized, leaner White House staff.

Finally, we've taken several steps to hopefully ensure that we in the White House do not lose touch with reality, with each other, and with the American people. Salaries of our senior staff will be six to 10 percent lower than comparable salaries from prior administrations.

Portal-to-portal car service will be limited to only those personnel for whom there is national security justification. The executive mess and the staff mess, which had previously been reserved for only top staff, will be open so that all of the White House staff who work so hard for the President can purchase their meals there. And to our staff, I would like to point out that the mess will now be open until 8:30 p.m. to accommodate some rather long hours that I expect we'll continue to keep.

Q How about the press? (Laughter.)

MR. MCLARTY: Don't believe we've made a decision yet on that, Helen, but we'll take it under advisement and consideration.

Q We're starving to death around here, too.

MS. MCLARTY: That concludes my formal comments. I'll be glad to take some questions. Helen, you've already asked one, but you're due a follow-up.

Q Well, this is not apropos of what you've just done. But there's $11 billion that's been found in HUD for rehab and low-cost housing. Do you have any decision on what's going to happen with that money and how you're going to go ahead and use it to help the poor and the homeless?

MR. MCLARTY: Secretary Cisneros has that under review. I don't believe any final decisions have been made. He is carefully reviewing that situation as we move forward.

Q To what extent is this a shell game and more symbol than substance, in that 70 of the 350 are detailees and the net savings is really only five percent of the overall White House budget?

MR. MCLARTY: Well, Andrea, I think it is both real and symbolic. The real keys here to this program are, first, reorganization -- to organize the White House in the most effective manner possible, particularly at the policy development level to help coordinate and implement policy. But I would say very directly that the staff reductions are real. We took great pains to have an apples-to-apples comparison. And there will be 350 less people by October 1 than there are today in the White House, and that is a 25 percent reduction. Moreover, and as importantly, as we submit our budget to Congress going forward in October, we believe we can achieve at least $10 million in savings in the overall White House budget.

So those reductions are real. They are setting an example. They are sending a clear message. And they are in keeping with the people of this country's desires.

Q And to what extent are you using Democratic National Committee consultants or paid people to help with special planning and --

MR. MCLARTY: No, I think this is a very straightforward calculation. I think every administration has had some link with their respective party. But this is not a shell game where we're moving people here and counting people here. That's why we included detailees. It's a very straightforward calculation and a real one, just like you would do in a business sense. We wanted a head count and a total person count, and not some mathematical calculation. It's a real reduction.

Q Mr. McLarty, I don't understand the thing on the White House Mess. Currently, people who answer telephones and things can go down to the White House Mess and get carry-out, right? Are you saying that they'll be able to eat there now, or have sit-down privileges?

MR. MCLARTY: No, it'll be a broadened physical area, Terry, on the White House Mess where there's not two or three separate dining rooms. All the dining rooms will be open, much more in a cafeteria style. More accessibility to the White House.

Q And anyone on the White House staff can eat there?

MR. MCLARTY: And we'll take press under advisement.

Q You said the salary levels were going to be six to 10 percent lower?

MR. MCLARTY: That's correct.

Q Can you give us the top salary now?

MR. MCLARTY: No, the salary levels will be less. As we fulfill our full staffing, we'll consider releasing full data. We're not ready to do that at this time.

Q Well, what as the salary level for an assistant to the President in the previous administration?

MR. MCLARTY: Well, I think I've already suggested the salary schedules are six to 10 percent lower really across the board, both at the level you speak of an assistant to the President.

Q Including the President?

MR. MCLARTY: No, not including the President. I think that's set by statute.

Q On the Bush number as of election day, 1394, could you tell us whether that's larger, smaller, about average for the size of the White House staff during the previous four years, or do you know that?

MR. MCLARTY: Well, it was difficult, Brit, to get all of the numbers in a precise way, and we were comparing to prior administrations. Based on the data that I reviewed, it was somewhat larger than previous administrations.

Q Do you have a sense of how much larger?

MR. MCLARTY: No, I really do not.

Q It was fairly clear that they were taking on people like gangbusters here during -- particularly under the Skinner administration. I just wonder whether that's a really swollen number.

MR. MCLARTY: Well, we thought the election day was the way to characterize it. I think this is the first time, at least that I can recall, that a White House has reduced the size of its staff. And I think this is a meaningful reduction.

Q If memory serves, Jimmy Carter did much the same thing and had the whole thing policed by an official who became known as Cousin Chief. (Laughter.) What are you going to do about the really expensive part of presidential overhead -- travel and other support activities?

MR. MCLARTY: Well, you make a good point. Although, again, I think in any business, any organization, any governmental activity, you really have to start in a very real way, but in a symbolic way. These are meaningful reductions and will produce real savings. The larger dollars, as you properly suggest, are in the total executive office budget. And as we develop that budget, although we've done a lot of work on it to date, we expect to be able to achieve at least $10 million in savings as we submit that budget to Congress. Those are real dollars.

As importantly, the President, as he noted today, will come forward this week with initiatives to the other Cabinet officers to streamline their operations. And I think that goes directly to your point.

Q Is that $10 million on top of the $10 million that will be achieved by this savings, or is that included?

MR. MCLARTY: That includes these savings.

Q Does that mean that your budget submission for the next fiscal year will be $26 million rather than the $36 million --

MR. MCLARTY: No. There's a number of ways, and that was one of the real challenges of this assignment, of how are you going to define things. And I believe, David, that's the total office, if I'm not mistaken.

MR. WATKINS: The executive office of the President, including the office of the President, is approximately $200 million in the budget.

MR. MCLARTY: The executive office is about $30 million.

Q We can't hear that answer back here -- or the question.

MR. MCLARTY: Okay. We were defining -- there were some numbers that have been not bandied around, but really suggest various components of the government. And this is one of the real challenges in trying to develop a credible plan and an apples-to-apples comparison. The full executive office is about $200 million, excluding OMB and USTR. The White House office is about $36 million defined in one way.

Q So you're saying the $10 million comes off of the $200 million? Is that what you're saying?

MR. MCLARTY: Correct. And it will include this in that $200 million.

Q Let me ask about another baseline. Had you added OMB and FTR, you would have had to cut, by my calculation, another 177 jobs to get to 25 percent. So isn't that the reason you excluded those two?

MR. MCLARTY: No. No, it's really not. And, again, I think we could --

Q -- all start to compare them.

MR. MCLARTY: Well, I think we could talk about definitions. We really tried to define the White House and the executive office of the President in a proper way, including detailees. OMB and USTR are major Cabinet level positions. They do have a lot of people. We could have effectuated probably larger numbers. Whether it would have hit the 25 percent, I really don't know. But this seemed to be the right way to calculate the White House staff as we view it and work toward the goal of 25 percent reduction, which we believe we've achieved.

Q Well, the Pentagon, for example, contributes 986 people to only the WHCA function, the White House Communication function, at a cost of $100 million a year in the last fiscal budget. These are tremendous numbers. Are you not looking at any of the -- you say you did detailees but the contributory functions from what I can tell are not included in here.

MR. MCLARTY: Well Ann, I think in fairness, we've been here 20 days now and developed, we think, a very thoughtful, a cogent plan for the White House staff. The keys to it are not just the staffing reductions. The real essence is a White House reorganization to better serve the people of this country. And to make the policy councils really at the heart of policy development and coordination. Now, I think to go to the point of your question, the President will be, as we discussed earlier, discussing directly with each of the Cabinet heads a reduction and a streamlining in their organizations and many of the elements that you just cited are in the Cabinet level operations. So I think they are going addressed.

Q This does not include the WHCA function?

MR. MCLARTY: No, this includes the White House. This does not include the WHCA function.

Q Can you give us an apples to apples comparison. How much do you make and how much did your predecessor make?

MR. MCLARTY: I make six to ten percent less than my predecessor. Probably than most of the past several ones.

Q The last predecessor?

MR. MCLARTY: The last predecessor for certain.

Q Where does the First Lady's staff and her budget fit into all of this?

MR. MCLARTY: It's in these numbers because it's part of the White House, and they had reductions in similar proportion as you see here for the other offices.

Q Are you saying that Mrs. Clinton's staff budget is approximately 25 percent less than Mrs. Bush's was?

MR. MCLARTY: Don't know about Mrs. Bush's because I didn't study the data on the comparison of that particular element. It is less than the numbers in the past. Whether it measured 25 percent less than Mrs. Bush's, I didn't make that study. It is included in these numbers, and it is less than in prior administrations.

Q Is there a danger in the signal you are sending in the country to eliminate jobs rather than creating them, as the President has certainly -- (laughter.) You're saying from the White House, well, let's get rid of these heads because they're all costing us money. What's that going to do to the jobless figure?

MR. MCLARTY: No. Well, again, I think I've tried to emphasize that the real essence here is not just a more efficient operation, but it's also the reorganization that it's entailed. And I think we certainly want to approach this in a very thoughtful and responsible manner. But I think the message was very clear that the people of this country wanted change, they wanted better government for less. And we think that's in keeping with those wishes.

Q And they want jobs.

MR. MCLARTY: No question about it. The agenda of this President clearly is to create jobs, to address the health care crisis, to move forward with a thoughtful long-term deficit reduction, and to have meaningful campaign reform.

Q You talk about some of these cuts being symbolic in nature.

MR. MCLARTY: I think I said they were real and symbolic.

Q Okay. Are you concerned at all that cutting 121 positions from drug abuse fighting will send the wrong signal to the country?

MR. MCLARTY: I think really just the opposite, Mike. I think the real essence -- and we've talked to a number of law enforcement officials as well as the leaders on the Hill in the drug control area -- they see this elevating that very critical area to Cabinet rank to really get a focus on policy development. And the number of people involved in this very important area is about the same as the number involved in domestic policy and the National Economic Council. So I think it's a sharpening of the focus and, just the opposite, I think it will lead to a much better policy, a much better policy implementation and having the dollar spent the right way.

Q Are they going to have the same budget to fight drugs? Because that's a massive problem. It seems that 25 people -- are they going to be able to conduct that policy? What is the role?

MR. MCLARTY: I think any of the real fight in addressing the drug problem is not just in the White House. I think one of -- the real essence here is not to pull everything in the White House, but to get those functions out in the Cabinet levels where you have, really, the resources to do what precisely you're suggesting we do. And the drug problem is addressed, and hopefully addressed in a meaningful and positive way by many of the Cabinet agencies.

What this policy or this group needs to do is coordinate those activities on an interagency function. So the general reaction has been very positive, just like it was on the environmental policy.

Q Why doesn't the President couple this with a challenge to Congress to also reduce congressional staff, as he did during the campaign?

MR. MCLARTY: I think he's had good discussions with Congress. He's suggested that we're all looking at change and ways we can better conduct our business. That's the reason I said it was both real and symbolic. And I think this sends a strong message to not only the other Cabinet agencies, but also to Congress.

MS. MYERS: Last question.

Q Does the President still believe that Congress should cut its own congressional staff by a similar amount? Does the President think that would be a good idea for Congress?

MR. MCLARTY: I think the President has already suggested how he intends to run this White House, and I think he will further suggest later this week how he intends the Cabinet officers to run their agencies. And I think many of the congressmen I've talked to, and congresswomen feel the same way.

Q I want to make sure what this affects and doesn't affect. We've already established that the cuts don't affect WHCA -- coming from the Pentagon. Does it also not affect the other agencies that we find here -- the National Park Service, Secret Service -- those are not affected? Staff in the Residence itself --are those affected?

MR. MCLARTY: No, I think the Executive Residence is here. We really tried in a very careful and deliberate manner to define the White House organization which, in terms that I think are generally accepted and understood -- that's the White House and the Executive Office of the President. That's really the core of this White House. And that's what we analyzed on a total person count basis, including detailees, to make this first step in our first 20 days. There will be other initiatives and evaluation. We've already talked about some of them today in the other Cabinet agencies, most of which -- the specific areas that you speak of, that's where they reside.

Q Just one other point if I could, Mr. McLarty. What part of this will Mr. Clinton himself actually feel?

MR. MCLARTY: Oh, I think the White House is just like anyone that works in an administrative setting. I think this is the White House, and that's what we're talking about. So I think he wants to lead by example, and that's precisely what we hope we've done.

Now, let me say this. We've taken a number of questions. Mark Gearan, who most of you know, is the Deputy Chief of Staff, has really been the point person on this project. David Watkins is Assistant to the President for Administration and Management, and really has the detail numbers that many of you have asked about. We've had several questions here this morning. And I think, Mark, you and David can provide the further details. And it looks like to me that there's some desire for that. That's right. Thank you very much.

Q -- there's a report that you're going to be spending that immediately on upgrading the White House.

MR. MCLARTY: No. I don't think the two are tied together at all. I think the report you're referring to is -- it's our feeling, particularly coming from the private sector, that there are some initiatives that can be undertaken in terms of technology that can improve the efficiency of the White House and make us a better organization. But the savings are in no way linked to that.

Q What about the supplemental? Isn't it true that you're going to be spending more money in the near-term before these --

MR. MCLARTY: Well, the supplemental, Andrea -- and I'll take this one and I think, Mark, you and David can provide additional data and information from there -- but that's an appropriate questior and one I think we need to address.

The personnel area in every administration, I think, during the transition period, particularly when you've had a change of administration, is always an area that requires additional staffing. That is not unique to our administration; it was the same in prior administrations. You have about 4,000 to 5,000 jobs to fill. You want to do that as promptly and orderly as you can. So it will require some additional people in personnel, as it has done for prior administrations.

But, Andrea, let me be very clear about this -- and Mr. Lindsey is right here and we've discussed it on several occasions -- that as we ready our budget for October 1, the Personnel Office will be under 40 people, will be consistent with these staff reductions in numbers once we move through this transition period. Whether it will require supplemental, we have not made that judgment yet.

Thank you very much.

Q -- Congress during the campaign to cut their budget by 25 percent. Will the President's budget in March reflect the 25 percent reduction in the departmental budget?

MS. MYERS: This will be on record, but not for camera, so can we cut the lights?

Q -- reflect a 25 percent decrease in the congressional budget?

MR. GEARAN: I think what we should limit this to is the reorganization here in the White House. We'll let the --

Q I understand, but except that he very specifically listed it during the campaign.

MR. GEARAN: I understand that. We'll leave that for George and Dee Dee to discuss our budget package.

Q -- 25 percent cut in OMB and USTR as well as the same percentage cut across the other Cabinet --

MR. GEARAN: No. No, what the President promised in the campaign and People First and in the speech to the mayors was a 25 percent cut in the White House staff. And that's what's realized here today.

Q And three percent across the board.

MR. GEARAN: You'll hear more about that later in the week.

Q Will he meet that target on his budget --

MR. GEARAN: You'll hear more about it later in the week. What is announced today is the reorganization and cut in the White House staff.

Q As Ann pointed out in her question earlier, there an awful lot of White House functions that are supported by other agencies -- WHCA, the airplane, things like that, particularly with the Pentagon. Past administrations have tried very hard to avoid disclosing the costs of those things. Can you all commit that when you prepare your budget for FY '94 that you will fully disclose to the taxpayers the full cost of those support functions?

Q Quiet! We're trying to hear up here. Thank you.

MR. GEARAN: Thank you. No, David, I can't commit -- a lot of the budgetary information is classified.

Q Why?

MR. GEARAN: We can get back to you. I mean, at this point in time we're not able to commit to that.

I think the point that Mack was making pretty clearly is some of the other functions that have been historically provided here in the White House that were mentioned in the question will fall within the Cabinet departments. That will be the directive from the President later in the week for further streamlining and cost savings.

Q What budgetary information is properly classified and what's the justification for classifying it?

MR. GEARAN: We'll have to get back to you on that. We're now getting through the budget process. What we can talk to today after 20 days in depth is the White House office -- White House support.

Q Can you fill us in on the portal-to-portal? Who's going to qualify? How many are being cut in that area?

MR. GEARAN: As Mack said, it's limited to those who required for national security reasons, which is the National Security Advisor and his deputy. Mack has been offered that service. He is not accepting it at this point. And his deputy is not taking it. (Laughter.)

Q Were you offered it?

MR. GEARAN: Was I offered it? No. No one ever offered me that. (Laughter.)

Q -- then who?

MR. GEARAN: Only two. The answer is two.

Q But that saves no money because the motor pool that runs the service is -- you can just call them up and ask them at various times. I mean, you're not reducing that pool, right?

MR. GEARAN: The motor pool remains for all the White House staff. But this is the door-to-door service for --

Q Is this going to allow you to save any money as such, other than gasoline?

Q I'm just saying it reduces the service, it doesn't reduce the cost. Am I correct in that?

MR. GEARAN: We will have obvious savings, I would suspect, through --

Q Why would it? There were 108 cars -- unless you're saying --

MR. GEARAN: There's a specific driver for all hours of the day. The relevant savings that would accrue. I don't know what that totals.

Q But it goes back into that pool, as I understand it.

MR. GEARAN: Again, these cuts are both real in terms o the -- and symbolic, and it's limited to just those for national security reasons.

Q What kind of a commitment is this? Is this for th entire administration, four years? Or what guarantee is there that staff and budget isn't going to increase a year out from now?

MR. GEARAN: Well, this is the commitment. Where we'll be is 1044.

Q Is that for the entire four years, this term in office, the White House staff won't go above those numbers?

MR. GEARAN: No, to the extent that there may be some other growth within certain areas. We're not committing to the National Security Council at a certain level within -- there may be ebb and flow within each.

Q So this is a one-year commitment?

MR. GEARAN: This will be where we're at -- cutting at 25 percent and where we'll be at October 1st.

Q -- Cabinet rank for the drug office? Is this going to require legislation, as the EPA does, or are you simply going to seat someone at the Cabinet table?

MR. GEARAN: Seating at the Cabinet table is up to the President.

Q What I'm trying to explain -- I'm trying to understand what you mean when you say that the drug office will be Cabinet rank. Do you mean that by statute or do you mean it by practice?

MR. GEARAN: The drug czar will be sitting at the Cabinet table.

Q But are you seeking legislation to turn this office into a Cabinet agency?

MR. GEARAN: No, no. Not at this point.

Q What's the staff ceiling for this year? As Mack said, there's going to be some additional temporary because of personnel. Is there an overall staff ceiling for the current fiscal year?

MR. GEARAN: David, do you know that? We'll have to get you that.

Q Let me ask you another one. Will it be less or more than 1,394?

MR. GEARAN: The staff ceiling? You mean the authorized --

Q The total number of people working over here this fiscal year, including the temporary bulge that Mack talked about -- will that bring your total employment to a number that's greater than 1,394 or less?

MR. GEARAN: We're in the midst of trying to figure out how many this one-time temporary bulge is. I'm not trying to avoid your -- we don't have that computation. What we can tell you is --

Q What do you have as of today?

MR. GEARAN: In the personnel operation?

Q No, total. White House --

MR. GEARAN: The reality is, David, it's somewhere in between 1,394 -- we're not fully staffed up. When we walked in day one, the things that we were immediately able to effect with this first Office of the President line here, that's what we could immediately do. Some of these changes are statutory that will require over time -- how many are here.

Q I'm just trying to get a picture of what -- you're under 1,394 now.

MR. GEARAN: We're not at 1,044.

Q You're not at 1,044? You might go over 1,394 during the course of this year before you --

MR. GEARAN: I would not expect that we would ever exceed that total under any circumstances.

Q -- will also be reduced in size, or are you passing more personnel there? The office of the drug czar, are you going to reduce the personnel or are you going to pass some personnel to them?

MR. GEARAN: No, the detailees could be returned. It will be downsized to accommodate the 25 employees that will be there by October 1st.

Q Mark, that does seem to be a reasonable question. If you don't anticipate exceeding the size of the staff that you found, why will you need the supplemental appropriation to cover the extra staff?

MR. GEARAN: I'm not sure that we do. I mean, as Mack said, we're exploring how we can accomplish this.

Q What makes you think you would?

MR. GEARAN: Would what?

Q Need a supplemental. Why are you doing this?

Q Why might you need it?

MR. GEARAN: Why might we need it? First of all, we're not doing anything. We're still exploring and Director Panetta is looking at ways to do it. Because we have been told -- we have been speaking largely with Reagan personnel folks and others who have done personnel -- there is this flip on the screen for six months.

Q They didn't ask for a supplemental on it.

MR. GEARAN: I understand that. They didn't cut their --

Q Neither did Carter and neither did Bush. So I don't understand McLarty's reference to all previous administrations that needed to do this. No previous one I can find record of has needed a supplemental for White House staff costs.

MR. GEARAN: I think his point was that all previous administrations have observed this temporary bulge in personnel.

Q But, Mark, you're observing a temporary bulge while reducing salaries six to 10 percent. Won't that take care of any need for the supplemental?

MR. GEARAN: It very well may. We're exploring ways in which we can accomplish this.

Q I guess my point is, aren't you going to find it politically difficult to ask for additional money and perhaps exceed the Bush administration's staffing?

MR. GEARAN: No, no, no. Step back here. What we are saying is that our plan on October 1st is to have 25 percent fewer people here than were here on Election Day. How we go about that staffing up and the personnel issue is a question which remains.

Q Out of the 350 people -- 350 fewer jobs, how many people are actually going to lose their jobs either voluntarily or involuntarily?

MR. GEARAN: Susan, at this point we're not able to compute that because some of this, as I said, will require some statutory changes along the way.

Q Why so little budget reduction?

Q Let him finish, okay? Do you have some estimate, like 100 or 200 --

MR. GEARAN: We don't at this point, because how it's reorganized and who will stay, who can return to their agencies of the detailees that are listed is a remaining question.

Q Will all 1,394 of those people --

MR. GEARAN: I can go, right, David? He is much more interesting.

Q -- dollar reduction. Mr. McLarty said the $10 million is coming --

Q He's not as cute. (Laughter.)

MR. GEARAN: I'm sorry, it's bedlam down here. I can't --

Q If you're reducing the staff by 25 percent and you're reducing salaries on top of that six to 10 percent, how come you only end up with a five percent dollar reduction?

MR. GEARAN: The $10 million that Mack mentioned was from the putting People First document that the President put out as the objective to savings to be realized.

Q The $10 million is coming off the $200 million. I'm just wondering, your apples and apples comparison, why the savings -- so markedly on the dollar side. You're obviously emphasizing the people who are being cut by 25 percent. Why aren't you getting a corresponding dollar reduction?

MR. GEARAN: It could exceed that. At this point, what the OMB analysts are able to clearly demonstrate is the $10 million savings.

END 12:20 P.M. EST

9a

White House & OPD Projected to October 1, 1993 -- July 13, 1993

Office	FTEs	OGEs	Total
Immediate Office	12	0	12
Chief of Staff	12	2	14
NSC	3	0	3
Communications	52		52
NEC	5		5
OPD	21	2	23
Total	26	2	28
DPC	6		6
OPD	10	8	18
Total	16	8	24
Cabinet	4		4
Leg. Affairs	21		21
Staff. Sec.	3		3
Exec. Clerk	6		6
Corresp.	87	1	88
Records Mgt.	27		27
Total	123	1	124
Sched/Advance	21	1	22
Counsel	17	8	25
Mgt & Admin	11	2	13
Admin	6		6
Personnel	1		1
Phones	18		18
Travel	4		4
Security	2		2
Vis. Office	1	6	7
Photo Off.	0	7	7
Mil. Office	1		1
Total	44	15	59
Political	7		7
Intergovernmental	7		7
Public Liaison	16		16
National Service	4		4
First Lady	13		13
Pres. Personnel	33	2	35
AIDS Coordinator	1		1
OEP(OPD)	10	2	12
Total	442	41	483
Total White House Only	401	29	430
Total OPD	41	12	53

Kim -
This is an internal, ~~confidential~~ document.
This is where the White House + Office of Policy Development will be on Oct. 1.
-Jen

DETERMINED TO BE AN ADMINISTRATIVE
MARKING INITIALS: M DATE: 10/31/18
2018-0662-S

Note -- OPD is over by 3 because of Tarmey, Ricketson & Lawlor on health care working group

February 8, 1993 10:30 pm

Executive Office of the President Reorganization

White House Unit	Bush White House Staff	Clinton White House Staff
Imm. Office of the President	5	8
Chief of Staff	7	7
Scheduling/Advance	25	22
National Security Council	2	3
Domestic Policy Council	58	21
National Economic Council	0	28
Cabinet Secretary	5	3
Communications	52	52
Legislative Affairs	21	21
Staff Secretary	145	129
Counsel	32	28
Intergovernmental Affairs	11	7
Public Liaison	19	15
Political Affairs	8	8
First Lady	16	13
Personnel	36	35
Management/Operations	62	60
Enviro Pol. (CEQ in Bush Ad.)	31	12
National Service	15	8
Total	550	480

Note—Office of Policy Development is combined with White House.
This includes National Economic Council, Domestic Policy Council & Office of Enviro. Policy.

(Also - internal, confidential doc.)

Kim -
This is the original plan for the White House cuts. (The page titled White House + OPD projected to October 1, 1993 is what we now believe the White House will look like. Totals

10.

Summary of Requests for Additional Staff

Prob is poor work - substandard

Communications: 3

Request: 2 or 3 speechwriters

The speechwriting staff is overworked. Speeches are drafted late, meaning the President has to invest much more time than is necessary in them. There are not enough people to draft "Rose Garden Rubbish." Three speechwriters is the request. Two would be great as well.

Scheduling/Advance: 2

Request: 1 desk and 1 deputy to Marcia

During the Tokyo trip, Marcia thought Anne Walley would drop from exhaustion. The previous administration had four desks and we only have three. We need a fourth desk. In addition, Marcia needs a deputy to take some of her planning and decision-making work. She would like someone who knows the President and his preferences to act as a traffic cop on requests.

Council on Economic Advisors: 1

Request: 2 specialists

CEA is particularly strained by the decrease from a standard 41 person shop to a 35 person shop. Right now, they have a staff plan for 34 but are desperate for a health care specialist and a NAFTA specialist to get them through next year. Because they have an open slot, they only need to increase by one to get the two additional staff they need.

White House Counsel: 1

Request: 1 more Associate Counsel

Bernie needs a full time person to deal with investigations: FBI, GAO, Vince's death. He would like to be able to handle these investigations without having to use outside counsel. One full time associate will help.

Political Affairs: 1

Request: 1 special assistant

Right now 2 detailees (who are leaving in September) answer calls, managing incoming and outgoing faxes and help prepare 15 briefings weekly for administration principals. These two detailees are the only support staff for the three Special Assistants to the President. When they leave, there will be no support staff for them. Thus, the request for one special assistant to support the three Special Assistants to the President.

Office of Science & Technology Policy 3

Request: 3 space policy staff

OSTP is struggling to cover space issues in addition to OSTP's regular workload. In particular, the reorganization of NASA and the supercollider issue are looming as big draws on staff time. Yet no staff are allocated for this work.

Legislative Affairs: 3

Request: 1 Special Assistant to the President, 1 Administrative Assistant and 1 Executive Assistant

We are not adequately covering important meetings on the Hill or answering phone calls in a timely manner. In addition, because we do not have enough staff to adequately supervise department and agency staff on the Hill, they are often on their own. These three staff would enable Leg. Affairs to better do its core job.

Domestic Policy 5

Request: 2 clerical staff, 1 energy/environment/transportation specialist, 1 education/children specialist and 1 welfare reform/immigration specialist

Right now, Carol's senior staff do everything in the way of policy analysis, event planning, interest group meetings, speeches and travel. The three policy assistants would be junior staff to help with briefing material development and research correspondence. The two clericals would support the staff, particularly in event planning.

National Security Council 8

Request: 7 policy directors and 1 public affairs director

NSC has three public affairs ~~staff now and our 25% cut means~~ they ~~will have to~~ let one go. They say they cannot function with only two. The other 7 requests are for directors in different departments. In each case, the departments are understaffed and need the extra person to allow them to function adequately. The requests are for directors in the following departments: Africa, Asian Affairs, Democracy, Russia/Ukraine, Defense Policy, European and Interamerican. NSC will be happy with 8 detailees.

Cabinet Affairs 3

Request: 2 professional staff and 1 support staff

One more professional staff is needed just to do Cabinet Affairs' current job -- 21 cabinet agencies and FEMA. They can only respond to crises now and cannot work proactively with departments. A second professional is needed to pick up hundreds of small and independent agencies. Currently no one is a liaison to SBA, GSA, USIA, OPM and other agencies that want White House guidance. The support staffer would solely work on logistics and events.

Intergovernmental: 3

Request: a special assistant and two administrative assistants

Right now, the Deputy Assistants to the President share a special assistant. We need one more so that each deputy can have his own special. The two administrative assistants are needed to answer the current correspondence load, which is not adequately responded to at the moment.

Staff Secretary: 14

Request: 14 correspondence staffers

A decent operation would have 39 more. A bare minimum needed to adequately answer the mail is 14 more. 9 would join the mail analysis staff which sorts incoming mail. 1 would answer E-mail, which is backing up due to the lack of a dedicated staffer. One more would be a writer for special letters. Three would join the typing pool which is the temp pool for the White House. At the moment the typing unit is scheduled to be eliminated to meet the 25% cut levels. However, they support the war room, the communication department, the President, Legislative Affairs and other departments on an ad hoc basis.

First Lady 2

Request: 1 writer and 1 computer specialist

The writer is needed to answer the First Lady's mail. The Social Secretary has a temporary employee currently filling computer needs. Maggie believes this ought to be a permanent position in order to service the technical side of the social secretary's office.

Public Liaison: 1

Request: 1 Special Assistant to the President

Right now a consultant is filling the African-American outreach role. Alexis believes this needs to be a permanent spot in order to adequately respond to the African American community.

Total: 50

[redacted]

THE WHITE HOUSE
WASHINGTON

03 SEP 1 A10 : 38

[redacted]

Chasco / cc VP

I can't tell from Eric's reply whether we can have the CPA fix the vehicles, equip + train them for 45m

[redacted]

Concern?

THE WHITE HOUSE

WASHINGTON

Dear Representative Hunter:

Thank you for your recent letters regarding funding for the Immigration and Naturalization Service's (INS) Border Patrol.

As you know, I announced on July 27, 1993 a plan to deal with the illegal immigration problems. This plan proposed an increase of $172.5 million in FY 1994 to improve programs within INS and the Department of State to counter illegal immigration. These initiatives include expediting the process to exclude non-credible asylum seekers, barring those trying to enter the United States with fraudulent or no documents through airport inspections, enhanced technology to prevent the entry of ineligible aliens, and an increased Border Patrol presence. I believe that these measures, taken together, are critical to our efforts to control illegal immigration more effectively.

As indicated, among the major initiatives included in my plan is an increase of $45 million for the Border Patrol in FY 1994, compared with my original 1994 budget request to Congress. This increase will provide up to 600 more Border Patrol agents, complemented by support personnel. I am aware that you support an additional $60 million for the Border Patrol, compared with $45 million in my plan. However, I believe that our goals are essentially the same. We want to direct resources to the Border Patrol appropriately and carefully, to make sure that the INS takes advantage of the full range of tools modern technology provides. For example, we want to supply Border Patrol agents with equipment such as sensors, radios, and low light level television to improve their ability to interdict and return illegal aliens seeking to cross the border. We are also interested in giving the Border Patrol fully operational vehicles to cover the vast land borders. Finally, we want the Border Patrol to recruit and train a high quality cadre of agents.

I have asked the Attorney General to review all possible options to ensure that we achieve the goal of making the Border Patrol more effective. We want to implement a prudent plan to maximize our resources.

In conclusion, I believe that a comprehensive plan like the one I outlined will deter the entry of illegal aliens. I remain committed to funding the Immigration and Naturalization Service, including the Border Patrol. I seek your support in this important undertaking.

With best wishes,

Sincerely,

Bill Clinton

I was intrigued
by your letter and even
more the dollar issues
we must do more —

The Honorable Duncan Hunter
House of Representatives
Washington, D.C. 20515

DUNCAN HUNTER
52D DISTRICT, CALIFORNIA

CHAIRMAN
REPUBLICAN RESEARCH COMMITTEE

COMMITTEE ON ARMED SERVICES
RANKING REPUBLICAN
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AND FACILITIES

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93 AUG 23 A7:59

August 13, 1993

President Bill Clinton
Senator Dianne Feinstein
Senator Robert Byrd

Mr. President, Senator Feinstein, Senator Byrd:

Appreciating your intention to bolster the effectiveness of the U.S., Border Patrol in its efforts to stem illegal immigration, please allow me to point out a critical problem.

On July 1, 1993, the House passed my amendment which provided 60 million additional dollars for 600 new Border Patrol agents and for operational expenses. Shortly thereafter the Senate added $45.072 million to the President's mark.

The House and Senate started at different points, since the House had, in committee, already restored the $5.920 million that was cut by the President (representing 93 agents). Thus, the Senate effectively added only $39.152 million for additional agents over last year's level. (presumably 600 agents) The full $60 million is desperatly needed.

Beyond the funding requirement for additional agents, the following equipment and operational deficiencies exist.

1. Each week the Border Patrol releases more than 150 criminal aliens, due to a lack of incarceration space. These criminal aliens constitute the "coyote" or smuggler community which operates the smuggling base. Because the Border Patrol has no money for "beds" for these criminals they are released quickly and within hours are back in the U.S. with illegal aliens.

2. 52% of the Border Patrol vehicles are inoperable on any given day, due to a lack of repair money.

3. Communications upgrades are desperately needed, since Channels are clogged with dozens of communicants at the same time.

4. The border patrol helicopters are constantly grounded due to lack of repairs.

5. Leadership training is foregone regularly, due to lack of funds.

The following represents present needs of the San Diego Sector border patrol. This sector receives over 50% of the smuggling pressure in the U.S.

1. $48.7 million needed to fully train, equip and field 600 additional border patrol agents. (beyond a restoration of the President's $5.920 million cut)

2, 5 million dollars for detention space for criminal aliens in San Diego sector.

3. 2 million dollars for communications upgrades.

4, 1 million dollars for new 4x4 vehicles.

5. 1 million dollars for advanced leadership training.

6. 1 million dollars for Border Patrol vehicular repairs.

7. 1.3 million dollars for helicopter repairs.

The full 60 million dollars contained in the House bill will give our Border Patrol fully operational vehicles, communication equipment, adequate training, helicopter repairs, and 600 new agents.

Please review the attached documentation on these requirements which is supplied by the Border Patrol Union leadership.

"Short changing" this vital requirement will put criminal aliens on the street and assure the success of the smugglers.

Adequate funding will allow the border patrol to restore the integrity of the border.

Please accept the House funding level for this vital program.

Sincerely,

Duncan Hunter

Duncan Hunter
Member of Congress

DH/hst

cc Deputy Asst. Sec'ty of Defense, Brian Sheridan

Representative

DUNCAN HUNTER

52ND DISTRICT, CALIFORNIA

Chairman, Republican Research Committee
Member, House Committee on Armed Services

NEWS

366 S. Pierce Street, El Cajon, CA 92020, (619) 579-3001 • 133 Cannon Building, Washington, DC 20515, (202) 225-5672 • 1101 Airport Road, Suite G, Imperial, CA 92251, (619) 353-5420

FOR IMMEDIATE RELEASE

August 13, 1993

Contact: Patrick Buechner
(202) 225-5672

Border Patrol Releasing Criminal Aliens for Lack of Funding, Says Rep. Hunter

Asks House-Senate Conferees to Sustain $60 Million "Hunter Amendment"

Congressman Duncan Hunter (R-El Cajon) announced today that more than 150 criminal aliens are being arrested and quickly released each week, due to a lack of operations funding.

"The Border Patrol is desperate for operations funding," said Hunter. "Because there is no additional money for incarceration of criminal aliens, the 'coyotes,' or professional smugglers, are being released immediately after capture."

According to Hunter these smugglers are back at their operations, moving illegal aliens across the border within hours.

Hunter, on July 1, won passage of an amendment to the Commerce, State, and Justice appropriations bill, adding $60 million to the Immigration and Naturalization Service budget for 600 additional Border Patrol agents and operational expenses.

The Senate passed an increase of $39.15 million. In several weeks, the House-Senate conference will meet to decide on a funding level between the $39 million and $60 million figures.

Hunter is pressing for the higher number, arguing that $48 million are required to field 600 agents and that the additional $12 million are desperately needed for incarceration costs, vehicle repairs, training costs, communications upgrades, and helicopter repairs.

"We put $60 million in the House bill for a reason," said Hunter. "We wanted to allow at least $12 million to pay for operations expenses."

Hunter cited the following deficiencies in Border Patrol funding:

- $5 million for detention space for criminal aliens
- $2 million for Border Patrol vehicular repairs
- $3 million for communications upgrades
- $1 million for new 4x4 vehicles
- $1 million for advanced leadership training
- $48.7 million for 600 Border Patrol agents, trained, equipped, and fielded

In letters to President Clinton, Senator Dianne Feinstein, and Senate Appropriations Chairman Robert Byrd, Hunter urged that the Senate recede to the House-passed $60 million.

"The full $60 million will give our Border Patrol fully operational vehicles, communication equipment, adequate training, and 600 new agents," Hunter wrote. "Short-changing this vital border requirement will put criminal aliens on the street and ensure the success of the smugglers."

-30-

031031

DUNCAN HUNTER
52D DISTRICT, CALIFORNIA

CHAIRMAN
REPUBLICAN RESEARCH COMMITTEE

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93 JUL 30 P2:29

July 28, 1993

The President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

I watched with great interest yesterday as you shared your immigration plan with the American people. I am happy to see a consensus among our two parties on the importance of ending illegal immigration.

As the representative of most of the California-Mexico border, I have an acute concern over the law enforcement aspect of immigration reform. As you may be aware, I sponsored an amendment on July 1 to increase the FY94 Border Patrol appropriation by $60 million. This bi-partisan effort passed the House by over 169 votes and signified a turning point in our border enforcement policy. As the Commerce, Justice, State Appropriations bill moved to the Senate, I received an assurance from Senator Dianne Feinstein that my initiative would be reflected in the Senate language.

I am concerned, however, that the language adopted by the Senate and embodied in your plan is inadequate to accomplish our objectives along the border. First, the $39.152 million earmarked for 600 new agents assumes a 50% lapse in hiring. This means that agents are brought on force gradually and add up to only 300 agent work years by the end of FY94. The Immigration and Naturalization Service informed me that although some lapse is necessary, they can accommodate agents at a faster rate than you propose. By scheduling a 25% lapse at a cost of $48.7 million, all 600 agents will be trained, equipped and out in the field within approximately three to four months. The INS maintains that a shorter lapse time means a more effective force for that year.

Second, your plan provides $5.92 million for 93 agents slated to be cut in your FY94 budget. This restoration is already reflected in the House language and maintains the Border Patrol at current services --- it does not bolster their ranks. Third, the language of both the Senate bill and your proposal does not provide funds for the 90 support personnel necessary for a 600 agent increase. These personnel are vital backup for the Border Patrol and must be included.

Finally, no allocation is made in your proposal for operational funds to equip agents already in the field. The INS revealed that over 70% of their vehicles exceed the General Services Administration's mileage replacement standards. The Border Patrol is so underfunded in this area that their vehicles are on a *20-year* replacement cycle. It is no wonder that only 48% of the vehicles in the Border Patrol's San Diego sector are operational on any given day.

Law enforcement should be a key component of any immigration reform plan. While I applaud your efforts at addressing this matter, the Border Patrol should receive the full funding they require to assimilate 600 new agents. As our first line of defense against drug smuggling and illegal immigration, they deserve the means to carry out their mission.

Thank you for your consideration.

Sincerely,

Duncan Hunter

Duncan Hunter
Member of Congress

THE WHITE HOUSE

WASHINGTON

August 2, 1993

MEMORANDUM FOR JIM MURR

FROM: HOWARD G. PASTER

SUBJECT: PRESIDENTIAL CORRESPONDENCE

Attached is a copy of a letter that was sent to the President from Duncan Hunter (R-CA). I have also enclosed a copy of my acknowledgement letter to him as well.

The President has requested that he see and sign every letter going to Capitol Hill. We did not want to fully answer the questions addressed in Representative Hunter's letter without assistance from your office; therefore, I would appreciate your office drafting a response and returning it to LeeAnn Inadomi (WH-East Wing) within 48 hours. She will then print the letter in final form and have the President sign the letter.

Thank you very much for your assistance. If you have any questions, please feel free to call LeeAnn at 456-7500.

Attachments

ID# 031031

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

INCOMING

DATE RECEIVED: AUGUST 04, 1993

NAME OF CORRESPONDENT: THE HONORABLE DUNCAN HUNTER

SUBJECT: SUPPORTS EFFORTS ON ENDING ILLEGAL IMMIGRATION AND DRUG SMUGGLING

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SCANNED

Effort to End Subsidy a Buzz Of Confusion

Costlier Price Guarantees for Honey Inadvertently Endorsed by House

By Sharon LaFraniere
Washington Post Staff Writer

TUESDAY, AUGUST 31, 1993 THE WASHINGTON POST

"It has been said that if one dies and goes to heaven and wants to come to Earth and have eternal life, come back as a federal program," Rep. Harris W. Fawell (R-Ill.) told his colleagues in the House on Aug. 6. They "just go on and on."

That very afternoon brought fresh proof. Fawell proposed an amendment he and everyone else thought would eliminate the U.S. Agriculture Department's $16 million a year subsidy to honey producers. It was wasteful, Fawell argued. Unnecessary. A symbol of Congress's inability to reduce spending.

"If we cannot take some toddling steps like this, how on Earth does Congress ever expect to meet the staggering responsibilities which are before us?" Fawell demanded.

The House agreed, 344 to 60.

Did the program survive anyway?

Do bees make honey?

Taking on a farm subsidy program is like boxing with shadows, a bedeviling task for even the most practiced legislator. Although Fawell, his supporters and his opponents thought his amendment would kill the program, it only lopped off certain provisions—the precise provisions, as it turned out, that Congress adopted in 1985 to reform the program. What's left is the honeybee subsidy in its most expensive, perverted form, according to USDA experts.

Thus ends another lesson in the intricacies of federal farm subsidies, so convoluted that neither their creators nor their critics understand exactly how they work. Add in congressional procedures that limit opportunities for votes on the subsidies, and change becomes a very sticky business.

The honey program has been on the ropes for about seven years, but so far, no legislator has been able to knock it out of the budget. It has lasted so long, in fact, that few in Congress remember that it was never designed to be permanent.

Sen. Robert J. Dole said in 1985 that the honey program was so absurd "even the bees are laughing."

The government started guaranteeing a minimum price for honey in 1949 to help beekeepers survive a drop in prices when sugar rationing ended and demand for beeswax rose after World War II. The subsidy was a temporary measure to ensure enough beehives were around to pollinate crops. Pollination increased certain crop yields. Once farmers understood that and beehives proliferated, legislators concluded, the government could get out of the honey business.

The program didn't cost much until 1981, when the market price fell below the government's guaranteed price. A swarm of several thousand commercial beekeepers descended on the program.

It worked like this: The producers could borrow money at no interest from USDA—about as much as the guaranteed price multiplied by whatever number of pounds of honey they put up as collateral. Because the loan was more than they could get for their honey on the market, many beekeepers simply forfeited their honey and kept the money. The program left the government with no recourse against anyone who defaulted on the loans.

In 1984, USDA ended up with almost 120 million pounds of honey, or nearly three-fourths of the entire domestic crop. After it paid the producers, it had to pay to store, process and transport the honey, most of which went to the poor. Meanwhile, jars of foreign-produced honey filled the shelves of U.S. supermarkets.

Sen. Robert J. Dole (R-Kan.) said in 1985 that the program was so absurd "even the bees are laughing." National Journal magazine wrote that in 1984, "2,000 to 3,000 commercial beekeepers got large subsidies, the government got the U.S. honey crop, foreign beekeepers got the U.S. honey market and the taxpayers got the bill: $90 million." The General Accounting Office, Congress's investigative arm, said the program was unnecessary and should be eliminated.

Congress responded in 1985 by changing the rules to encourage beekeepers to market their honey, yet still guaranteed them the full support price. The new rules allowed producers who sold their honey on the market to collect the difference between the market price and the guaranteed price from the government.

In other words, they could get most of their income from the market but still receive a check from USDA. The government's costs went down because it had to pay only a fraction of the guaranteed price.

Those reforms helped cut imports, put U.S. honey back on the shelves and reduced the program's cost to $16 million last year. But it did not address critics' basic point: Why keep a program that, according to the GAO, "serves little public purpose but to raise the income of relatively few producers?"

President Clinton, who postponed cuts in other agricultural subsidies, asked Congress to drop the honey program. The reconciliation act kept the program but scheduled a gradual reduction in the guaranteed price. It also tightened the cap on annual payments, to $50,000 from $125,000. In July, the Senate amended the Agriculture Department's annual appropriations bill to make the $50,000 cap effective next year.

Then came Fawell's amendment to eliminate payments altogether. That sounded like it should end the honey program, but not when one reads how the law defines payments, according to Jane Phillips, a USDA honey program analyst.

If beekeepers market their honey and then collect the difference between the guaranteed price and the market price from the government, that's a payment, according to Phillips. But should they forfeit all their honey and collect the full guaranteed price—a much bigger expense for the government—that's not a payment. That's a forfeiture.

Under Fawell's amendment, producers no longer could opt for the smaller subsidy—now 6.8 cents a pound, the difference between the market price of 47 cents and the government price of 53.8 cents. But they could hit the government for the full 53.8 cents a pound, Phillips said. In other words, the amendment would wipe out the 1985 reforms and revive the old honey program.

No one figured that out because the forfeiture provisions are in "a whole other section" of the agriculture act and "not easily found," said a congressional staffer who studies agriculture subsidies.

To make matters worse, a little-noticed provision in the current law provides that in any year when the government offers no payments to honey producers, there is no limit on how much they can collect by forfeiting their honey, Phillips said. That means the department no longer would have the protection of a $125,000 limit on forfeitures.

It is unclear whether the House's byzantine procedural rules would have allowed Fawell to go after the forfeiture provisions because the Senate had not touched them, said the congressman's chief of staff, Alan Mertz.

At this point, Mertz said, Fawell is simply hoping the Senate will "fix the rest of this" when it takes up the House version, presumably this fall. The Senate could either insist on its $50,000 limit or adopt a new amendment. Then the House would have a chance to vote again.

Some congressional staffers said an amendment to kill the honey subsidy would have to be worded to ban salaries or administrative expenses under the program so that the Agriculture Department could not operate it.

"See how hard it is to kill a federal program?" Mertz said. "It's not easy."

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9/1
THE PRESIDENT HAS SEEN

VP

We have to
schedule this or
try again in
the Region

R.

IMF Stresses U.S. Need to Cut Deficit, Calling Health-Care Program 'Crucial'

By WILLIAM MURRAY
Special to THE WALL STREET JOURNAL

WASHINGTON – The International Monetary Fund, in a confidential review of the U.S. economy, said the new deficit-reduction program is a "significant step," but added it is "crucial" that President Clinton's health-care plan reduce the deficit further.

The IMF report, a copy of which was obtained by The Wall Street Journal, also indicates that the fund's new world-wide economic forecast, to be released next month, will show significant downward revisions from the one issued in April.

A preliminary estimate, which is likely to be lowered before the forecast is final, shows the seven major industrialized countries growing 1.5% this year and 2.7% next year; the April forecast put growth at 1.9% this year and 3% in 1994. The U.S. recovery has fallen short of IMF expectations, and the German recession has proven more severe.

In a lengthy annual review of the U.S. economy and government policies and a synopsis of conversations with top U.S. policy makers, IMF officials emphasized their view that the U.S. must continue to attack the deficit.

"From a fiscal standpoint," the IMF said, "a test of the adequacy of the health-care reforms would be that they don't aggravate the fiscal problem in the short run and that they make a substantial contribution to [deficit reduction] over the medium and long terms."

The report notes that Clinton administration officials told the IMF in June and July that the president's health-care reform package is designed to reduce the deficit over the coming years while simultaneously offering health insurance to those who don't have any. Administration officials have since said that the health plan will limit increases in spending on federal Medicare and Medicaid programs, thereby helping to reduce the deficit.

Even with the new U.S. deficit-reduction law, the IMF said, the federal deficit – excluding the Social Security surplus – is likely to amount to 3¾% of gross domestic product at the end of 1998.

"Reducing the deficit further by fiscal 1998 and imposing tight controls on mandatory spending thereafter would be required to start to reduce the debt-to-GDP ratio," the IMF said. IMF economists, like many others, argue that the government should be aiming to reduce the debt-to-GDP ratio.

The current U.S. debt-to-GDP ratio of 59.6%, according to the IMF report, is expected to rise to 65% by the end of fiscal 1998 and continue rising thereafter. Since the end of World War II, U.S. debt as a percentage of GDP had been on a steady decline into fiscal 1974 when it hit 25%. Since then, the IMF notes, the ratio has been rising.

The rise is linked to "rapid growth" in outlays for entitlement programs, primarily Medicare and Medicaid, along with the cost of resolving the nation's savings and loan crisis.

—David Wessel contributed to this article.

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THE PRESIDENT HAS SEEN 9/1

HRC

support for health care from Strang questions

B

Jeane Kirkpatrick

Where Is Our Foreign Policy?

"What is our purpose?" Senate Minority Leader Robert Dole asked of the latest U.S. commitment of troops to Somalia. "What is the cost? How long will they stay?"

U.N. Secretary General Boutros Boutros-Ghali addresses these questions in his most recent report to the Security Council on Somalia. But his answers would not please Dole or a growing number of senators and representatives concerned about the increasing U.S. commitment to the U.N. operation in Somalia.

Boutros-Ghali explains that what began as an effort to prevent mass starvation has become a campaign "to reconstruct [Somalia's] political, social and material infrastructure on a lasting basis," to disarm warring factions, apprehend "criminal elements," establish a national police force, a prison system and a judicial system.

The secretary general does not explain why the United States should commit hundreds of millions of dollars and risk thousands of lives to nation-building in one African state. That is not his responsibility. Explaining to American taxpayers why these activities are in the U.S. national interest is the responsibility of President Clinton and his administration.

We know why the Bush administration committed 20,000 troops to Somalia: It was to stave off imminent starvation of tens of thousands. But President Clinton and his top advisers have not explained why Americans should become militarily involved in the internal politics of Somalia—a distant country to which we have no special ties. Nor have they explained why the conflict in Somalia should have greater claim to U.S. resources than, say, the bitter war of aggression against Bosnia. The president's silence on these questions has given rise to the complaint, heard with increasing frequency, that the Clinton administration has failed to define a foreign policy. I believe that complaint is not justified.

In fact, the Clinton administration's foreign policy has been repeatedly described and illustrated by top administration officials. But what they say and what they do are so unfamiliar and unexpected that they are barely heard and even less understood.

"The Clinton administration offers us a vision of foreign policy from which national self-interest is purged."

For the Clinton team, implementing the decisions of the U.N. Security Council and the secretary general in Somalia, Bosnia, Cambodia or wherever is our foreign policy. Doing what the United Nations calls on us to do is our foreign policy. That is why Secretary of State Warren Christopher listed among the administration's foreign policy accomplishments "taking the lead in passing the responsibility to multilateral bodies." It is presumably why the administration accepted Boutros-Ghali's claim of authority to decide when and where NATO air strikes could take place in Bosnia and why the U.S. dispatched crack troops to Somalia without raising serious questions about whether it is prudent, justifiable or in the U.S. interest.

The Clinton administration has made acting through the United Nations the centerpiece of U.S. foreign policy. "There is a political will in the new administration to use the United Nations in solving international disputes," Boutros-Ghali told David Frost soon after Clinton's inauguration. And he was right. But even he must be surprised at the extent of the Clinton administration's commitment to global multilateralism.

The clearest statement yet of the Clinton doctrine of "assertive multilateralism" was offered in U.N. Ambassador Madeleine Albright's June speech to the Council on Foreign Relations. But Christopher and other policy-making members of the Clinton team have emphasized and illustrated the administration's belief that a strong United Nations is critical to U.S. national security, that a conflict anywhere is a threat to U.S. national security and that they have a commitment to promote peace and development everywhere through the United Nations.

In Bosnia, Somalia, Cambodia and in its sweeping plans to upgrade U.N. peacekeeping capacities, the administration has demonstrated a will to make the U.N. secretary general's priorities its own.

In its support of Boutros-Ghali's boundless agenda and unprecedented claims of authority, in its willingness to defer to U.N. decisions (as, for example, on air strikes in Bosnia), in its decision to place U.S. troops under U.N. command, the Clinton administration defines its foreign policy and dissolves the national interest as traditionally conceived. It eliminates from the calculation of interests and priorities factors like geography, history and culture, which have traditionally shaped the foreign policy of nations. The Clinton administration offers us a vision of foreign policy from which national self-interest is purged. And it proposes to forgo U.S. control over important decisions and rely instead on the judgment of international bodies and officials.

The reason the Clinton administration's foreign policy seems indecisive is that multilateral decision-making is characteristically complicated and inconclusive. The reason Clinton policy seems ineffective is that U.N. operations—in Bosnia or Somalia or wherever—are characteristically ineffective. The reason Dole demands an explanation of our purposes in Somalia, now that starvation no longer looms, is that it is difficult to relate Somalia's internal political struggles to any U.S. goals except the goal of honoring the priorities of the U.N. secretary general.

This is not the first time an American administration has brought to U.S. foreign policy-making a global perspective and tendency to prefer universal needs to national interests. Many of the same people now making foreign policy for the Clinton administration tried these ideas first when they served in the Carter administration. But the Cold War and the reality of Soviet expansion in the late '70s imposed limits on the utopian quest for a global community. Now, only Congress can prevent the progressive loss of control by Americans of our resources and our future.

MONDAY, AUGUST 30, 1993 THE WASHINGTON POST

THE PRESIDENT HAS SEEN 9/1

Tony

This's heating up

Gordon will need a response

in place

B

Robert M. Dunn Jr.

NAFTA: Everyone Could Win

If the Clinton administration is to rescue NAFTA from defeat in Congress, it must face the agreement's core problem, which is its effect on the distribution of incomes within the United States. Elements of the recently passed budget package partially offset these effects and should make NAFTA more acceptable, but this connection has not been made explicit by the administration. It needs to be made clear to Congress if NAFTA is to survive.

The political difficulties of NAFTA begin with a central paradox: NAFTA would increase total incomes in the United States but would redistribute those incomes in ways that would hurt less-skilled U.S. workers.

This income distribution effect results from the pattern of trade with Mexico that can be expected to develop if NAFTA is implemented. Because the United States has an abundance of capital and highly educated labor while Mexico has many unskilled workers, this country will tend to export goods that use large amounts of capital and high-skill professional labor (such as chemicals and computers), and to import products that use a great deal of unskilled and semi-skilled labor (such as garments). This means that free trade with Mexico will sharply increase the U.S. demand for capital and highly educated labor, but it will produce a parallel reduction in the demand for less-skilled U.S. labor.

Markets will adjust to these demand shifts through price changes, which means changes in people's incomes. Returns to capital and salaries earned by professional labor will rise, but wage rates for less-educated U.S. workers will fall.

Since the "winners" from NAFTA will be Americans whose incomes are already above average, while the "losers" will be less-skilled workers whose incomes are already below average, the agreement will make the distribution of U.S. incomes more unequal than it otherwise would be. There is debate over the size of these income shifts, but the direction is clear.

There is overwhelming evidence that the distribution of incomes within the United States has become more unequal during the past two decades, in large part because real wage rates for unskilled U.S. workers have fallen during that period. Real hourly wages for nonsupervisory production workers have fallen by 13 percent since 1973. NAFTA will add to that trend.

The AFL-CIO, many of whose members are unskilled or semi-skilled, is neither irrational nor short-sighted in opposing this agreement. Most Americans are not unskilled and would clearly gain from NAFTA, but the AFL-CIO leadership is employed to represent its members rather than the interests of others.

Many supporters of NAFTA have discounted opposition by arguing that U.S. tariffs on Mexican products are already so low that NAFTA will not make much difference to U.S. imports. That position ignores the growing role of nontariff barriers, such as quotas, in protecting U.S. markets for labor intensive goods. The most important quota arrangements, from which Mexico would be exempted under NAFTA, are on textiles and garments (the Multi-Fiber Agreement), and on labor-intensive fruits and vegetables.

Mexico's exemption from these quota systems will be phased in over a number of years, but ultimately NAFTA will mean free Mexican access to U.S. markets for these and other labor-intensive products with predictable effects on wage rates for less-skilled American workers.

Compensating the losers through transfer payments provides a potential solution to this problem. Because NAFTA would clearly increase total incomes in the United States, the winners could afford to compensate the losers and still retain smaller net gains. If, for example, half of the population gains $100 each from NAFTA and the other half loses $50 each, the winners could provide $50 to each loser, thus making each loser whole while retaining the other $50 as a net gain. They could even provide $55 to each loser, making everyone a net winner.

The Earned Income Tax Credit program for low-wage workers is the obvious vehicle for providing compensation to those who would be injured by NAFTA. The recently passed Clinton budget package contains a sizable increase in benefits under this program and might reasonably be viewed as providing compensation for at least some of the harmful effects of NAFTA. The problem is that the Clinton administration never made the relationship between NAFTA and increased funding for the EITC program explicit, and as a result the passage of the budget did not improve NAFTA's prospects in Congress.

During the upcoming debate on NAFTA, the Clinton administration should emphasize the connection between increased funding for the EITC program and free trade with Mexico. The new budget, which taxes upper-middle and high-income Americans in part to finance larger payments to low-wage workers under the EITC program, can reasonably be viewed as shifting income from NAFTA's winners to its losers. At least partial compensation for the undesirable income distributional effects of NAFTA is now in place, and the administration should use that fact as an argument for NAFTA's passage. Pursuing this argument could make the difference between passing NAFTA and seeing it go the route of the Buffalo Bills in the Super Bowl.

The writer is a professor of economics at George Washington University.

MONDAY, AUGUST 30, 1993 THE WASHINGTON POST

THE PRESIDENT HAS SEEN 9/1

Rubin
Does this argument
have any legs?

JACK ANDERSON and MICHAEL BINSTEIN

AID's Poorly Planned Family Planning

Surgeon General-designate Joycelyn Elders, who has been vilified for her support of condom distribution to teenagers, might feel more appreciated at the Agency for International Development.

The federal government spends about $60 million a year on 18 varieties, two sizes and five colors of condoms—and six brands of birth control pills. AID is in the forefront of family planning.

The agency has published comic books for prostitutes in the Dominican Republic emphasizing the use of condoms. In Mexico it produced a pop record promoting sexual abstinence among teenagers. It has lost 750,000 condoms at sea.

The history of AID is replete with examples of waste, fraud and abuse in areas from contraception to computers, construction to communications. Although AID is in the vanguard of the effort known as "nation-building," audits suggest that the agency needs to import better management.

As we previously reported, AID auditors discovered that during the 1980s, the federal Contraceptive Procurement Project lost more than $2 million worth of birth control devices and drugs and has had to destroy at least another $2 million worth. In Mexico, 1.6 million condoms and 3.6 million cycles of pills valued at $1 million were destroyed a few years ago because their shelf life expired.

J. Brian Atwood, the new reform-minded administrator of AID, recently told the Senate Foreign Relations Committee, "I think we have acquired a new name. We're now called the Beleaguered Agency for International Development. In fact, we had a debate in our office the other day as to whether it was really positive that we're now called 'beleaguered' as opposed to 'troubled.' Maybe that's a sign of progress."

According to the agency's internal investigations, signs of progress are hard to find. Consider the fact that AID has spent $4 million in Kenya on contraception alone since 1989. With 66 million condoms and 300,000 intrauterine contraceptive devices, the agency figured to curb population growth in Kenya. AID neglected to ensure that the necessary surgical gloves, lotions and disinfectants were purchased by the Kenyans. As a result, at least 11,390 intrauterine devices went bad sitting in storage, while another 125,771 will go unused in the next year because the other supplies were never acquired.

Meanwhile, more than $150,000 worth of laboratory equipment languished in storage in Kenya for two years because the equipment was shipped before the laboratories were even constructed. When 51 computers and 34 printers that AID installed at Egerton University in Kenya broke down, university officials told AID investigators that they did not have the spare parts or anyone skilled enough to fix the computers.

"If the availability of spare parts locally was considered . . . other types of [computer equipment] for which spare parts and maintenance would have been readily available locally would have been procured instead," according to the report reviewed by our associate Andrew Conte.

A phone system that AID spent $787,157 to install at the university also is in disrepair. University officials told the AID investigators that a number of the phones had broken down and were not being used because the university did not have spare parts or anyone with enough skills to repair the system.

In Sri Lanka, at the same time the International Monetary Fund was pressuring that country to trim its bloated government payroll, AID spent 10 years constructing 60 buildings for new employees. U.S. taxpayers wound up losing $1.1 million because the buildings are unoccupied. "The staffing problem has persisted throughout the life of the project—10 years—and now, the buildings have been completed, the project is over, and the staff has still not been provided," the audit states.

John Sewell, president of the Overseas Development Council, a research organization that advocates the restructuring of AID, told us, "There is widespread agreement that AID is urgently in need of reform. AID has been very badly managed over the years. The task that faces Atwood is retooling the management of an agency that is not very well-run."

One chagrined AID staff member told us that past shipments of Third World aid amounted to "sending refrigerators to the Eskimos and heat lamps to people in the Sahara because of poor coordination."

This staffer was hardly exaggerating. Over the years, AID has handed out electric sewing machines to Egyptians with no electricity—and ice-cream makers to desert inhabitants with no freezers.

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THE PRESIDENT HAS SEEN 9/1

Zbig

If we do

better we should

stress this & others

JC

Comment

ON THE NATION

Policies Have FDR Turning in His Grave

Deficit obsession, higher taxes for 'working rich' have brought GOP back to life. Old Democratic lessons forgotten.

By Kevin Phillips

WASHINGTON

Those who have seen parallels between Jimmy Carter and Bill Clinton should note another: Not since the Plains, Ga., peanut farmer took the near-corpse of the post-Watergate GOP, gave it adrenaline and pointed it toward victory over his own failed Administration in 1980 has a Democratic President done so much to revitalize a stricken opposition. The Republican Party, already sitting up and taking nourishment from Clinton's unpopularity, could be headed for victories nobody would have imagined in the gloom of last Thanksgiving and Christmas.

The extent to which Clinton has abandoned old Democratic victory formulas must have Franklin D. Roosevelt rolling over in his grave. FDR, who was elected in mid-Depression 1932 despite archaic talk about balanced budgets but who then rose above his campaign rhetoric to stimulate the economy and dispel the public's fear, has now seen fellow Democrat Clinton emerge as a kind of Roosevelt-in-reverse. The Ozark Kid, elected on a platform of economic stimulus, broke his campaign promises to embrace higher taxes in the name of deficit reduction, thereby rekindling voter economic fears that his election had briefly eased.

There's no doubt that Clintonomics will be reducing economic growth over the next few years, and the surge in the bond market, which feeds on bad news, reflects increased belief that a Clinton recession is coming.

During the Reagan and Bush years, the economy regularly weakened in time to hurt the GOP in the midterm elections of 1982, 1986 and 1990. Now, Clinton could be about to hang the same midterm lead weights on congressional Democrats. GOP hopes are further whetted by the extraordinary disarray in the ranks of the Democratic leadership of the House of Representatives: Ways & Means Committee Chairman Dan Rostenkowski is apparently close to being indicted; Majority Leader Richard A. Gephardt has just broken with the Administration on free trade with Mexico and will oppose the White House's North American Free Trade Agreement, and rumors about the departure of lackluster Speaker Tom S. Foley have several key Democrats already maneuvering to replace him.

The upshot is that the Republicans may be positioned for serious midterm congressional gains in 1994, and the odds are that the GOP and Perot votes together will total well above 50% in 1996.

Neither of the two issues coming before Congress in September—health reform and NAFTA—look like they'll do much to change the political equation. So far, Clinton is being cautious on health care, avoiding the heavy-handed government role and payroll taxes he seemed to be pointing toward several months ago. His advisers are also talking about protecting small business and phasing in the program over five to seven years to avoid any major economic dislocations. That won't give the Republicans the sort of tax-and-spend arguments they had with Clinton's economic program, unless there is a recession next year. In that case, Clinton would have to be doubly careful of the effects his health-reform demands might have on small business and on climbing budget deficits.

NAFTA, by contrast, will be a three-way chess game among the Democrats, the Republicans and Perot. The critical tight vote should come in the House, where about two-thirds of the Republicans will vote for the agreement, and as many as two-thirds of the divided Democrats could vote against. Clinton, knowing he could lose NAFTA, doesn't want to look like he places too much priority on something that was, after all, largely a Bush Administration blueprint on behalf of the United States and Mexican business and financial communities. The Republicans, by contrast, sense another opportunity.

There is a danger. The GOP could be ignoring Perot, whose third voice in the debate will put him on the popular side of economic nationalism and at loggerheads with pro-NAFTA Democratic and Republican leader-

Please see PHILLIPS, A12

Kevin Phillips, publisher of the American Political Report, is the author of "The Politics of Rich and Poor." His most recent book is "Boiling Point: Republicans, Democrats and the Decline of Middle-Class Prosperity" (Random House).

111

THE PRESIDENT HAS SEEN 9/1

Laura

What are the odds he's right economically?

B

CAPITAL JOURNAL
By Gerald F. Seib

Clinton's Woes Mask Big Change In Capital's Ways

As Republicans chortle over the defeated economic stimulus package, and the White House strains to find a new American policy on Bosnia, the capital's cognoscenti have lost sight of something important about Bill Clinton: He already has changed Washington in important ways.

Whatever his current problems, Mr. Clinton has in fact helped produce some significant changes in attitude over the last four months, some of which are so thorough that they're already taken for granted. Consider:

– Sweeping health-care reform will happen. That is a radical change from just two years ago, when the Bush administration was dodging the issue. Now even Republicans are drawing up an alternate to the coming Clinton plan. The reform promises to be the most far-reaching since the Great Society, yet lawmakers wonder only whether it will happen this year or next.

– Deficit reduction has become a passion among Democrats. The debate within the party over the Clinton economic program has turned largely on how to cut spending more, which is a remarkable role reversal. Ross Perot has much to do with that, but so does President Clinton, whose postelection evangelizing on the deficit changed the tone within his party. Just yesterday, Mr. Clinton dwelled extensively on the deficit in a long speech in which he declared: "I am appalled at this deficit."

– Industrial policy has arrived. The very words were banned from the Bush and Reagan administrations. Now Vice President Al Gore meets with telephone company executives to discuss cooperating on a new information superhighway. Administration aides talk to automakers about working together on electric cars. Nobody blinks an eye.

– Americans are tuned in to their government again. Somehow Mr. Clinton has made the executive branch seem accessible. White House aides estimate that mail is coming in at triple its old rate. Phone calls come in at a clip of 65,000 to 70,000 a day, so many that a new switchboard is needed.

Beyond that, Mr. Clinton also brought an obvious but dramatic generational change to the White House. That means disenchanted twentysomething and thirtysomething Americans identify more with their leaders, an asset that Mr. Clinton hasn't used nearly as well as he might. When Kelly Coleman, a 27-year-old Connecticut mother and insurance-company employee, was asked about Mr. Clinton during a Wall Street Journal focus group discussion last week, she had little positive to say, except this: "The only good thing I can see about what Clinton's doing right now that's different, that really sticks out in my mind, [is] the generational issue."

None of this means Mr. Clinton has succeeded in changing Washington as much as he promised. His own frustration surfaced not long ago when he was wrestling again with the task of filling top administration jobs. He walked into the office of a top aide and declared that he wanted to see resumes from people in places like Ohio or Illinois, not from predictable establishment types.

But whatever the pace of change, things are different. Ask Jane Harman. She's a freshman congresswoman from California, elected along with Mr. Clinton. She has also seen Washington up close before, as a top aide in the Carter White House. Though it's far from clear what the precise results will be, Rep. Harman sees a subtle change in the nature of the debate on many issues. "It's not whether to do things, it's how to do them," she says.

Consider the scene earlier this month in Rep. Harman's home district in Los Angeles, where she attended a meeting with some 1,500 defense-industry executives. They gathered to learn how to tap into $472 million in matching grants the government will disperse this year to help defense industries convert to civilian work. The program was created earlier, but now the money is starting to flow.

But the most fundamental change is in Democrats' attitude toward the deficit. Rep. Harman is one of a group of Democrats in the House who have proposed what once was a Republican idea: They suggest putting all revenues collected from the Clinton economic program into a "trust fund" that could be used only to pay down the deficit. Any new programs would have to be paid for out of spending cuts.

As his political mentor James Carville is fond of repeating, Mr. Clinton will succeed so long as he is seen as an agent of change in Washington. When Mr. Clinton and Mr. Gore met with freshman lawmakers in the Capitol's Rayburn Room early on, Mr. Gore declared that the Clinton/Gore team had more in common with the new lawmakers than the established leaders of Congress. Both the new administration and the new legislators were elected to change Washington. It's a refrain worth repeating in Mr. Clinton's hours of trouble.

68

9/1

THE PRESIDENT HAS SEEN

CS-Bri

* Hagin/Bauer

Somalia: Time to Leave?

A humanitarian mission to deliver food to millions of starving Somalis is degenerating into an obsessive search-and-destroy operation against supporters of a single warlord, Gen. Mohammed Farah Aidid. U.S. soldiers, once welcomed with smiles, now worry about snipers and booby traps.

Americans have not just a right but an obligation to demand that the Clinton Administration explain what compelling national purpose justifies such risk to the lives of U.S. soldiers and Somali civilians caught in the crossfire.

Senator Bob Dole and Representative Ron Dellums, chairman of the House Armed Services Committee, have tried, responsibly, to press for answers. But until last week, the Administration deflected all challenges with stale cold war rhetoric about resolve, credibility and tests of will.

In a speech on Friday, Secretary of Defense Les Aspin at last offered a serious response. He spelled out the goals that the Administration seeks to achieve before withdrawing U.S. forces.

Secretary Aspin's speech is a step toward more reasoned debate. But military developments in Somalia, especially the disturbing dispatch of a U.S. military hit team to Mogadishu, threaten to overwhelm Mr. Aspin's theoretical exercise.

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The humanitarian mission that President Bush announced to popular acclaim last November was largely accomplished by the first months of this year. The Clinton Administration then moved to turn the Somalia operation back to the United Nations. An ambitious Security Council resolution in March defined long-term objectives of restoring order and rebuilding Somalia's economic and political structure.

For the first time, Washington agreed to put U.S. troops under U.N. command. Hopes ran high for a path-breaking experiment in collective security. But the U.N. has made some bad mistakes.

The worst came after a June 5 ambush and killing of Pakistani peacekeepers. The U.N.'s top man on the scene, Adm. Jonathan Howe, posted a price on the head of the ambush's presumed author, General Aidid, thereby shutting him out of political negotiations. Until then the general's participation had been considered crucial to a settlement.

Admiral Howe's misjudgment quickly changed the character of the U.N. mission. U.N. forces continue to do much good in other areas of the country. But in south Mogadishu, General Aidid's stronghold, casualties have mounted and relief efforts have been set back.

America's role has been particularly distorted. In addition to the 3,100 U.S. troops under U.N. command, a smaller U.S.-commanded contingent of quick-reaction forces bears the brunt of anti-Aidid combat. It was to sharpen the urban commando capabilities of this contingent that the Pentagon dispatched 400 Army Rangers last week.

Secretary Aspin tried to soften the focus on these anti-Aidid operations. His criteria for declaring victory and withdrawing included establishing "reasonable security in south Mogadishu." But he put his main emphasis elsewhere, on generalized reductions in heavy weaponry and the early creation of a Somali police force that could reduce clashes between U.N. forces and civilians.

Even better would be a renewed effort to engage General Aidid or other members of his clan. The Clinton Administration stiffly asserts that the U.N. can't talk to people who kill peacekeepers. But of course the U.N. does just that all the time, from Cambodia to Bosnia.

U.N. reconstruction is very different from classic warfare. But more than 40 years of cold war thinking has traumatized official Washington. Military and foreign policy professionals sometimes have trouble distinguishing between bush-league bandits and real threats. Today's local warlords no longer serve as proxies in some larger competition. The only way General Aidid could damage important U.S. interests would be for America to let itself be obsessed by him.

The present U.N. mandate in Somalia expires Oct. 31. Perhaps, in the intervening two months, U.N. leaders can find their way back to the constructive course they slipped from in June. If not, then it may be time for Americans to leave.

Wasting the Voters' Time

All government officials must be held accountable for their actions, from the President of the United States on down the line. But the grilling Mayor David Dinkins of New York got last week during the latest inquiry into the Crown Heights violence was neither substantive nor to the point. It was politically motivated, repetitious and transparently designed not to illuminate but to embarrass.

Mr. Dinkins has to take the blame for his administration's mishandling of the riots in Crown Heights. And perhaps there is still something to be learned about what went on between the Mayor and his police commanders during the riots two summers ago. But the lawyers in this case were not looking to learn.

Imagine asking the Mayor of New York if he knew what a yeshiva was? Or making an issue over Mr. Dinkins's use of the word "recollection" versus "recall." Small wonder that the normally controlled Mr. Dinkins lost his temper with the lawyer for Hasidic Jews who have filed a civil rights lawsuit against the city.

No doubt Mr. Dinkins's outbursts were, in part, calculated. Both sides were playing to an audience beyond those gathered at Gracie Mansion to listen to the Mayor give his deposition. The plaintiffs may have thought they were helping his opponent, Rudolph Giuliani, by putting Mr. Dinkins on the spot. Mr. Dinkins and his staff, meanwhile, have been grandstanding in an effort to make the Mayor look busy and forceful.

Even so, it is difficult to fault the Mayor for reacting angrily to this process. The tedious bullying by the plaintiffs' attorney, Franklyn H. Snitow, was an affront to Mr. Dinkins, to the office he holds and most importantly to the voters' need for a calm, orderly debate among the candidates on Crown Heights and other issues.

A state investigation released last month made only too clear how Mr. Dinkins, his aides and the police failed to put down black rioting against Jews soon enough. It may be that to this day, the Mayor does not fully understand the anger, fear and hurt of the Crown Heights Hasidim.

But the state report, as harsh as its judgments were, cleared the Mayor of his critics' most serious charge: that he or members of his administration ordered the police to hold back so blacks could "vent" their rage.

If the questioning had advanced the report's findings and added anything to the city's knowledge about Crown Heights, the two days of inquisition would have been to the good, no matter how uncomfortable for Mr. Dinkins. In fact, the tendentious cross-examination went nowhere. The questioning was so empty that its sole objective from the beginning may have been to embarrass the Mayor — a strategy that could well have backfired by creating sympathy where little existed before.

Crown Heights has rubbed raw the emotions and sensitivities of the Mayor and segments of the Jewish community. The plaintiffs are pursuing their lawsuit. As it proceeds, New Yorkers can only hope that in the future the case will be animated by facts and substance, not clumsy, amateurish politics.

THE NEW YORK TIMES, MONDAY, AUGUST 30, 1993

Chron

THE PRESIDENT HAS SEEN 9/1

Brent

This is a cost idea

which Colin says

weakens some sides –

we need to discuss further

B.

THE FEDERAL DIARY

A Days-for-Raise Swap

By Mike Causey
Washington Post Staff Writer

The trade-off for the 2.2 percent January national pay raise for white-collar federal workers is that either 70,000 will have to be fired or virtually all nonpostal government workers will have to be furloughed for eight or nine days a year, according to administration data.

Feds are due two raises in January: the 2.2 percent national adjustment plus locality raises that could be worth almost 4 percent for employees in the Washington area.

The White House wants one or both delayed. Congress will look at the numbers after Labor Day. If it decides the costs are too great, it likely will delay the national raise, but not the locality increase.

Many people, including **Rena M. Longo**, of Woodbridge, think there is a painless way to allow both raises: voluntary furloughs that would give workers a series of four-day weekends without costing any vacation time.

For lack of a better term, let's call the proposal Longo Weekends. By giving up one day's pay, workers could get extended holidays over Veterans Day and Thanksgiving in November and at Christmas and New Year's, plus four-day weekends for Presidents' Day, Martin Luther King Day, Independence Day, Memorial Day and so on. She proposes a voluntary program of "Federal Leave Days."

"Federal Leave Days would enable all employees to take an unpaid vacation day, either before or after any federal holiday. Workers would benefit by getting their pay raise as promised and be able to have additional days off without losing annual leave," she explains.

"The payroll savings could be realized immediately in view of the upcoming holiday season, and would help fund the pay raises in January."

Workers could furlough themselves, get a series of low-cost long weekends and keep the 2.2 percent raise. In addition to take-home pay, raises boost life insurance benefits, the amount workers can put in the thrift savings plan, their future pension benefits and survivor benefits.

Obviously, the plan has kinks. Congress would have to authorize voluntary furlough days. And what about workers who refuse to take furlough days? Or essential employees who can't be spared? Should, and could, they be denied the raise? Any comments or suggestions?

Speaking of the January raises, **William J. Myslak**, of Brookeville, asks: "What is the logic of deficit reduction when Congress proposes two pay raises for more than a million federal workers? What is the logic of deficit reduction when Congress proposes to bribe all eligible or non-eligible federal workers to retire before their time [with early-out and buyout offers]? A responsible Congress would stop all budget spending until the deficit is reduced."

R. Mangum, of Arlington, thinks the locality raise, rather than the national increase, should be the target of economizers. "The proposed locality pay for certain high cost areas . . . is very poorly thought out, and unfair to most retirees [who get the same cost of living adjustment regardless of where they live or worked]. I understand the basic premise of higher salaries to attract SOME workers in certain categories, but why should it be used to calculate retirement pay when . . . most will not continue to reside in those areas after they retire?

"Why not a totally separate locality cost of living payment that does not count toward retirement? Think of the cost savings under a plan while still serving the basic purpose of attracting workers to these areas. That is the reason behind the idea of locality pay as I understand it, right?"

Robert D. Novak

Two Friends in Asia

The U.S. decision to punish China for sending missile parts to Pakistan, taken after months of internal dispute, ignores—and unintentionally encourages—the Beijing regime's critically important link with Japan.

President Clinton's national security aides fret about China as an arms supplier, seemingly oblivious to the new power reality in the Far East. Japan, facing hostility in Washington, is looking to the Asian mainland—and particularly to China. Hard though it is to believe, plans for joint Chinese-Japanese military forces are in the talking stage between the two ancient enemies.

A time warp afflicts policy making in Washington. Clinton's advisers appear to be imitating George Bush's post-Cold War formulation of the American president leading the New World Order. Ironically, Japan is reconstructing its Greater East Asia Co-Prosperity Sphere attempted more than 50 years ago and may achieve by peaceful means what the imperial army could not with blood and iron.

Sanctions against China conclude a long debate in the U.S. intelligence community over whether Chinese missile components sent to Pakistan really did violate the international Missile Technology Control Regime, which Beijing did not sign but had agreed to obey. There is no better example of applying Cold War tactics after the Cold War has ended. Pakistan, a major U.S. client aligned against the Soviet Union, is now targeted by a U.S. policy guided less by national interest than international framework.

This looks like a lose-lose proposition for the United States: An angry China says it may end compliance with the missile regime; American businessmen lose $1 billion in high-tech sales to China with the prospect that other countries will jump in to fill the gap; doors are closed to other American business in the booming Chinese market; and fragile Sino-American relations are undermined with Japan the clear winner.

It is common knowledge in Tokyo, though scarcely recognized in Washington, that Japan is discouraged with U.S. trading prospects and is looking to the countries of the old Co-Prosperity Sphere. Japanese economic penetration follows the former trail of imperial soldiers: Indonesia, Vietnam, Malaysia, Singapore, the Philippines—and especially China.

The seven-party coalition now ruling Japan is seen by the Clinton administration as the hope for opening markets to U.S. products, but that is not the new government's real thrust. Its backstage mastermind, ~~Ichiro~~ Ozawa, in a new ~~book (roughly translated,~~ "The Plan for ~~Japan's Reform")~~ writes about the need to look to Asia for expanded markets.

~~In addition, a monograph~~ on "Investing in the Pacific" published by the Nomura Research Institute of Tokyo bluntly poses this question: "How should Japan and Japanese companies respond to the Chinese Business Sphere given its potential to lead the world economy in the coming century?" The answer is to "share the fruits of growth in this region" and adjust to Chinese ways of doing business.

That more than business is at stake here was shown by a development almost completely overlooked in the United States. When Chinese Foreign Minister Qian Qichen visited Tokyo in June, he revealed to his Japanese counterpart that Beijing no longer objects to the dispatch of Japan's troops overseas. The result was the beginning of bilateral talks on a joint Sino-Japanese military force to participate in United Nations peacekeeping.

This startling event fits a determination in the new Tokyo regime to make Japan what its leaders call a "normal" country—one that can play a role on the world stage free of tutelage by its American conquerors nearly a half century after that conquest. Japanese and Chinese troops in the same units signals that Japan no longer trusts U.S. military power.

The question of how the United States should react to this new reality is a difficult one, but there is no sign that it is even being addressed. The Clinton administration has turned a hard face to Asia, demanding that Japan and China meet its demands or suffer the consequences. By driving them together, Washington is the midwife of the new Co-Prosperity Sphere.

MONDAY, AUGUST 30, 1993 THE WASHINGTON POST

THE PRESIDENT HAS SEEN 9/1

Zbig / VP

what about this argument?

J

E. J. Dionne Jr.

Beating Clinton Fatigue

President Clinton's vacation was good for him because he got some deserved time off, and because he gave the whole country a rest from himself. The president could extend that vacation a bit with proper handling of the "reinventing government" initiative he's announcing next week.

The country suffered from Clinton Fatigue because after seven months of frenetic activity and hundreds of thousands of presidential words, it was still not clear to most people just what the central purpose of the Clinton administration was, or whether it even had one. If you doubt this, ask any 10 people to tell you what Clinton wants to do with his presidency. You're likely to get more than 10 answers—or no answers at all.

Because Clinton has failed to convey just why he's there, his critics have found it easy to claim that he stands for nothing—or for everything. That the critics have it wrong is easily proven. Clinton's willingness to do hard things—for starters, to raise taxes, to propose health care reform, to endorse the North American Free Trade Agreement—has made him some bitter enemies. You don't make such enemies by standing for nothing.

But Clinton has created a solid base of political enmity without building a firm coalition of political friendship. Clinton's difficulty is that his presidency often looks like a teetering balancing act between left and right, which creates mistrust on all sides. What he promised in 1992 was something different: a synthesis that took liberal goals seriously but was open-minded as to how they'd be achieved. You could, he argued, be in favor of energetic government without pretending that all past efforts at government activism had been brilliant successes.

That's where "reinventing government" and Vice President Gore's National Performance Review come in. This is one of those rare initiatives whose political purposes and substantive goals reinforce each other.

Behind the project are some basic assumptions: (1) government isn't working all that well; (2) most Americans know it; and (3) those who want to use government to solve social problems—i.e., Democrats—have a powerful interest in reforming it to restore public confidence in its capacities.

Gore's report tries to attack these problems from several directions. First, it speaks to citizens' personal frustrations with government by suggesting some minimal guarantees to the consumers of government services. Gore wants the IRS to guarantee that income tax refunds be paid within 40 days—and within just two or three weeks if you file by computer. He wants the Postal Service to pledge to deliver first-class mail overnight. People with Social Security problems should get them solved fast. As Steve Kelman, a professor at Harvard's Kennedy School who is now in the administration, has put it, citizens ought to feel that government is at least, as responsive as, say, the GE Answer Center.

Gore also proposes that government be pragmatic in deciding which services are best performed in-house by public agencies and which should be put out to bid to private companies. This involves some big decisions, such as creating a public authority through which the airlines would run their own traffic control system, and smaller ones, such as contracting out more government printing if it can be done more cheaply by outside firms.

These issues travel under the banner of "privatization," and they have been subjected to far too much ideological posturing.

Some liberals fear all moves toward privatization on the grounds that any one step leads down a slippery slope: today private printing, tomorrow school vouchers, the day after (who knows?) a private mercenary army hired from abroad. Some conservatives pretend that any service is always performed better in the private sector than in the public sector.

Gore and David Osborne, the guru of reinventing government, suggest the breathtaking idea that it's possible to make distinctions and to decide these matters on the basis of what works. Government, after all, takes on a lot of functions because there is no profit in them to draw in private investors, or because we think it's inappropriate for the private sector to take on certain responsibilities (for example, running armies or deciding the guilt and innocence of those accused of crime).

There are, to be sure, irreducible philosophical questions about what government should and shouldn't do, especially in areas such as education and housing. But Gore and Osborne suggest, refreshingly, that not every decision about contracting out needs to become a lightning rod for ideological pyrotechnics.

Finally, Gore addresses the guts of how government does what it does by focusing on procurement (how government buys things) and personnel (how government hires, promotes and fires people). Over the last several months, Gore has offered a series of horror stories about the bureaucratic nightmares that can lurk behind such simple matters as how the government buys ashtrays. He has pointed out that the government does not make full use of its massive purchasing power to win low prices.

He has also said (in line with the current vogue in private industry) that government is too laden with middle managers and that line workers ought to be given—and asked to take—more responsibility. Astonishingly, he has even suggested it ought to be easier to fire truly incompetent federal workers for cause.

Reinventing government is no cure-all. Gore will outline some real cuts in government spending, but there will be no gargantuan, immediate budget savings. To the extent that his project works, savings will happen over time. Moreover, some of the important issues (such as procurement) can get fairly technical and won't engage a large audience.

But the idea behind this project is central to the message Clinton needs to convey if he wants his presidency to be successful. Clinton won because most Americans want government to do things again. He failed to secure a majority because most are not convinced that government can do things well. The president needs to show that Democrats are as enthusiastic about effectiveness as they are about activism. If he succeeds, people won't have trouble answering the question: What's Clinton all about? He can be the president who is trying to make government work again.

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THE PRESIDENT HAS SEEN 9/1

Geiger/GS
is a good start
for wrap-up
B.

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THE NEW YORK TIMES, SATURDAY, AUGUST 28, 1993

U.S. Weighs Scrapping Levees for Flood Control

By STEPHEN LABATON

Special to The New York Times

WASHINGTON, Aug. 27 — In the aftermath of the worst flooding in American history, the Clinton Administration is seriously considering proposals to convert entire towns and some large tracts of farmland to wetlands rather than rebuilding levees to protect them.

The idea of buying up towns and leasing some farmland would be a sharp break from decades of national flood-control policy that has relied almost exclusively on the construction of levees and dams. But faced with more than $12 billion in damage and more than 800 levees that either crumbled or were overrun by water, Administration officials are now looking at alternatives.

The proposals are still in their earliest stage of planning, and no decision has been made whether to pursue them. They might also require some Congressional action before they could take effect, and the Government has already begun to fix some of the broken levees.

Still, environmental groups said the fact that the Administration was even contemplating a new approach rather than simply throwing more money at rebuilding old structures reflected how old assumptions had been shaken by the devastating flooding in the Midwest.

'Revolutionary Change'

"I can't overemphasize what a revolutionary change this is," said Scott Faber, a director at American Rivers, a conservation and preservation group that has advocated a new national policy. "Traditionally, when we recover from natural disasters we tend to return to the status quo. The Clinton Administration has taken the first steps to get out front and take preventive steps. They recognize that our reliance on engineering solutions has made matters much worse. Now there is an emphasis on nonstructural solutions."

The idea of buying some towns or leasing farmlands along the river banks was described in Des Moines on Thursday by Agriculture Secretary Mike Espy at a flood-relief conference. It is being studied by a multiagency group that is headed by the Army Corps of Engineers and includes representatives from the White House and the Environmental Protection Agency.

Mr. Espy said there had "been some expression of buying out whole towns that lie within the flood plain," a strategy that would permit rivers to expand without damaging property. "Many have raised the option of the Wetlands Reserve program — that we can go in and lease farmland and not have to rebuild the levee that formerly protected that farmland," he said.

A cost-conscious Administration may let rivers go back to nature.

Federal and state officials will consider the proposals and begin to try to coordinate their efforts at a meeting next week in St. Louis, which will include representatives from the Federal Emergency Management Administration, the Corps of Engineers and environmental groups. State and Federal policy makers said that the debate over a new policy would center almost exclusively on what to do about rural areas and that levees around big cities would certainly be restored.

"The balance will be whether urban areas, which are seeing their levees repaired, are willing to bear some of the costs that would have to be borne by agricultural areas," said Larry Larson, executive director of the State Association of Flood Plain Managers. He said a comprehensive analysis of the 7,500 miles of levees on the banks of the Mississippi would, by itself, be a sharp departure from the piecemeal way in which they were built.

For the better part of a century, the White House and Congress have poured more than $25 billion into dams and levees maintained by the Army Corps of Engineers and local builders on the banks of the Mississippi, Missouri, Illinois and other rivers. The engineers and policy makers ignored the repeated warnings that the levees were actually a mixed blessing: that while they contained some cresting waters, they increased the chances of greater flooding downstream by drying up wetlands, changing the river channel and increasing the force of the river.

No System Is Perfect

Officials at the Corps of Engineers have argued that no water-control system can be perfect and that the money spent so far on flood control represents a solid investment. They say their control system has prevented at least $250 billion in flood damage over the years, which works out to a 10-to-1 return on the investment.

Still, as the great floods of 1993 have shown, the levees did not always help, but in many instances actually contributed to the damage. The levees also gave many communities what turned out to be a false sense of security. Some 800 of the 1,400 levees along the banks of the overflowing rivers either crumbled or could not hold back the cresting rivers as the waters swamped an area twice the size of New Jersey.

Most of the levees that could not contain the rivers were either built privately or by local governments, although the Corps of Engineers has acknowledged that out of the 275 levees it built in the region, 31 were overrun by water, 8 ruptured because of erosion and 3 were breached.

While the flood waters have begun to subside in recent weeks, they have forced 70,000 people to leave their homes and caused at least $12 billion worth of damage, more than half of that on farmland.

The cost of rebuilding the levees and the cost of buying land to turn into wetlands are both being calculated.

The new thinking has been driven in large part by the fiscal reality that deficit-conscious Government officials would like to hold down the costs of the cleanup.

A memo sent on Monday that was signed by Katie McGinty, the White House's director of environmental policy, and the Administration's budget office urged Government departments involved in the cleanup to give serious consideration to alternatives to rebuilding levees. The memo said the agencies should consider actions that "could provide greater local benefits of flood control" and "lower long-term cost to the Federal Government and natural resource protection."

THE PRESIDENT HAS SEEN 9/1

Mack

we need to get an independent evaluation of this by Ken Sen. Pryor or some other knowledgeable friend

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THE PRESIDENT HAS SEEN 9/1

Tony

Later on

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Christopher re: Mastellers

in Macedonia's Campaign

On Greece

Rabin – Oslo Sec Channel – Isr-Pal-Norway – wants

Peres – Norway bring Fri/Sat – meeting carry

– conf. Egypt – Decl of Prin

Arrange Gaza Jericho

Early Empowerment

9/1

Argus Leader

200 South Minnesota Avenue
Box 5034
Sioux Falls, South Dakota 57117-5034
(605)331-2200

GS/ Gearan
This guy was a good supporter – worth keeping in touch w/ –
B.

Mr. President,

In preparing for this opportunity to visit with you about what is on the minds of South Dakotans, I talked with several people in our state about their concerns.

I am attaching the comments they made when asked what they would want to tell you if they had the chance to visit with you.

Thanks for your time.

David Kranz

David Kranz

Jack Armstrong, 69, retired auto body mechanic

You need to make a greater effort to get people in your own party to back you. You are on the right track, but keep them in line too.

Bosnia: Don't get involved until you have commitments from other nations.

Paul Vlandra, tribal administrator, Rosebud Sioux Tribe

This Indian gaming is the first real opportunity that Indians have at economic development. There is a lot of pressure from special interests in Atlantic City and Vegas to curb us. They are worried about tribes that affect their market areas. I hope President Clinton can hang on to support us.

Bosnia: I wish they would do something to intervene. I don't know what is happening, but I had hopes the U.S. Government would quit manipulating through the CIA the way our foreign policy has been and support democracy and freedom across the board.

Lou Rothenbuehler, 75, retired clerical worker

Health care is important. To me, the one payer system is the best way. I've read a lot about it and it would eliminate the insurance companies from making a lot of money.

Bosnia: We can't do it alone. I can't understand Europe sitting and watching. I think we need strong leadership there. That ethnic.

Neal Evans, Watertown farmer, lifelong Democrat

We've got to get these prices up for the farmers. Cattle and hogs and milk are decent, but the prices for the grain and corn and soybeans are ridiculous. The BTU tax is unfair. We use a lot of fuel and by the time you get wheat out of the field, there is absolutely no profit. You can't sell wheat for $3 a bushel. I think we need to go back to a good loan rate and let us put our grain in our Ever Normal Grainary again.

Tony Wagner, Mitchell, student body president, University of Minnesota

How are you going to pay for the student work program? It is a great idea, but I need to know more about what the cost will be.

Bosnia: It concerns me that the Europeans don't care at all. We have so many problems here and that should be your first consideration.

Sister Moira Martin, teacher, St. Thomas School, Madison

I am disgusted by his attitude toward abortion and allowing gays in the military. The last 12 years weren't perfect, but I think a lot has been undone recently in what they tried to accomplish. He needs a lot of prayers.

Micky Wienk, Vocational Technical Coordinator, Lake Preston

I think education is critical. It is not the 21st century that is the mark, it is the technology and the global competition, and I don't think the average person in the United States has a clue about the kinds of changing that are coming about in the world. We continue to read that the transition being made is as big as the one made from the agrarian age to the industrial age and if we don't respond we are in trouble.

Bosnia. Inside of me says yes, because it is another Holocost, but the others side of me says we have no right enforcing World.

Roger Larson, Williams Insurance

Nobody ever wants to address the real issues in Washington. You can't keep walking around it. We need to talk about the government pension programs, the Social Security programs. We have to quit playing shell games with the budget. It is not just Clinton, it is everybody.

Bosnia: Certainly, it sounds like the only solution is ground troops and we shouldn't be sending ground troops. We've got to stop trying to solve all the problems of the world. Europe has to start taking some leadership.

Barbara O'Connor — Prairie Star, small business owner

Ease up on the government regulations. We have too much paperwork. It seems like it is something all the time. The only way anyone can get into small business anymore is if you have $100,000. Keep SBA working to educate people on what they are getting into.

Ron Park, 63, pharmacist, Ron Park Drug

I guess as a small businessman, I am not prepared to foot health insurance for all of my employees. It would put me under. Personally, I don't think you can start all of these programs and bump taxes up for everyone. That is going to cause nothing but trouble.

We are all willing to pay a little more if it is accomplishing something, but so far, I haven't heard what we are going to accomplish. The federal government has shifted so much onto our states and they are struggling to keep Title XIX going. We are bearing so much burden already and we may have to initiate an income tax soon to pay for everything.

Dale Welker, mechanic, Kindler Pontiac

Out here we have to worry about what happens with the farmer. I think he is going in the right direction on a lot of things with the economy, but the tax burden for the farmer, that is going to hurt. I don't know how they are going to pay that. That is a big concern out here.

Brenda Peterson, 7-11 clerk

Why is minimum wage so low compared to the cost of living? It is not keeping up and we have to work two jobs, sometimes three to make it go. When the lower-upper When is the family that actually makes $25,000 a year actually see a break?

Jerry Rubendall, rancher, Mitchell

Cattle prices aren't bad these days, but grain prices just aren't keeping up. It is no longer profitable to plant crops anymore, given our tax situation and the return we are getting for our grain. Something has to be done.

Jerry Rubendall, farmer, rancher, Mitchell

The deficit is the biggest problem and it relates to everybody. I am more concerned about more spending programs before we cut old spending.

Agriculture, one of my big questions. How do we keep young people on the farm? That is a terrible drain in agriculture and in all walks of like in South Dakota. The new energy tax would be an absolute killer to anybody in the north country, where we have to travel all of these miles. I think agriculture will pay its way and absorb the extra taxes already towards the cuts.

Agriculture needs a capital gains overall, so the family farm can be passed along to the next generation. If the kid wants to be a farmer, and his parents retire, the tax laws make it tough for him to start up and do that even if you own your own land.

Health Systems in Bind on Care for Illegal Immigrants

A1

■ Finances: Federal law requires treatment but funds for state and county are scarce. Reform plan skirts the issue.

By IRENE WIELAWSKI
TIMES STAFF WRITER

An illegal immigrant from Mexico collapses in the Alhambra bakery where he works for minimum wage and no health benefits. Rushed to the nearest county hospital, he undergoes an emergency appendectomy. Cost to taxpayers: $1,990.

An impoverished Salvadoran, also in the United States illegally, receives gall bladder surgery and antibiotic treatment. Cost to taxpayers: $9,318.

And in Los Angeles County's crowded public hospitals, two out of three births are to illegal immigrants. Annual cost to taxpayers: $60 million.

For years, compassionate federal and state laws have required hospitals in California to treat virtually anyone who is poor and seriously ill, allowing hundreds of thousands of illegal immigrants to obtain free care.

A seemingly bottomless well of government health care dollars paid the bills. But the well has a bottom. Soaring medical costs have priced 37 million Americans out of health insurance. And shrinking public health budgets are forcing officials to do more with less, focusing unprecedented attention on the costs of treating illegal

■ FIRST OF TWO PARTS

Please see HEALTH, A7

Continued from A1

immigrants.

Nowhere is that scrutiny greater than in California, where more than half the nation's 2.4 million illegal immigrants reside. Projections by the state Health and Welfare Agency show that their health care will cost Medi-Cal about $880 million this fiscal year, nearly triple what the insurance program for the poor paid out four years ago.

And nowhere is the search for a solution more pressing than in Los Angeles County, where officials say illegal immigrants account for one-quarter of the patients in the overburdened public hospital and clinic system.

"We can't treat the whole world," complained a doctor at Los Angeles County-USC Medical Center, where budget deficits have forced staff and pay cuts.

Reliable statistics on the costs of illegal-immigrant health care are hard to come by, as are solutions untainted by politics or even racism. Even tougher to ascertain are the potential costs of denying health care benefits to illegal immigrants, a money-saving measure proposed by Gov. Pete Wilson earlier this month. Public health officials warn that neglecting those health needs escalates the spread and cost of communicable disease in California, as demonstrated by the resurgence of tuberculosis.

There is little evidence that resident illegal immigrants use the public health care system cavalierly. Studies show that illegal immigrants, fearful of deportation, often are reluctant to use public health facilities until their conditions are life-threatening. Such delayed care, experts say, further escalates costs because it is usually least expensive to treat an illness early.

These costs are borne by taxpayers through government-sponsored health programs for the poor. This situation is unlikely to change because President Clinton's national health reform plan is expected to exclude illegal immigrants from coverage.

Elusive Data

Many of these programs are funded with a combination of federal, state and county tax dollars. Comprehensive data on health care costs for illegal immigrants does not exist because most hospitals and clinics have no means of determining how many of their patients are undocumented.

But California health officials were able to roughly gauge the impact on the state's largest health program—Medi-Cal—because of special codes used by hospitals to claim reimbursement for certain kinds of illegal immigrant care.

Since 1986, federal law has required states to use such programs to provide emergency and obstetrical treatment to illegal immigrants.

California's study—undertaken in hopes of obtaining more federal aid—concluded in January that illegal immigrant health costs accounted for the fastest-growing part of the Medi-Cal budget, rising from $299.4 million in fiscal 1989-1990 to a projected $880 million this fiscal year. Officials expect no reversal of this trend, in light of state projections that the number of illegal immigrants will increase by at least 100,000 a year.

"This situation is breaking California," said Jennifer Nelson of the state Health and Welfare Agency, which compiled the data used by Gov. Wilson earlier this year to plead for more federal aid.

Los Angeles and other hard-hit counties launched their own studies, hoping to get more money from the state.

More than half of the state's illegal immigrants live in Los Angeles County. Demographers estimate that the county has 700,000 illegal immigrants—a population that grows by 66,000 annually. Most of their care is provided by the county's six public hospitals and 45 health centers, the most extensive network of publicly financed health facilities in California.

A county study, based on fiscal 1990-91 data, found in November that illegal immigrants used $159.5 million, or nearly a third of the county's expenses for care of the indigent, though they make up only 7.6% of the county's population. Experts say this reflects the dependence of illegal immigrants on county emergency rooms to meet most of their health needs, rather than their overuse of services.

Those county expenditures were over and above the $273.7 million that Medi-Cal reimbursed public and private hospitals in Los Angeles County that year for obstetrical and emergency treatment of illegal immigrants.

The county study also included the contributions of undocumented residents—information requested by Supervisor Gloria Molina, who

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TUESDAY, AUGUST 31, 1993 LOS ANGELES TIMES / WASHINGTON EDITION

feared that they were being made scapegoats for the county's financial troubles. Illegal immigrants generated $904 million in taxes, fees and other revenues, researchers found. But 97% of the money went to the state and federal governments, leaving very little in the county to offset the cost of county-financed services.

Though considered the most comprehensive in the state, Los Angeles County's study remains controversial. The Urban Institute, a respected Washington think tank, faulted the 118-page report for inadequate documentation but called it "a significant step" forward in assessing the impact of illegal immigration.

San Diego County undertook a similar study last year but looked primarily at costs. Its report, prepared by the state auditor general's office, attributed about $42 million in health care costs to illegal immigrants in fiscal 1990-91. Of this, $30.8 million was billed to the state Medi-Cal program.

Orange County has no county hospitals, but private facilities provide an estimated $31 million a year for hospital care and an undetermined amount for outpatient treatment for illegal immigrants, according to Donald Hicks, a planning executive at UC Irvine Medical Center, which treats most of the county's poor.

Orange County supervisors and the county grand jury conducted studies of the impact of illegal immigration on all public services earlier this year, but failed to identify specific health care costs.

However, state records show that Medi-Cal costs for illegal immigrant residents of Orange County more than doubled between fiscal 1990 and 1992, from $29.5 million to $59.8 million.

The increased burden on county and state programs has coincided with a slumping California economy.

Three years of state budget shortfalls have drained Medi-Cal coffers and reduced state contributions to local health programs for the poor. Health officials say they lack the resources to adequately care for poor and uninsured Californians, let alone illegal immigrants.

"It really is a crisis," said Mary Pitman, outgoing president of the California Assn. of Public Hospitals. "We have just seen an enormous increase in demand, but no increase in funding."

Public and private hospitals in California cannot turn away these patients. They are enmeshed in federal and state laws that obligate hospital emergency rooms to treat all seriously ill patients, regardless of immigration status, country of origin or ability to pay.

The Alhambra bakery worker, for example, was entitled to a taxpayer-financed appendectomy under the 1986 federal law requiring states to pay for emergency and obstetrical care.

Federal law also compels hospitals to treat all seriously ill patients who enter through emergency rooms, regardless of their ability to pay. In counties with public hospitals, such as Los Angeles, those facilities absorb most of the caseload. In counties with no public hospitals, such as Orange, private hospitals get the patients.

Besides emergency treatment, California state law mandates prenatal care for illegal immigrants. California law also makes county-run hospitals and clinics health care providers of last resort—barring them from turning anyone away.

As health resources become scarce, waiting times at Los Angeles County's public hospital emergency rooms have grown so long that some seriously ill people leave without being seen, studies show.

Now, with the county health department facing a potential budget shortfall of $100 million, 24 health centers may be closed, forcing even more people to queue up for emergency care.

"We can't refuse emergency care [to undocumented foreigners]—and we have no place to send these patients," said Los Angeles County's health director, Robert Gates. "But it means cutting services to everyone, including the legal indigents."

Hospital executives said such a move would be disastrous to all patients in Los Angeles County, not just the poor. Private hospitals and clinics, they said, simply could not absorb the displaced patients.

"Nearly two-thirds of Los Angeles County hospitals operated last year in the red. The other one-third have very little [profit] margin," said David Langness, spokesman for the Hospital Council of Southern California. "If this dumping occurs, we believe that at least 20 [private] hospitals and 10 more emergency rooms and trauma centers will close."

Advocates for illegal immigrants said the immigrants' health—already precarious—will certainly deteriorate if care becomes less available.

"I am terrified that . . . we are going to go back to having farm worker women delivering babies in the field," said Lucy Quacinella, a lawyer with the National Immigrant Law Center.

Yet the advocates also acknowledge that illegal immigrants are adding to the strain on California's health care system.

Dr. Aliza Lifshitz, president of the California Hispanic Medical Assn., representing 1,400 physicians, believes California is paying the price of poor federal control of U.S. borders. "Once [illegal immigrants] are already here, we can't just say, 'To hell with you, we won't take care of you,'" she said. "The enforcement really has to come from officials at the border to make sure we don't get more in."

Who are these patients? Los Angeles County records, obtained under the California Public Records Act, dryly list them by immigration status, treatment and cost.

Among these faceless entries are one illegal immigrant who received $4,065 in hospital treatment for diabetes and hypertension and another who got $3,200 in obstetrical care.

But there are faces.

They can be found in barrios where 15 people call a garage home, in free clinics that cater to the poor, in hospital emergency rooms and at an El Monte community center where local activists are trying to organize preventive care services for illegal immigrants.

Like the Alhambra bakery worker, most of those interviewed by The Times have jobs. Many have children in public schools. All were afraid to allow their full names to be used, for fear of discovery by immigration authorities.

The same fear, they said, keeps them from using health services until symptoms become severe.

2/2

THE PRESIDENT HAS SEEN 9/1

Memo to VP — Rex
Zbig

Received 8/23

LAS VEGAS SUN

Brian L. Greenspun
Las Vegas SUN
800 South Valley View Blvd.
Las Vegas, NV 89107

-FAX COVER-

DATE: **August 20, 1993**

TO: **Nancy Hernreich**
Special Assistant to the President

FAX NO: **(202) 456-1121**

PAGES: **2 including cover**

FROM: **Brian L. Greenspun**

RE: **Where I Stand Column - Mike O'Callaghan for Sunday, Aug. 22, 1993**

I am sending a copy of a Where I Stand column written by Mike O'Callaghan that is scheduled to run on Sunday, August 22nd.

I think this is something that the President would like to see prior to Sunday if at all possible.

Regards,

THE PRESIDENT HAS SEEN 9/1

Tony
— He's basically been supportive
— Pls. ~~[illegible]~~ have a response prepared for me

#501366510 Tag:sun wis 8/22, o'callaghan Owner:jeri Set: Aug 20, 1993 11:52am Page: 1
Publish before: on: after: Edition:morning Section:unassigned Page Number: Column:

THERE'S AN AMBER caution light flashing outside the White House, and it would be wise for President Clinton to take notice. Again, it has to do with proposed drastic changes for the men and women who serve in the U.S. military forces. Ignoring past caution lights pertaining to the military has caused the new White House resident more than a little grief and has unnecessarily helped cripple his effectiveness in other dealings with Congress and the American people.

Clinton's foreign policy advisers are now encouraging him to allow U.S. combat troops to serve under the command of United Nations' designated military leaders. Reviewing the military experience of his foreign policy advisers and learning from recent past experiences should make this last bit of advice turn the caution light red in the eyes of a person with Clinton's intelligence.

"Oh, our combat troops will only serve under foreign commanders in peacekeeping missions and not regular combat," one administration apologist told a television audience. Peacekeeping missions can and often do turn deadly in a matter of split seconds. If you don't believe it, then you haven't been watching the mission to feed the starving people of Somalia.

The Americans representing the United States in the U.N. are all for this drastic change in present military policy. It's most pleasant for them to dine and sip cocktails with foreign diplomats in that expensive and lavish tower in New York.

It's something entirely different out in the jungles, mountains and deserts where these foreigners are raised with different views of life and death. There's no segment of any society that better understands the fine line that separates the living from the dead than those who face death daily in combat situations. Even the different values that several societies place on life reach from one extreme to another. The wanton waste of human life means very little to some foreign military units, if the end result is victory.

When determining which troops will be used in a bloody combat operation, will that foreign commander use his own troops or Americans to take the point in an assault? I don't know the answer and neither do the foreign policy advisers now whispering in the ear of the commander-in-chief of the U.S. military. We can all be assured that most Americans don't want to put their sons and daughters in the position of learning the answer in some foreign land.

I've observed and participated in some United Nations peacekeeping and combat situations. Those operations that have been effective were directed and carried out by the military units of the United States. There's no good reason for an effective military organization to release control to leaders selected by an international organization made up of more Third World countries than there are nations of the modern western world led by the United States.

Don't try to palm off the argument that the Korean War and the recent Gulf War are examples of U.N. effectiveness. Both wars were given only token support by other countries. These were U.S. and not U.N. operations!

I've been on combat patrols with foreign infantry units led by their officers. The French, Dutch and Thai soldiers and combat leaders were most efficient, and I learned from each experience. All the time I knew that the operations were under the control of my division commander and, within days, I would be going over the same territory with my own fighting unit.

Watching U.N.-directed operations in the Middle East and Central America always left much to be desired when it came to organization and clear identification of mission. It was easy to see the new U.N. vehicles parked in front of the most expensive apartments and restaurants in Tegucigalpa. Also, their new helicopters being used like toys as they whirled out into the jungles during the daylight hours and back in time for the evening cocktail hour.

If our foreign policy advisers want to have U.S. volunteers serve as support units for foreign-directed U.N. feeding and supply operations, that's fine. Putting American combat units into foreign-led U.N. operations is entirely different. I don't believe Americans are ready for such a move, either now or next year.

The Associated Press quotes John Ikenberry, a specialist in multilateralism at the Carnegie Endowment for International Peace, as saying, "If this policy is adopted as recommended, it is a very Clintonian way to find a compromise."

I'd caution the final decision maker that he and no other person is responsible for the welfare and safety of our combat troops and must answer to the American people. Compromising on this matter isn't acceptable nor wise.

That amber light has turned to bright red, and now's not the time for a new social or foreign-policy experiment with America's fighting units.

MIKE O'CALLAGHAN, a former two-term governor of Nevada, is executive editor of the Las Vegas SUN.

August 17, 1993

Dear Mr.President

I send you hearty best wishes for a happy and healthful birthday. May your innermost desires be realized.

Many Happy Returns of your special day, and may God bless you with many, many more healthful and joyous and fulfilling birthdays.

I hope you celebrate in grand style. Have an extra drink for me--my birthday ends as yours begins.

Happy Birthday from a fellow 'Leo'...

Respectfully,
Trude
Trude Feldman

P.S. I enclose six versions of my birthday feature on Gerald Ford at 80, which you may enjoy, especially where he advocates NAFTA.

I'm sorry you weren't able to add your comments therein--as did former Presidents Bush and Carter.

But I trust you'll give me--through "Mack" McLarty--as you mentioned at the Bob Kennedy tribute--some personal comments on Gen. Colin Poweal...?? Please and thanks in advance.

I'm also sorry I wasn't permitted to do a Birthday feature on you this year again, but hope you received the other presidential birthday articles??

Feldman
2020 F Street NW
Washington DC 20006

Phones: 202 638 3048
659 9841

COPY

THE PRESIDENT HAS SEEN 9/1

OS/Ocean

What to do about her?

Br

Tony & Zbigniew views?

Security for All of Europe, In Seven Tricky Steps

THE PRESIDENT HAS SEEN 9/1

Brian Cronin

By Ronald D. Asmus, Richard L. Kugler and F. Stephen Larrabee

SANTA MONICA, Calif.

Whether Europe unravels for a third time this century depends on whether the West summons the political will and strategic vision to address the causes of potential instability and conflict before it is too late. A new U.S.-European strategic bargain is needed, one that extends NATO's collective defense and security arrangements to those areas where the seeds for future conflict in Europe lie: the Atlantic alliance's eastern and southern borders.

The end of the cold war wiped away the strategic distinction between Europe's center and periphery. Whereas the potential locus of conflict in Europe in the cold war was along the old inner-German border, Europe's new strategic challenges exist almost exclusively along two arcs of crisis: the eastern arc, the zone of instability running between Germany and Russia from northern Europe down through Turkey, the Caucasus and middle Asia; and the southern arc, running through northern Africa and the Mediterranean into the Middle

eral major powers who see their own interests threatened.

Finally, and perhaps most important, instability along the arcs threatens to reactivate old fault lines and dormant historical rivalries — geopolitical competition between Germany and Russia along the eastern arc, or a conflict between the West and Islam in the south.

Western policy makers have been slow to recognize these new dangers and the security needs of these states. Many still cling to cold war distinctions between Western Europe, which is implicitly defined as a vital interest, and Eastern Europe, which is seen as a secondary or peripheral concern. East-Central Europe's lack of a stable security arrangement has already helped to undercut progress toward democracy and economic reform. Now the spread of instability or violent conflict threatens to destroy even that progress achieved thus far.

East-Central Europe's democrats well understand that democracy will succeed only if their states belong to a secure European and Western political, economic and military community. The West, too, previously understood this link — as demonstrated with the case of West Germany. That

Expand NATO to

the United States and Europe, a different set of political and military understandings, as well as a new relationship with the East. This bargain would simultaneously expand the alliance's strategic horizon geographically and find new ways to share responsibilities and burdens. NATO's rationale and mission would be defined anew.

Politically, six steps are necessary to forge a new trans-Atlantic bargain. The first and in many ways most important step is to transform NATO from an alliance based on collective defense against a specific threat into an alliance committed to projecting democracy, stability and crisis management in a broader strategic sense.

The second step must be a new

Germany must finally resolve the confused debate over its role in Europe and beyond. To be sure, residual fears concerning German power still exist. But only a strong Germany can facilitate European integration and NATO's strategic transformation.

While Germany remains preoccupied with the staggering challenge of the political and economic reconstruction of its eastern half, the need to stabilize its eastern flank is Bonn's number one security concern.

Reorganizing the West will set the stage for the fourth step in this process — a coherent and coordinated Western strategy for the integration of Visegrad countries (Poland, Hungary, the Czech Republic and possibly Slovakia) into both the European Community ...

stability in Eastern Europe can undercut democracy in Russia.

As it transforms and expands relations with Central and Eastern Europe, the West should also expand and

cially Poland. The reincorporation of Ukraine into a Russian-led confederation would transform the geostrategic equation in Europe as a whole.

As a final, seventh step, extended

clusively along two arcs of crisis: the eastern arc, the zone of instability running between Germany and Russia from northern Europe down through Turkey, the Caucasus and middle Asia; and the southern arc, running through northern Africa and the Mediterranean into the Middle East and Southwest Asia.

While these circumstances are seemingly located safely on Europe's periphery, for a number of reasons conflicts along either arc are in fact central to European security.

First, conflicts in the arcs are increasingly generated by antidemocratic and anti-Western ideologies that threaten the liberal-democratic foundations of Western Europe and the nascent democracies of the former Soviet bloc.

Second, conflict and insecurity in the twin arcs are unlikely to be neatly isolated or contained. Spillover, in the form of political and economic instability and refugees, is a real danger.

Third, while local conflicts may escalate into regional wars, instability in such geopolitically sensitive areas also threatens to draw in one or sev-

Ronald D. Asmus, Richard L. Kugler and F. Stephen Larrabee are senior analysts at the Rand Corporation. This article is excerpted from an essay in the September-October issue of Foreign Affairs.

ty. The West, too, previously understood this link — as demonstrated with the case of West Germany. That

Expand NATO to insure stability along the edges.

nation might never have become a stable Western democracy had it not been accepted into NATO's fold. Similarly, NATO membership helped stabilize democracy and stem authoritarian backsliding in Portugal, Spain, Greece and Turkey.

The obvious tool for this new Western strategy is NATO. The Persian Gulf war and the Yugoslav crisis have shown the European Community incapable of taking on such a task. The remark of Foreign Minister Mark Eysken of Belgium during the gulf crisis — that the European Community was an economic giant, political dwarf and military worm — sadly remains true.

The kind of NATO that could respond to Europe's new strategic challenges would bear little resemblance to the NATO of the cold war. It would be based on a new bargain between

The first and in many ways most important step is to transform NATO from an alliance based on collective defense against a specific threat into an alliance committed to projecting democracy, stability and crisis management in a broader strategic sense.

The second step must be a new understanding between the U.S. and its European allies that harmonizes the interests of both sides. Europeanization of the alliance is as much in the interests of the U.S. as it is of Europeans. Washington must be willing to accept a stronger European identity, including in security affairs, and relinquish its residual ambivalence toward European integration.

For its part, Europe — which in this case means France — must abandon its exaggerated fear of American hegemony. The real issue regarding the future United States role in Europe is not whether Washington will be hegemonic, but whether the trans-Atlantic relationship can be turned into a partnership that fully engages the U.S.

Without French backing to transform NATO, the alliance will crumble. France would then find itself forced to go it alone in a Europe characterized by increasing instability along both its eastern and southern flanks, with an independent Germany and an aloof America.

Franco-American rapprochement can set the stage for the third step — Germany's [illegible]

number one security concern.

Reorganizing the West will set the stage for the fourth step in this process — a coherent and coordinated Western strategy for the integration of Visegrád countries (Poland, Hungary, the Czech Republic and possibly Slovakia) into both the European Community and NATO. Opening the E.C. to the East is the best guarantee against a rival of anti-Western nationalism and of stabilizing the process of political and economic reform.

NATO should create the preconditions for the eventual integration of these countries into the alliance by expanding defense cooperation. Such cooperation need not initially imply a full-fledged defense commitment. Conceivably, "association agreements" could spell out the criteria for membership, but not provide explicit security guarantees. This arrangement would give the countries of Central and Eastern Europe the clear perspective they are looking for. It would also provide them time to adapt their military and defense establishments to meet NATO standards.

The fifth step in the new trans-Atlantic bargain concerns Russia. The West has been reluctant to move toward the East more quickly for fear of offending Russia's strategic [illegible]. But it is hard to understand how supporting democracy and

stability in Eastern Europe can undercut democracy in Russia.

As it transforms and expands relations with Central and Eastern Europe, the West should also expand and deepen its security dialogue with Russia. Whether NATO's eastward extension becomes a new offer for partnership or a move toward an anti-Russian alliance rests almost entirely on the outcome of Russia's own internal transformation. This process

STRATEGIC ALLIANCES

First of three articles

is likely to take years. To hold the future of NATO hostage to the outcome of Russian politics is a recipe for the demise of the alliance.

The sixth step in the new trans-Atlantic bargain requires the West to develop a constructive Ukrainian policy. An independent Ukraine is one of the most important features of Europe's new strategic landscape; it acts as an important strategic buffer between Europe and Russia.

In light of the uncertainties surrounding Russian democracy, it represents the best guarantee against Russian imperial restoration from the point of view of Eastern Europe, espe-

Brian Cronin

cially Poland. The reincorporation of Ukraine into a Russian-led confederation would transform the geostrategic equation in Europe as a whole.

As a final, seventh step, extended collective defense and security means that the alliance must be reorganized militarily. NATO's basic problem is the mismatch between its old mission and Europe's new strategic challenges. It is no longer possible for NATO to concentrate on the strategic luxury of territorial defense. The dividing line between "in area" and "out of area" crises, so clearly drawn during the cold war, has become ambiguous and artificial.

Redefining alliance commitments in both areas, and finding the proper balance between the two, is the fundamental issue facing the alliance. Any new balance, however, must greatly improve NATO's capability to conduct military operations beyond its borders, and eventually allow it to expand its full security guarantees.

American leadership must secure the gains of the cold war and build a new U.S.-European partnership that can project democracy and stability. What is required is political will and strategic vision. By showing both, President Clinton can lay the foundation for a new partnership between the United States and Europe. □

Shortsighted Charity in Somalia

By Michael Maren

Four hundred U.S. Army Rangers arrived in Somalia yesterday, bolstering the 25,000 U.N. troops already there as part of a peacemaking effort that will cost more than $1.5 billion this year. At the same time, U.N. and private development

[illegible] other produce, also [illegible]. Charity is being phased out.

Yet these well-meaning policies will only help to re-create the situation that led to the food shortage in Somalia in the first place. The food that Somali workers will be receiving from agencies like CARE and the Red Cross will be imported wheat, rice and other commodities. And when workers are paid, the funds will have been raised by selling donated

told me that wheat is not grown in Somalia [illegible] CARE would do better to use cash to pay Somali workers, rather than food, but he remarked that it's much easier to get donations of food than it is to get cash. Food is plentiful and in surplus

[illegible] garbage bags and then trading a bag of [illegible] for a bag of grain. [illegible] fairly clean — Somalis don't waste much. The project is likely to turn into a

Projects that don't work

and create enterprises that would produce real income and eventually become self-sustaining — saving money in the long run. And once the workers themselves see that the projects produce income they would have a stake in continuing them, even after the donors leave.

CARE now has 5,200 Somalis receiving food and involved in public works projects. None of the projects will lead to full-time employment or become self-sufficient, and none will

for a model of successful development in Mogadishu might take a closer look at the port where they go to collect food from the ships. Eddie Johns, a former chief warrant officer in the U.S. Army and now employed by the U.N., is trying to run the port solely from fees paid by shippers. Mr. Johns employs 450 Somali workers, paying them in cash. His goals are modest: to hand over a self-sustaining enterprise to a Somali govern-

Mack
Jenny
p. 2

THE PRESIDENT HAS SEEN 9/1

9:00 a.m.
August 31, 1993

These talking points supersede all others responding to the TIMES article of August 30. 1993

TALKING POINTS IN RESPONSE TO THE WASHINGTON TIMES Article dated Monday August 30, 1993

The following talking points are provided in direct response to the information contained in the above captioned article:

- Previous White House Travel Office had dealt solely with TWA on the G-7 Summit Trip prior to May 19, 1993. Letter from TWA dated, June 9, 1993, states that "TWA had committed a 747 charter aircraft to your predecessor for use in transporting press and staff to the G-7 summit in July."

- The current Travel Office, upon taking over the operation in May, determined the necessity to take bids on the G-7 Summit trip.

- Seven (7) invitations for bids were sent to carriers.

    - Three (3) bids were returned and availability was confirmed by only these three.

    - One bidder was eliminated because of earlier indications from the Press that they did not think their safety record was acceptable.

- The charter price submitted by TWA was for $1.3 million dollars for the G-7 Summit.

- The winning bid was from Northwest Airlines in the amount of $986,437 -- a savings of $314,000 from the price submitted by TWA. The final actual cost from Northwest was $1.1 million because of the addition of two more domestic stops.

- Cathy Cronin of the White House Travel Office said upon questioning that she did not speak to any member of the press; she says her conversations were with the accounting departments of the bureaus.

9:00 a.m.
August 31, 1993
These talking points supersede all others responding to the TIMES article of August 30,1993

- According to President Bush's official trip log, he was in Los Angles from May 6-8, 1992. As referenced in the Times article, the one-way cost to a member of the press on this trip was $700. The comparative cost reference in the article between Bush's trip to Los Angeles and President Clinton's trip to San Francisco is misleading. The cost of $2,362 was not direct to San Francisco. It included a flight leg to the Quad Cities to assess the flood damage. Additionally, it was two legs of the total seven leg eleven day international trip and not a non-stop domestic charter flight..

- President Bush's transportation charter on TWA to the Far East in January of 1992 cost $820,500; however, as pointed out previously, if the bid had been awarded to TWA for President Clinton's trip in July of 1993, the cost would have been $1.3 million. In fact, the competitive bid process initiated by the current White House Travel Office resulted in a total savings of $314,000 to the traveling press on this trip alone.

why did bid go from 820 to 986?
in over 1½ yrs - Amazing,

820 - 1/92
986 - 7/93

August 31, 1993
These talking points supersede those drafted on August 30, 1993 re the Travel Office.

ADDITIONAL TALKING POINTS RE THE TRAVEL OFFICE

- The White House Travel Office's services to the traveling press are strictly on a not for profit basis..

- All travel costs are passed through to the traveling press.

- Relative costs are determined by the number of traveling press.

  The cost to the press is always dependent upon the number who actually go on the trip, the number of participants in each leg of the trip and the number of legs on the trip. Actual billing is done only after the trip is completed, all legs are known, and the number of participants per leg are known.

- All costs are on a reimbursable basis.

- No profits are realized by the White House Travel Office on press charters and, in fact, all operational costs for coordinating press travel activities are borne by the White House Travel Office.

- Since May 19, 1993, all air charters for the traveling press have been and will continue to be awarded through a competitive bid process.

- Since May 19, 1993, and the initiation of the competitive bidding procedure in the White House Travel Office, almost 20% has been saved on domestic press charters. This savings is based on a cost comparison with the amounts which would have been incurred had the previously exclusive relationship with UltrAire continued.

- OMB has reported and made recommendations to the Office of Management and Administration for instituting accounting procedures in the White House Travel Office and they are currently in effect..

- GSA made recommendations to the White House Office of Management and Administration relative to the Travel Office in August. All of the recommendations are currently being reviewed and evaluated and interviews of prospects to direct the Travel Office's activities are currently in process. A recommendation will be made to the Chief of Staff's Office during September of 1993.

The Washington Times

White House hits press with dramatic rise in travel costs

By John Bennett
SCRIPPS HOWARD NEWS SERVICE

The White House travel office has sent a tremor through Washington-based news organizations with sky-high charges for reporters who travel with President Clinton around the country and the globe.

The latest billings for chartered press trips arranged by the White House travel office were shocking to some organizations.

It was the first big trip arranged by the new travel office personnel. The administration ousted the entire travel office staff earlier this year in a series of messy confrontations over questionable accounting. Five of the seven staff members were later returned to government service, but not at the White House.

The bill that raised eyebrows was for Mr. Clinton's July 4-14 trip to the Far East on a chartered Northwest Airlines jet that included six legs beginning with a jaunt from Washington to San Francisco.

The one-way trip to San Francisco cost each of the 114 reporters aboard $2,362.

A survey showed that the average cost of a first-class commercial airline ticket for the same Washington-San Francisco leg is $1,355. The coach fare average is $833.

The Far East trip took Mr. Clinton and the press corps to Tokyo; Seoul; the Hawaiian island of Oahu; Des Moines, Iowa; and back to Washington. Total cost per reporter: $11,443.

The average total cost for a first-class commercial fare for the entire trip is $8,249.45, according to the survey. The average coach commercial fare is $4,466.45 — nearly $7,000 less than the White House charges.

The air charter billing did not include ground transportation costs and fees for setting up "filing centers" for press communications. Those bills are coming later.

Catherine Cronin, an accountant for the White House travel office, said news bureaus have questioned the billing. "I've had numerous calls that people thought they were excessive. But we also have to cover our costs. And our contract with Northwest was $1.1 million."

She said the trip was in accordance with a long-standing practice of pro-rating charges for each leg of a chartered trip with the president.

Only 114 reporters — not the 155 expected — boarded the jet on the Washington to San Francisco leg, she explained. "That means the reporters on the plane had to bear the higher costs."

The prices had news bureaus scrambling for comparison billings from the Bush White House days.

One Bush-era billing for a one-way May 12, 1992, press flight with Mr. Bush from Washington to Los Angeles served as a rough basis for comparison with the Clinton leg to San Francisco.

The Bush Los Angeles trip cost $700, compared with the $2,362 charged for the Clinton San Francisco trip.

Agriculture rehab has Espy in line of fire

Bureaucrats, farmers top list of likely foes

By James W. Brosnan
SCRIPPS HOWARD NEWS SERVICE

Before too long, it's likely that Agriculture Secretary Mike Espy will be fighting with farmers, bureaucrats and — nothing personal — perhaps even Vice President Al Gore.

As part of the Clinton administration's plan to cut the fluff out of gov-

Last week, he made his 12th trip to the flood-stricken areas of the Midwest, where he assured a "flood summit" of officials from nine states that "when the cameras leave and the radios click off, we're still going to be here."

He said President Clinton probably would agree to waive a requirement that states pay as much as one-fourth of the cleanup costs.

"When I open my curtain and try to look out among farm country, all I can see is the Washington Monument, and that's not good enough. I've got to get out there to receive their input, to hear their ideas directly," ...

[redacted]

THE WHITE HOUSE

8-31-93

Mr. President –

The "talking points" report regarding the Washington Times article on the White House Travel Office (WHTO), dated Aug. 30, 1993 is attached & has been provided to George Stephanopoulos, Mark Gearan, David Gergen & Roy Neel should they have follow-up questions from the Press.

[redacted]

The bottom line is the WHTO has provided the traveling press corps with significantly lower prices since the institution of the competitive bid process in May. Using competitive bidding assures the best price at any given time. Yet, the cost per traveler depends upon total number of traveling press, legs per trip, number of days on the road & charter price fluctuations.

Any questions ... let me know.

David W.

[redacted]

To: Doug L / Carol H
should discuss
when we meet

An Association for World Health

To President Bill Clinton 1-6/93
I hope you'll take a personal interest in this global problem.
Jimmy Carter

93 AUG 16 P3:32

THE PRESIDENT HAS SEEN 8/31

From the Chairman

'Opium Wars' of the 1990s

In the United States, smoking leads to 430,000 deaths a year. It is, next to AIDS, the most rapidly growing threat to the health of the people of the developing world.

What should concern us even more is the role played by the U.S. tobacco industry in inflicting this scourge on the rest of the world. With declining markets across the U.S., the tobacco industry has sought to promote sales through advertising in the Third World. They have also used the clout of the U.S. government to force reluctant countries to make their people easier victims for tobacco products and to threaten other countries that have banned or are strictly regulating their advertisement and promotion.

It is a modern version of the opium wars of the 1840s, when the British sent a military force to compel the Chinese government, against its will, to continue to allow its population to be supplied by British and American opium merchants. Then, as now, powerful economic interests prevailed in their desire to exploit a lucrative market without regard for the health and suffering of the users or their governments' efforts to protect them.

We eagerly condemn other nations for their failure to control the flow of other drugs to this country. But the health consequences of so-called "illicit drugs" are trivial compared to the effects of tobacco. At most, 10,000 die worldwide each year from these drugs, while tobacco kills in excess of 2.5 million. The number of Colombians dying from the effects of American cigarettes far exceeds the number of Americans who die from Colombian cocaine.

The Clinton administration now has an excellent opportunity to reverse this policy and to end our government's complicity in purveying death to the people of the developing world.

Peter G. Bourne

Peter G. Bourne, M.D.
Chairman of the Board

AAWH Quarterly

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President Jimmy Carter
Honorary Chairman

Peter G. Bourne, M.D.
Chairman of the Board

Richard L. Wittenberg
President, CEO

No-Tobacco Day Targets Health Care

Calling on health service workers of the world to lead the way to a healthier society, WHO's Director-General Hiroshi Nakajima dedicated World No-Tobacco Day 1993 to the cause of ensuring a tobacco-free society. The goal of the day, observed on May 31 each year, is to motivate all those who smoke or chew tobacco to "cease their harmful and wasteful behaviour for at least 24 hours." Events supporting this goal were held across the U.S. and in countries across the globe.

This year's initiative targeted the rights of workers and patients in health service establishments to breathe clean air, unpolluted by smoke from tobacco. Health care workers were called on to abstain from smoking to protect their patients and colleagues from the dangers of passive smoke.

"Health service premises are our window to the world," said Nakajima. "When people look through the windows of hospitals, health centres, screening facilities, ambulances, doctor's surgeries, dental suites, pharmacies or opticians' offices, let them see no one smoking." He also called for a stop to the sale and use of tobacco in buildings where health service workers are employed. ■

THE PRESIDENT HAS SEEN 8/31

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

August 20, 1993

93 AUG 20 P4:46

MEMORANDUM FOR THE DIRECTOR

Rubin

FROM: Joseph J. Minarik

SUBJECT: Friday Economic and Financial Report

Would like to discuss this when we return

SUMMARY

This Friday Report examines the view that a "credit crunch" prevented firms and consumers from gaining access to credit, and thereby worsened the 1990 recession and weakened the subsequent economic recovery. Credit normally contracts during an economic slowdown. The current credit contraction, however, has been far more pronounced and protracted than normal. This Report attributes the severity of the current downturn to two factors that go well beyond the normal functioning of the credit cycle:

- **Bank Capital Crunch** -- The collapse of the real estate market in the late 1980s led to falling bank equity values in New England and other regions. The imposition of stricter (albeit long-overdue) capital standards coincided with this reduction in equity and forced banks to constrain lending until bank capital ratios satisfied the new Basle standards.

- **Deleveraging of Corporate and Personal Indebtedness** -- Increased debt finance during the 1980s left both businesses and consumers extremely vulnerable to reductions in cash flow. As a result, the collapse of real estate values and the onset of the recession led to a self-reinforcing deterioration in borrower creditworthiness and a need for balance sheet restructuring.

While the capital constraints on banks have been largely satisfied thanks to record bank profits, on-going balance sheet restructurings are likely to continue to retard credit expansion and economic growth over the coming year.

Reassessing the "Credit Crunch"

Recovery from the 1990 recession has been sluggish relative to previous cyclical upturns. This may have been partly due to the post-1989 weakness in bank lending, popularly known as the "credit crunch." This Friday Report examines the history of the credit cycle and compares the current lending "crunch" with previous contractionary episodes. It argues that the severity and length of the recent decline in bank lending are due to factors that go well beyond a typical credit contraction. These factors include the deleveraging of corporate and personal balance sheet indebtedness and the stricter capital requirements imposed on banks following the S&L fiasco of the 1980s.

Credit Cycles and the Importance of Bank Lending

A "credit crunch" refers to a reduction in the supply of bank loans offered at any given interest rate or a worsening of loan terms for any given borrower. During a credit crunch, fewer new loans are extended and fewer existing loans are rolled over. Because the reduction in loans is typically supply-driven, an excess demand for funds develops, and previous bank borrowers are forced to look to alternate sources of borrowing or forgo planned investment projects.

Traditional macroeconomic analysis assumes that firms can always find alternate sources of credit and have little or no trouble financing profitable investment projects. An alternative "credit" view, however, challenges this assumption, asserting that the cost of finding alternate finance is often significant. The credit view attributes these costs to one of two factors that give bank loans a "special" role in the allocation of financial resources.

- Bank loans and other forms of credit are not perfect substitutes. Firms cannot costlessly switch between bank and nonbank suppliers of credit.

- Given the problems of moral hazard and adverse selection, banks often maximize their expected return by rationing the volume of credit at a preset interest rate instead of allowing the credit market to clear by setting a higher rate. If banks allowed their interest rate to rise to market-clearing levels, their expected return would fall; creditworthy applicants would borrow elsewhere, leaving the bank with a riskier pool of potential borrowers who plan more speculative investments.

According to the credit view, changes in bank lending can have a real impact on the overall economy through the "credit channel." A reduction in bank lending, possibly in response to tighter monetary policy, leads to a rise in the cost of funds (or reduced access to credit in the case of rationing) for firms that cannot obtain alternate sources of credit at comparable terms. As real resources fall with the increase in firms' cost of funds or increased rationing, businesses may have to cut back on investment plans, placing a drag on economic growth.

The Credit Cycle -- Over the past 40 years, credit cycles have tended to follow a boom-bust pattern, with monetary policy usually initiating the bust in the cycle.

- A typical credit cycle starts with a jump in investment. As asset prices rise, firms begin pledging previously leveraged collateral to obtain borrowing for additional investments. Expectations of continued asset price inflation provide both borrowers and lenders with a false sense of security, leading to an easing of bank credit terms and more speculative or leveraged financial transactions.

- At some point, however, usually when the Federal Reserve moves to stem inflationary pressure with tighter monetary policy, there is a downward shift in firms' expectations of revenue or profit, driving expected asset earnings below required debt service payments for weaker firms. Firm balance sheets deteriorate and lenders become more cautious in the face of rising credit risks. Yield spreads between risky assets and safe assets start to rise -- reflecting the increase in market risk.

- As actual returns from new and existing capital assets fall below expectations, asset prices start to decline. This reduction in the market value of assets can accelerate if receipts fall short of interest payments on outstanding debt, forcing borrowers to sell assets, especially commercial real estate, to raise funds to pay off troubled loans.

- Finally, banks, which are by nature highly leveraged, suffer capital losses from loan write-offs and begin to restrict access to credit. It is at this point, when banks start to restrict the issuance of credit, that the credit channel becomes blocked. This chokes a wide range of businesses and restricts overall economic growth. Small business, which is often the first place banks ration credit, is especially hard hit because small firms do not share the same access to alternate financial resources as their larger brethren.

The 1990 Credit Crunch

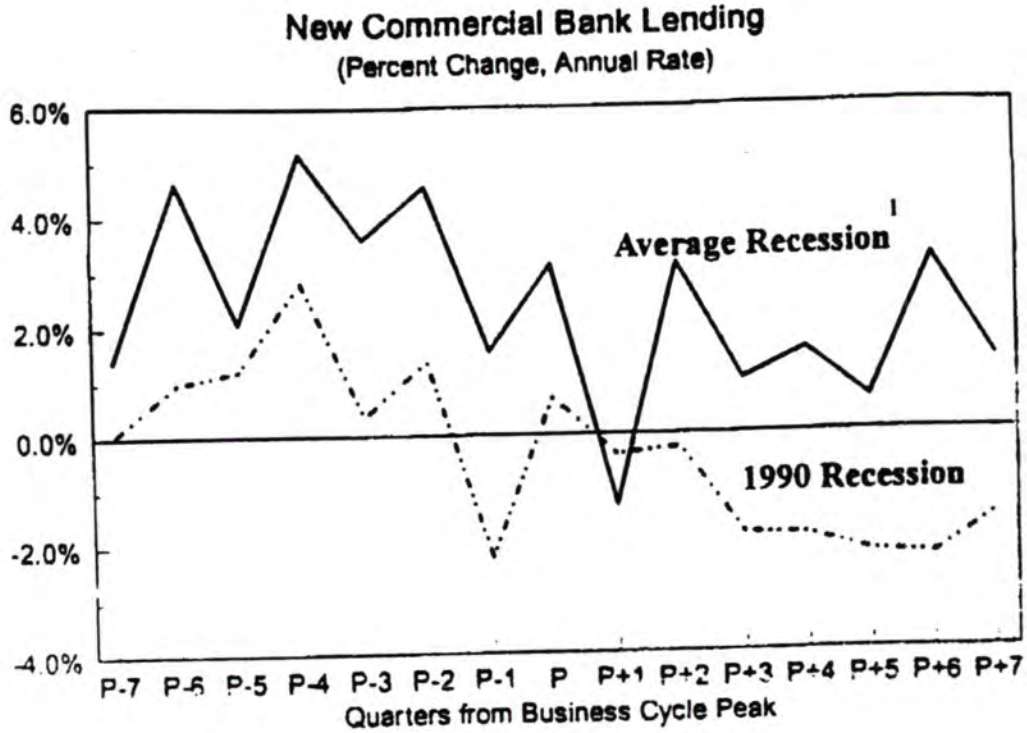
The latest credit contraction is unique in its severity and duration. Since the end of 1989, business lending by commercial banks has fallen by more than 14 percent ($92 billion), with sharper contractions in the Northeast (16.8 percent), the Southwest (14.8 percent), and the West (16.1 percent). As shown in the chart below, this contraction in bank business lending has been far more pronounced than in previous credit cycles.

What Explains the Current Tightness in Credit?

The most recent credit crunch is not the result of tight monetary policy, the normal cause of increases in the cost of credit and reduced bank lending.

- Interest rates on three-month Treasury bills fell to a 30-year low of 2.86 percent last October and have remained below 3.0 percent through the first half of 1993.

- Bank reserves and the monetary base have ballooned over the past two years. Total reserves have grown at an annual rate of 16 percent and the monetary base at 10 percent.



(1) Average over last 6 recessions, excluding 1981.

In addition, unlike many previous cycles, disintermediation was not a factor in the recent contraction. As shown in Table 1, new lending was depressed across all financial sectors and loan types and not just limited to commercial banks. The issuance of nonfinancial commercial paper, the primary alternative to bank lending, actually fell 4 percent over the past three years.

New Lending by Financial Institution and Loan Type

Percent Change 1989:Q4-1993:Q1

	Business	Mortgages	Consumers
U.S. Commercial Banks	-14.1	15.1	-6.2
Thrifts	-88.3	-38.2	-7.1
Finance Companies	8.7	21.1	-19.8
Insurance Companies	30.1	-1.7	NA
Securitized Credit Obligations	669.8	NA	142.0

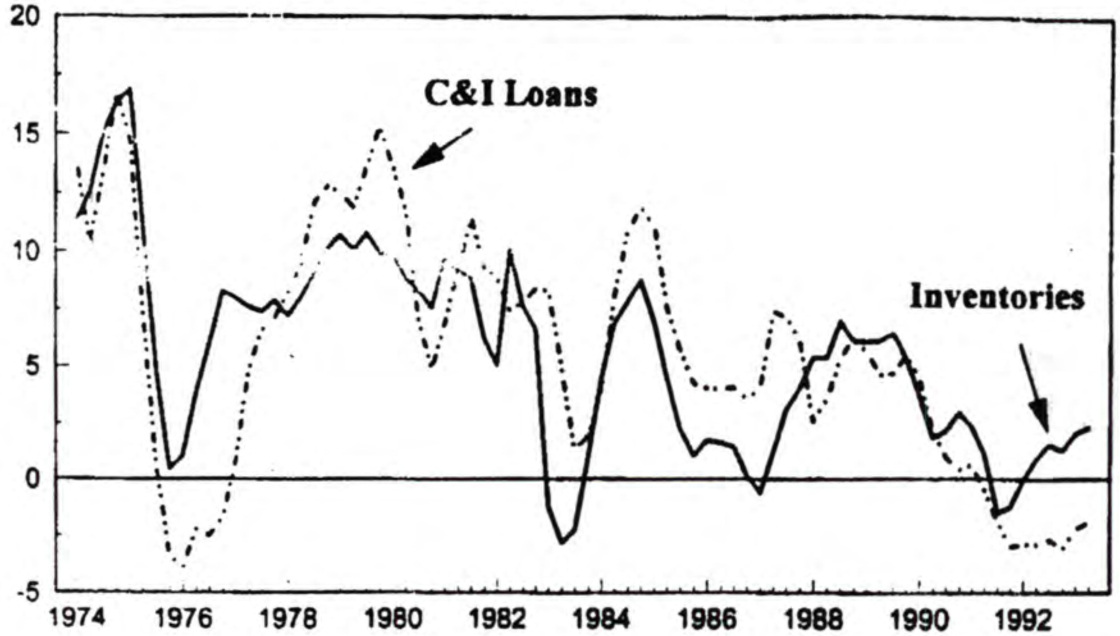
$ Billions 1989:Q4-1993:Q1

	Business	Mortgages	Consumers
U.S. Commercial Banks	-92.3	110.9	-23.7
Thrifts	-25.6	-264.7	-10.1
Finance Companies	23.5	42.8	-28.6
Insurance Companies	17.3	-4.1	NA
Securitized Credit Obligations	13.5	NA	69.2
Net Change	-63.6	-115.1	6.8

Like its predecessors, however, the current cycle shares the feature of being at least partially supply constrained.

- The close relationship between business inventories and banks' commercial and industrial (C&I) lending has diverged since the start of the recession, indicating a supply constraint or structural shift in the source of inventory finance. In the past, large firms have used C&I loans to finance a build-up of inventories at the start of an economic recovery. During the current cycle, however, C&I lending has remained flat and the build-up in inventories has largely been financed with internal funds or nonbank credit.

Business Inventories and C&I Loans
(4 Quarter Moving Average, Annual Percent Change)



- The spreads between the Federal funds rate and rates on corporate and consumer loans remain at historically high levels, despite large drops in the spreads on nonbank credit.

- The mixed signals provided by current monetary indicators are characteristic of a blockage in the credit channel. While the extremely slow growth in M2 signals a less accommodating monetary policy, historically low interest rates and rapid growth in bank reserves indicate otherwise.

<u>The severe and protracted decline in post-1989 lending can be attributed to two factors</u>.

- <u>Bank capital crunch</u>: Falling equity values, as loan delinquencies and defaults soared, and long-overdue but poorly timed stricter capital standards forced banks to constrain lending until bank capital ratios satisfied the new Basle standards.

- <u>Balance-sheet deleveraging</u>: Highly leveraged corporate and consumer balance sheets led to a self-reinforcing deterioration in borrower creditworthiness.

<u>The Capital Crunch: New England Experience</u> -- Evidence of a bank "capital" crunch originates mostly from the recent experience in New England, where the collapse of the commercial real estate market and the phase-in of stricter loan oversight and bank capital standards played a significant role in the decline in bank lending.[1] The New England episode was due largely to the puncture of a large speculative bubble in the regional real estate market. The bubble was set off by the passage of favorable real estate tax provisions in 1981 that were largely eliminated by the 1986 Tax Reform Act. The collapse of regional real estate values in the late 1980s increased bank loan write-offs and critically depleted bank capital. Banks, in transitioning to the stricter (albeit long-overdue) capital standards established in the international Basle accord, were forced to raise capital by selling assets and constraining loan growth -- leading to a "capital" crunch during the 1989-1990 period. The same pattern of contracting bank balance sheets later emerged in the Mid-Atlantic region and, more recently, in the West.

Given this serious asset squeeze and the new risk-weighted capital standards, banks also found it much more profitable to invest their surplus funds in government securities rather than in private loans. The steepness in the Treasury yield curve made this shift in asset portfolios especially attractive to banks. The high rates of return on basically risk-free Treasury notes and bonds simply represented a better investment when compared with the less attractive rates on more risky real estate loans that carry an 8 percent risk-based capital requirement.

The steep yield curve is widely expected to narrow in the coming years as the economic expansion gathers momentum and the Federal budget deficit is reduced. When this occurs, the structure of interest rates should resume a more typical historical pattern and banks should begin to shift assets back toward commercial loans and other risky assets. Already, the Administration's deficit reduction package has prompted long-term Treasury bond rates to fall to 6.2 percent, down by almost 125 basis points since the end of 1992.

<u>The Unwinding of the Leverage Boom</u> -- Unlike past credit cycles, <u>the latest credit squeeze was precipitated by a leverage boom, not an investment boom</u>. Almost $600 billion of the $1 trillion in net new borrowing by nonfinancial corporations during the 1984-1989 period went into acquisitions, buyouts, stock repurchases, and other highly leveraged transactions.[2] Total business-sector debt rose from just 52 percent of GDP in 1980 to a peak of almost 67 percent in 1989. Meanwhile, household debt rose from just under 50 percent of GDP to over 68 percent in 1991. Total government debt rose from 37 percent to just over 66 percent of GDP by the end of last year.

Many causes of the mid-1980s leverage boom have been cited, including overly optimistic projections of firm earnings, tax advantages, banking deregulation, and the increasing

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[1]Syron, Richard F., "Are We Experiencing a Credit Crunch?" <u>New England Economic Review</u>, Federal Reserve Bank of Boston, July/August 1991.

[2]Friedman, Benjamin, "The Minsky Cycle in Action: But Why?" <u>Quarterly Review</u>, Federal Reserve Bank of New York, Spring 1993.

popularity of debt finance.[3] Regardless of the motivation, the impact of the increased corporate propensity for debt finance was to increase the sensitivity of corporate profits to changes in cash flows. The protracted decline in real estate values and the onset of the 1990 recession forced highly leveraged firms facing falling cash flows to shed workers and scrap investment plans faster than less-leveraged firms. Meanwhile, deteriorating balance sheets impaired leveraged firms' ability to raise external funds. In a feedback process, this cutback in firm spending spilled over into the performance of financial intermediaries and the economy more broadly.

Thus, the highly leveraged position of corporate balance sheets exacerbated the decline in business lending as borrower creditworthiness plummeted with earnings, in what Bernanke and Gertler referred to as a type of "financial accelerator" in the contraction of credit.[4] The perseverance of the current contraction in bank lending through 1992 and into early 1993 has been largely driven by this firm deleveraging -- most borrowers were either not creditworthy enough to borrow or were more interested in reducing debt burdens than in taking on new debt. A similar pattern emerged in the consumer sector.

Credit for the Future?

While the precipitating cause of the credit crunch will remain the subject of debate, the principal factors that led to the sustained decline in lending over the 1990-1993 period are becoming better understood. Looking forward, commercial banks appear to be in a strong position to resume lending. Banks are flush with cash and capital, thanks to record profits last quarter; and the Administration's commitment to deficit reduction has helped lower the premium on long-term Treasury securities, increasing the attractiveness of commercial loans. In the end, however, it will be the demand-side factors that continue to dominate the pace of recovery. Credit growth will remain weak over the next several quarters until both consumers and businesses complete their balance sheet restructuring, laying the foundation for the next investment cycle.

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[3] The popularity of corporate leveraging followed the widespread acceptance of Jensen's "free cash flow" theory which claimed that long-term corporate savings can be generated through leveraged streamlining of corporate operations. Jensen, Michael, "Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers." American Economic Review, May 1986, pp. 323-29.

[4] Bernanke, Ben and Mark Gertler, "Financial Fragility and Economic Performance." The Quarterly Journal of Economics, vol 105, February 1990, pp. 87-114.

RECENT ECONOMIC INDICATORS AS OF AUGUST 20, 1993
(S.A. OR AS INDICATED)

	Jul-92	Aug-92	Sep-92	Oct-92	Nov-92	Dec-92	Jan-93	Feb-93	Mar-93	Apr-93	May-93	Jun-93	Jul-93
GDP (Quarterly Series, % A.R.)													
Nominal GDP			5.3			7.1			4.3			4.0	
Real GDP			3.4			4.7			0.7			1.6	
Implicit Price Deflator			2.0			2.3			3.[illegible]			2.6	
Fixed-Weight Price Index			2.3			3.3			4.3			2.6	
CYCLICAL INDICATORS													
Leading Index, Percent	0.1	-0.2	0.1	0.5	0.7	1.7	-0.4	0.5	-1.0	0.3	-0.4	0.1	NA
Coincident Index, Percent	0.4	-0.5	0.1	0.5	0.2	1.0	0.0	0.2	0.0	-0.2	0.3	-0.3	NA
Purchasing Managers' Diffusion Index	53.0	52.2	48.7	50.7	54.7	55.4	58.0	55.8	53.4	49.7	51.1	48.3	49.5
Percent	1.3	-1.5	-6.7	4.1	7.9	1.3	4.7	-3.8	-4.3	-6.9	2.8	-5.5	2.5
Industrial Production	106.8	106.6	106.2	107.5	108.4	108.9	109.3	109.9	110.1	110.4	110.2	110.2	110.6
Percent	0.75	-0.19	-0.38	1.22	0.84	0.46	0.37	0.55	0.18	0.27	-0.18	0.00	0.36
Capacity Utilization, Manufacturing	78.9	78.7	78.4	79.2	79.7	79.8	80.3	80.5	80.6	80.9	80.6	80.4	80.4
EMPLOYMENT INDICATORS													
Civilian Employment, Million	117.7	117.8	117.7	117.7	118.1	118.3	118.1	118.5	118.6	118.4	119.3	119.2	119.3
Nonfarm Payroll Employment, Million	108.6	108.6	108.7	108.8	108.9	109.1	109.2	109.5	109.6	109.8	110.1	110.1	110.3
Civilian Unemployment Rate, Percent	7.6	7.6	7.5	7.4	7.3	7.3	7.1	7.0	7.0	7.0	6.9	7.0	6.8
Employment/Population Ratio	61.4	61.4	61.3	61.3	61.4	61.5	61.3	61.4	61.4	61.3	61.7	61.6	61.6
Average Weekly Hours, Manufacturing	41.1	41.1	41.0	41.1	41.2	41.2	41.4	41.4	41.2	41.5	41.4	41.2	41.4
CONSUMER SECTOR													
Retail Sales, Billion $	162.4	163.2	164.2	167.6	167.3	169.2	169.2	169.1	167.4	170.5	171.7	172.1	172.3
Percent	0.7	0.5	0.6	2.1	-0.2	1.1	0.0	-0.1	-1.0	1.9	0.7	0.2	0.1
Total Auto Sales, Milion Units, A.R.	8.3	7.9	8.3	8.3	8.2	8.7	8.6	8.0	8.3	8.9	9.1	9.1	8.7
Domestic Auto Sales, Million Units, A.R.	6.4	6.0	6.3	6.3	6.2	6.7	6.6	6.0	6.3	6.8	6.9	7.1	6.7
Personal Income, Billion $, A.R.	5048.7	5056.4	5080.9	5145.0	5143.7	5194.0	5223.1	5229.0	5260.8	5271.0	5298.7	5296.2	NA
Percent	0.2	0.2	0.5	1.3	-0.0	1.0	0.6	0.1	0.6	0.2	0.5	-0.0	NA
Disposable Personal Income, Billion $, A.R.	4424.6	4426.3	4448.7	4505.9	4500.4	4545.4	4566.3	4573.2	4605.4	4611.8	4632.4	4629.3	NA
Savings Rate, Percent	4.8	4.6	4.6	4.4	4.4	4.4	4.5	4.9	4.8	4.8	4.3	NA	NA
Real Personal Income, Billion 87$, A.R.	4078.1	4094.3	4090.9	4125.9	4118.3	4155.2	4161.8	4156.6	4171.9	4166.8	4185.4	4183.4	NA
Percent	0.0	0.4	-0.1	0.9	-0.2	0.9	0.2	-0.1	0.4	-0.1	0.4	-0.0	NA
Real Disposable Personal Income, Billion 87$, A.R.	3574.4	3585.5	3581.7	3613.4	3604	3637.1	3639.9	3634.3	3652.6	3646.7	3658.7	3655.6	NA
Percent	-0.0	0.3	-0.1	0.9	-0.3	0.9	0.1	-0.2	0.5	-0.2	0.3	-0.1	NA
Consumer Sentiment Index, U of Michigan	76.6	76.1	75.6	73.3	85.3	91.0	89.3	86.6	85.9	85.6	80.3	81.5	77.0
Percent	-4.7	-0.7	-0.7	-3.0	16.4	6.7	-1.9	-3.0	-0.8	-0.3	-6.2	1.5	-5.5
HOUSING SECTOR													
Housing Starts, Thousand Units, A.R.	1106	1229	1218	1226	1226	1286	1171	1180	1124	1206	1248	1246	1212
Single-Family Starts	961	1038	1045	1079	1089	1133	1051	1036	987	1059	1107	1078	1060

08/20/93

	Jul-92	Aug-92	Sep-92	Oct-92	Nov-92	Dec-92	Jan-93	Feb-93	Mar-93	Apr-93	May-93	Jun-93	Jul-93
BUSINESS SECTOR													
Nondefense Capital Goods Orders, Billion $	28.7	27.5	29.8	30.1	26.8	32.3	28.6	32.7	29.1	30.5	29.9	33.4	NA
Percent	-4.8	-4.3	8.4	1.1	-11.0	20.4	-11.2	14.3	-11.1	4.6	-1.7	11.5	NA
Nonresidential Construction Put in Place, Billion $	129.4	125.0	128.2	130.3	128.9	128.9	128.3	129.1	131.5	131.2	134.5	133.9	NA
Inventory Change Book Value, Billion $, A.R.	36.5	23.5	-11.1	8.6	19.8	32.9	24.9	42.3	52.5	40.6	20.6	16.9	NA
Inventory/Sales Ratio, Total Business	1.50	1.52	1.50	1.49	1.49	1.46	1.46	1.46	1.47	1.47	1.47	1.47	NA
INFLATION INDICATORS													
CPI, Percent	0.3	0.2	0.1	0.4	0.2	0.1	0.5	0.3	0.1	0.4	0.1	0.0	0.1
CPI Less Food and Energy, Percent	0.3	0.2	0.1	0.5	0.3	0.2	0.5	0.5	0.1	0.4	0.2	0.1	0.1
PPI Finished Goods, Percent	0.0	0.1	0.2	0.1	-0.2	0.0	0.3	0.4	0.3	0.5	0.0	-0.3	-0.2
PPI Less Food and Energy, Percent	0.1	0.0	0.1	-0.1	0.2	0.1	0.4	0.2	0.2	0.2	0.2	-0.1	0.1
Gold, $ per ounce	353.2	344.6	345.3	344.0	334.4	334.0	329.4	329.2	330.3	341.6	364.2	372.4	392.1
W. Texas Spot Oil Price, $/bbl	21.8	21.4	21.9	21.7	20.3	19.4	19.1	20.1	20.3	20.3	19.9	19.1	17.9
MERCHANDISE TRADE													
Exports, Billion $, A.R.	449.2	436.4	451.9	466.6	453.6	470.1	450.1	443.1	466.7	461.7	467.2	451.8	NA
Imports, Billion $, A.R.	539.3	540.6	551.6	553.4	547.6	553.7	542.1	538.0	592.2	583.9	567.7	596.5	NA
Deficit, Billion $, A.R.	-90.1	-104.2	-99.7	-86.8	-94.0	-83.6	-92.1	-94.8	-125.4	-122.2	-100.5	-144.7	NA
U.S. EXCHANGE RATE													
Multilateral	82.6	81.0	82.0	85.0	90.0	90.5	92.4	93.8	93.7	90.6	90.2	91.8	94.6
Percent	-3.9	-1.9	1.2	3.7	5.9	0.5	2.1	1.6	-0.2	-3.2	-0.4	1.7	3.0
Yen/$	125.9	126.2	122.6	121.2	123.9	124.0	125.0	120.8	117.0	112.4	110.3	107.4	107.7
DM/$	1.49	1.45	1.45	1.49	1.59	1.58	1.61	1.64	1.65	1.60	1.61	1.65	1.72
$/Pound	1.92	1.94	1.85	1.65	1.53	1.55	1.53	1.44	1.46	1.54	1.55	1.51	1.50
MONEY AND CREDIT													
M2, Billion $	3463.6	3472.4	3480.2	3491.4	3498.0	3496.9	3486.9	3475.4	3472.8	3474.4	3504.9	3511.0	3515.1
Percent	0.5	3.1	2.7	3.9	2.3	-0.4	-3.4	-3.9	-0.9	0.6	11.1	2.1	1.4
M3, Billion $	4169.0	4178.7	4183.0	4180.0	4178.5	4166.4	4141.0	4135.4	4131.0	4141.9	4171.2	4166.7	4158.9
Percent	-0.3	2.8	1.2	-0.9	-0.4	-3.4	-7.1	-1.6	-1.3	3.2	8.8	-1.3	-2.2
C&I Loans & Commercial Paper, Billion $, N.S.A.	966.0	981.4	987.1	991.1	996.9	989.8	986.1	978.4	979.9	984.8	986.4	987.6	NA
Percent, A.R.	-26.3	20.9	7.3	5.0	7.2	-8.2	-4.4	-9.0	1.8	6.2	2.0	1.4	NA
C&I Loans, Billion $	422.8	439.3	439.3	439.5	441.0	438.3	436.3	437.4	438.4	438.9	440.1	439.2	NA
Commercial Paper, Billion $	543.2	542.0	547.9	551.7	555.9	551.5	549.9	541.1	541.4	545.8	546.3	548.5	NA
INTEREST RATES													
Federal Funds Rate	3.3	3.3	3.2	3.1	3.1	2.9	3.0	3.0	3.1	3.0	3.0	3.0	3.1
T-Bill, 3 Month	3.2	3.1	2.9	2.9	3.1	3.2	3.0	2.9	3.0	2.9	3.0	3.1	3.0
T-Bond, 30 Year	7.6	7.4	7.3	7.5	7.6	7.4	7.3	7.1	6.8	6.9	6.9	6.8	6.6
Corporate AAA Bonds	8.1	8.0	7.9	8.0	8.1	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2
Mortgage Commitment Rate	8.2	8.0	7.9	8.1	8.3	8.2	8.0	7.7	7.5	7.5	7.5	7.4	7.2
STOCK MARKET													
Dow Jones 30 Industrials	3329.4	3307.5	3293.9	3198.7	3238.5	3303.2	3277.7	3367.3	3440.7	3423.6	3478.2	3513.8	3529.4
Standard & Poor's 500	415.1	417.9	418.5	412.5	422.8	435.6	435.2	441.7	450.2	443.1	445.3	448.1	447.3

To VP - should we do more on this? BC

THE PRESIDENT HAS SEEN
8/31

Miners Kill 20 Indians in the Amazon

By JAMES BROOKE
Special to The New York Times

RIO DE JANEIRO, Aug. 19 — Gold miners killed 20 members of a remote Indian tribe near Brazil's Amazon border with Venezuela this week, officials of Brazil's Indian protection agency said today.

"Some of the children were decapitated with machete blows," Suami dos Santos, the agency's administrator in Roraima State said of the killings on Sunday. "What causes us great indignation and repulsion is that the murders were carried out with touches of cruelty and savagery."

The victims, including 10 children, belonged to the Yanomamí tribe. Considered the largest unacculturated Indian tribe of the Americas, the 20,000 Yanomami have been the focus of an international campaign to insure their physical and cultural survival.

Breaking an isolation of millenniums, the Yanomami's first contacts with the outside world, in the 1970's, led to cultural disorientation and death from imported diseases.

The Worst on Record

The killings on Sunday, the worst of Yanomami on record, highlight growing anti-Indian sentiment in Amazon mining areas. Defenders of the Indians asserted today that miners were emboldened by a lack of national outcry over the killings of five Yanomami in the Venezuela border region last month.

"The first massacre did not have any repercussion, so the miners probably felt encouraged," said Carlo Zacquini, a Roman Catholic missionary who has worked with the tribe for the last 26 years.

According to surviving Indians and the police, the miners attacked Hoximu lodge to retaliate for a police raid on Saturday on a nearby mining camp, Raimundo Nenê. In this raid, the police destroyed the miners' water pumps and generators and sabotaged their airstrip.

The raid was part of an on-again-off-again battle by Brazilian authorities to expel clandestine miners from the Yanomami homeland, a 37,000-square-mile area bordering Venezuela. In the second campaign since 1990, the police expelled all but 600 miners from the area this year, according to Funai, the Indian protection agency.

Lodge Is Burned, Too

Attacking with guns and machetes on Sunday, the miners killed as many Yanomami as possible and then burned down two thatched, circular lodges, according to survivors interviewed by Funai officials.

"First, they shot the men with guns, then they cut the throats of the women and children with machetes," said Anton Netto, a Funai spokesman.

On Wednesday, a Funai helicopter flying with two survivors aboard was unable to locate the camp in the remote, mountainous rain forest. Today, a Funai offical, Wilt Célio da Silva, reached the village and radioed a report back to Boa Vista, the Roraima capital.

Miners attacked Hoximu lodge to retaliate for a police raid.

Concerned by reports that the death toll could mount, Brazil's Justice Minister, Maurício Corrêa and the Attorney General, Aristides Junqueira, flew to Boa Vista today.

"I don't have any doubt that this can be classified as a genocide," Mr. Junqueira said after arriving.

Mr. Corrêa said on Wednesday, "If confirmed, this could be worse than the Candelária massacre." He was referring to the killing of eight street youths in front of the Candelária Church in Rio a month ago.

Pressure on World Bank

The negative international impact could be just as great.

A familiar figure worldwide, Davi Kaponewa Yanomami, the leader of Brazil's 10,000 Yanomami, met with Interior Secretary Bruce Babbit in Washington in May and with Vice President Al Gore, then a United States Senator, in Rio during the Earth Summit last year.

Last month, during Congressional hearings in Washington, Robert G. Torricelli, Democrat of New Jersey, proposed that the United States help protect Brazil's Indians by putting pressure on the World Bank and the Inter-American Bank. Sensitive to international concern over the Yanomami, the World Bank announced in late June a $330,000 loan to improve Government health care for the tribe.

In the late 1980's, about 1,500 Brazilian Yanomami died of imported diseases. Of 8,131 Yanomami tested this year, 20 percent had malaria, according to the Committee for the Creation of a Yanomami Park, a private Brazilian group.

"If Brazil wants to talk to the World Bank about support for new directions in the Amazon, they will have to show a minimal concern about human rights," said Stephan Schwartzman, a visiting anthropologist for the Environmental Defense Fund, a Washington group. "We will be sure to bring our concerns to Babbitt and the Vice President."

In Britain, Survival International, another private group, announced a demonstration in London on Friday, calling on the Brazilian Government to "act now to prevent further atrocities."

Debate in Brazil Is Bitter

The killings and the international pressure are expected to polarize Brazil's increasingly bitter debate over the Yanomami.

In Roraima, unemployed gold miners say they feel abandoned by their Government. Forced out of the reserve, thousands emigrated to southern Venezuela and Guyana. In recent months, both countries forcibly repatriated dozens of miners.

Miners, local politicians and Brazil's army assert that it is unrealistic to try to stop a gold rush and to lock up billions of dollars in mineral wealth in order to shelter 10,000 Yanomami in an area the size of Portugal. Amazon politicians refuse to recognize the Yanomami reservation, which was officially decreed one week before the Earth Summit.

In October, when Brazil's Congress is to start reviewing the Constitution, Amazon legislators plan to seek to open Indian lands to mining and to revoke the presidential decree creating the Yanomomi reserve.

Nicaraguan Rebels in North Hold Hostages

MANAGUA, Nicaragua, Aug. 19 (AP) — Rebels took legislators, soldiers and human rights workers hostage today in northern Nicaragua, demanding the resignations of two top Nicaraguan officials, the Army said.

The demands were made by former contras who fought the leftist Sandinistas in the 1980's, Lieut. Milton Sandoval, an Army spokesman, said. The rebels sought the resignations of a presidential aide, Antonio Lacayo, and the Army leader, Gen. Humberto Ortega Saavedra.

There was no immediate word on how many hostages the rebels were holding. The attack, the second in two months, took place in Quilalí, an isolated mountain town 30 miles south of the Honduran border. In Estelí, an attack in July by a different rebel group left at least 50 people dead.

An estimated 1,400 ex-contras and demobilized soldiers have taken up arms again, saying President Violeta Barrios de Chamorro has broken her promises of land and financial help.

JP

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

93 SEP 1 P12:18

FAX TRANSMITTAL

Nancy
Mark Gearan

TO: JOHN PODESTA

Did P ever talk to Patsy Mink?

John Podesta

ORGANIZATION: THE WHITE HOUSE

PHONE NUMBER:

FAX NUMBER: 202-456-2215

FROM: BILLY WEBSTER

PHONE NUMBER: 202-401-6143

FAX NUMBER: 401-0596

MESSAGE:

CONFIDENTIALITY NOTICE

3 PAGE(S) TO FOLLOW

RECOMMENDED TELEPHONE CALL
FROM THE PRESIDENT

TO: Congresswomen Patsy Mink (D, Hawaii)

DATE: September 1 or 2

RECOMMENDED BY: Richard W. Riley, Secretary of Education

BACKGROUND: Mrs. Mink is the author of an amendment to the Goals 2000 legislation, approved by the House Education and Labor Committee, that significantly reduces the role of the National Education Goals Panel in the process of establishing national content, performance and opportunity-to-learn standards. This is one of a series of amendments added by the Committee which were opposed by the Administration. The President indicated his opposition in a letter he sent to the members of the Committee.

The Administration's proposed legislation gave the Goals Panel the authority to "review and approve" the decisions of the National Education Standards and Improvement Council (NESIC). Mrs. Mink's amendment instead permits the Goals Panel to merely "review and comment on" NESIC's actions. This is a problem because it reduces the comfort level of Governors in the standards process, by removing their formal control through the Goals Panel. Symbolically, it reduces the importance of the Goals Panel despite its significant leadership in this area. In addition, the President has written to the committee specifically requesting that it refrain from any steps that would weaken the relationship between the Goals Panel and NESIC.

Mrs. Mink has turned down several requests from Secretary Riley to either restore the original Administration language, or to agree to a compromise which would give the Goals Panel the authority to "review and disapprove" NESIC's actions within a specified time period.

While Mrs. Mink has voted to report Goals 2000 from subcommittee and full committee, she does not at all believe in the overall approach to education reform incorporated in Goals 2000. In her view, what schools in general need--and schools in Hawaii in particular--is additional funds, rather than additional reforms.

Mrs. Mink has agreed to a request from Secretary Riley to address a second, related concern created by an additional amendment she offered. In this case, she significantly reduced the role of the Goals Panel in appointing the members of NESIC. She has, however, agreed to restore the original language in the Administration's proposal.

Our negotiations with Mrs. Mink are part of an ongoing series of negotiations with Democratic members of the House Education and Labor Committee aimed at addressing the concerns the President raised in his letter, and enabling the Administration to support the Committee version of the bill. Rep. Ford has indicated that he needs a second letter from the President, indicating support for the Committee bill, to avoid a floor fight when the bill is brought up for a vote. Our position has been that the President cannot send a supportive letter unless the issues he raised in his initial letter are addressed, through a Committee amendment to be offered when the bill comes to the floor. Negotiations to secure these changes have gone extremely well--the issue with Mrs. Mink is now the only real obstacle preventing the Administration from indicating its support.

DISCUSSION TOPICS:

1. Underscore for Mrs. Mink the importance of Goals 2000 as a framework for the Administration's entire approach to education, including school-to-work transition and the reauthorization of the Elementary and Secondary Education Act. All revolve around creating an education system aimed at helping all learners reach high standards.

2. Indicate that Secretary Riley has reported to you their recent conversation. You understand that in her trips around the islands, she saw how much people are struggling to recover from the recent hurricane. You are aware that she is concerned that what schools in Hawaii need

most is additional money, and that Goals 2000 will not provide that. Make the case that Goals 2000 provides a framework for state and federal efforts. Without the kind of reform process envisioned in Goals 2000, it will be impossible to convince taxpayers at the federal, state or local level to increase funding for education. No one is in the mood to pay more for more of the same. With Goals 2000, it will be easier to make the case for additional funds for ESEA. It may also be possible to seek larger appropriations for Goals 2000 in the future.

3. Thank Mrs. Mink for her support for the bill, and for her willingness to address Secretary Riley's concerns regarding the appointment of NESIC.

4. Indicate the importance of restoring the role of the Goals Panel in the standards process. It is essential to ensuring the support of Governors, legislators and other state officials. Neither this bill nor education reform overall can succeed without the active support of state officials.

5. Indicate that restoring the role of the Goals Panel in reviewing and approving, or, as the Secretary proposed as a compromise, reviewing and disapproving NESIC's actions, is essential in order for the President to be able to send the kind of supportive letter that Mr. Ford has requested. Ask for her cooperation so that the bill can move forward.

CONTACT PERSON: Mike Cohen
401-3385

Billy Webster
401-6143

DATE OF SUBMISSION: September 1, 1993

ACTION: