

orig. given
to Mrs Clinton
FW

THE WHITE HOUSE
WASHINGTON

9/7

HRC

Ernest Cunningham
called BHW and said
he had reviewed the
health care plan - he likes
it & says it will help him -
would like to be a spokesman
to small business or help
you organize small bus -
I think he would come
up here & work for you for
a while if you can use
him -

B₂



THE PRESIDENT HAS SEEN 9/9

THE WHITE HOUSE

WASHINGTON

8/19/93

Mr. President:

While I don't claim to
be at the David Preyer level
when it comes to taste in ties,
when I spotted this one it
was hard to resist not sending it
your way.

Happy Birthday,

Gene

Thank - You made me
a worthy challenger to
Preyer — B.



Guerr



Gore vs. Grace: Dueling Reinventions Show How Clinton, Reagan Views of Government Differ

By DAVID WESSEL
And TIMOTHY NOAH

Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON — Back in 1984, businessman J. Peter Grace handed President Reagan 2,478 recommendations to cut government spending that, he said, were designed to get government "off the backs" of the American people.

The "national performance review" that Vice President Al Gore turned over to President Clinton yesterday borrows a few of Mr. Grace's suggestions, but its mission is distinctly different: "to make government work better" while also making it "cost less."

In the view of Mr. Reagan and Mr. Grace, the less government the better. Mr. Clinton and Mr. Gore, by contrast, envision a government that does more, but does it better. They want to put a souped-up engine in the car so it "can go faster and take more passengers," says John DiIulio Jr., a Princeton professor and co-author of a recent Brookings Institution study on improving government performance. "This is an attempt to reform the federal bureaucracy in order to expand the federal government."

Different View

That isn't exactly the way Mr. Clinton or Mr. Gore put it, of course. Scarred by the charges that Mr. Clinton is just another tax-and-spend Democrat, the White House and Mr. Gore, in particular, pushed hard to show that the recommendations will save money. The report, which acknowledges that it's impossible to estimate how much many of its suggestions might save, says the recommendations would save \$108 billion over the five years beginning Oct. 1, 1994. An earlier plan to tally the savings over the five years beginning Oct. 1, 1993, was dropped because the total fell short of \$100 billion.

Mr. Grace claimed his plan would save \$424 billion over three years, though the General Accounting Office and the Congressional Budget Office concluded that total was overstated by at least a third. Mindful of that, the White House budget office went over Mr. Gore's report to avoid widely overstated claims.

About a third of the \$108 billion in savings would come from spending cuts or fee increases that are specified in an appendix to the document. Another third would come from reducing the federal civilian work force by 12%, or 252,000 positions, over the next five years; the financial total doesn't include the savings from Mr. Clinton's previously proposed elimination of 100,000 jobs, but neither does it count the cost of severance pay or early retirement incentives. The final third, for which the report offers little supporting evidence, is to come from using computers more effectively and streamlining the government's procurement practices.

But more significantly, while the Grace Commission proposed using all the savings to reduce the deficit, the Gore report doesn't actually say where the savings should go. Republicans yesterday proposed to lower spending ceilings set last month by the full \$108 billion so the money can't be spent for anything else, but at least some Clinton administration officials see the savings as a way to finance Mr. Clinton's proposals to increase investment spending.

It's too soon to tell whether the Gore

Change in Perspective

Selected recommendations from Gore's National Performance Review and the 1984 Private Sector Survey on Cost Control headed by J. Peter Grace:

GORE	GRACE
■ Improve training offered food stamp recipients	■ Reduce food stamp benefits by \$96 a year for typical recipient
■ Lift Davis-Bacon wage floor, but only on federal projects under \$100,000	■ Repeal Davis-Bacon wage floor entirely
■ No change to federal pension benefits	■ Raise minimum retirement age and alter cost-of-living adjustment formulas
■ Reduce subsidies to federal power marketing authorities	■ Reduce subsidies to federal power marketing authorities
■ Abolish time cards for standard work week for federal employees	■ Reduce vacation and sick leave for federal employees
■ Save \$22.5 billion over five years by streamlining federal procurement	■ Save \$20 billion over three years by streamlining federal procurement
■ Create "results-oriented incentives to reduce costs of a disaster"	■ Increase charges for national flood insurance

initiative will prove more successful than Mr. Grace's quest. The Reagan administration claimed that almost all of the Grace recommendations were implemented. But many of the big money-savers, which called for substantially reducing federal pensions and other government benefits, weren't put into practice.

The result was that the effort made little dent in the size of the government or the budget deficit, says Joseph Wright, who was deputy director of the Reagan budget office. "Congress was feeding the system faster than we could reduce it," he says.

Reasons to Believe

Mr. Clinton argued yesterday that this new initiative has a better chance of succeeding than its predecessors. "First of all," he said, "frankly, this is a better report. It's not just a report in which one group of Americans tells another... here are big things we don't need to do any more." Second, he said, there is more public and congressional support for these reforms than in the past. And, third, "There is a president here who will do more than talk."

Mr. Clinton's personal involvement matters, says Frank Hodson, who was deputy director for management in the White House budget office under President Bush. "It makes a point with the political system — the Congress in particular, but also with the lieutenants of the president — that he cares about this. He's spending his own political capital by doing this."

It will surely take political capital to push some of the Gore recommendations through Congress. The new report, for instance, asks Congress to sell off the Alaska Power Authority and to increase electric bills in the Pacific Northwest by reducing federal subsidies. Presidents Reagan and Bush both tried repeatedly to do the same without success.

Battle-scarred veterans of the bureaucracy smiled yesterday as they saw Mr. Clinton and Mr. Gore repeat Mr. Reagan's attempt, often criticized by Democrats, to reduce the Social Security disability costs by forcing those who are no longer disabled off the rolls.

But unlike the Grace Commission report, Mr. Gore's avoids most mention of reducing government benefits. A controversial proposal to limit farm-subsidy pay-

ments was dropped in the final draft. And while Mr. Grace, following the management practice of his generation, relentlessly urged centralization, the Gore report embraces the recent corporate trend towards decentralization.

Although the new report is critical of government, it is far less adversarial than Mr. Grace's voluminous effort, in part because the Gore report was written largely by government employees.

Same Melody, Different Key

"The spiritual tone of this thing is free up these intelligent resources called civil servants," says Tom Peters, co-author of "In Search of Excellence," which brought the gospel of decentralization to corporate America. In contrast, he says, the Grace Commission report was written by "good right-wing Republicans who'd never met a federal bureaucrat who shouldn't be behind bars."

Mr. Gore's proposal to alter the role of inspectors general captures the difference. Created to root out waste, fraud and abuse in cabinet departments, the inspectors general were so successful that, the report argues, they have inhibited innovation by federal employees, who feel compelled to "follow every rule, document every decision, and fill out every form."

The result, says Paul Light, a University of Minnesota professor who has studied inspector general offices, is "a 'gotcha' mentality" that works against more fundamental reform of government processes. "You can spend the rest of your life going out and finding Social Security payee fraud," he says; by contrast, Mr. Gore's report urges the inspectors general to shift from a green-eyeshade perspective to broader examination of how to prevent waste in the first place and to "ensure efficient, effective service."

THE WHITE HOUSE

WASHINGTON

SEP 7 P7:23

September 5, 1993

RECOMMENDED TELEPHONE CALL

TO:

✓ Senator David Boren (D-OK)

DATE:

September 5, 1993

RECOMMENDED BY:

Susan Brophy *SB*

PURPOSE:

To thank him for his leadership in securing the confirmation of Dr. Jocelyn Elders as Surgeon General.

BACKGROUND:

Dr. Elders was confirmed by a vote 65 to 34.

TOPICS OF DISCUSSION:

1. Thank him for his support and leadership throughout the confirmation process.

CONTACT PERSON AND
TELEPHONE NUMBER(S):

White House Operator

DATE OF SUBMISSION:

September 5, 1993

ACTION: — *wants to help on Walton Referred NUTRA.*

*for Mickey Kantor
to call him —*

B.

*Will not co-sponsor
Cooper Bill —*

B.

THE WHITE HOUSE

WASHINGTON

September 5, 1993

RECOMMENDED TELEPHONE CALL

TO: ☒ Senator Dale Bumpers (D-AK)

DATE: September 5, 1993

RECOMMENDED BY: Susan Brophy *SB*

PURPOSE: To thank him for his leadership in securing the confirmation of Dr. Jocelyn Elders as Surgeon General.

BACKGROUND: Dr. Elders was confirmed by a vote 65 to 34.

TOPICS OF DISCUSSION: 1. Thank him for his support and leadership throughout the confirmation process.

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

DATE OF SUBMISSION: September 5, 1993

ACTION: - nice talk - talk for her in cancer
- Reps has NOSS - At end of 8 Reg yr - added 125,000 more
- if can say in '96 did then cut - won big -

*NH
lets
return*

- The Budget - wants to have that big Symposium
 would spend 20-30 million within
 1 year ->

- Espy wants Reg. Health - The Reg in
 get consumer of Gov-

- wants to cut D-5, S&H, future Budget

- afraid we're better off not ~~winning~~
 losing to winning health -
 but we have to win

THE WHITE HOUSE
WASHINGTON

September 5, 1993

RECOMMENDED TELEPHONE CALL

TO: ✓ Senator David Pryor (D-AK)

DATE: September 5, 1993

RECOMMENDED BY: Susan Brophy *SB*

PURPOSE: To thank him for his leadership in securing the confirmation of Dr. Jocelyn Elders as Surgeon General.

BACKGROUND: Dr. Elders was confirmed by a vote 65 to 34.

TOPICS OF DISCUSSION: 1. Thank him for his support and leadership throughout the confirmation process.

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

DATE OF SUBMISSION: September 5, 1993

ACTION: - Letter w/ Amb. Hanning
in France - Still think we need
symbolic cut - like Rebo-
NAFTA - How does this help us?
Health - how does consumer do?

THE PRESIDENT HAS SEEN 9/8

THE WHITE HOUSE
WASHINGTON

September 5, 1993

RECOMMENDED TELEPHONE CALL

TO:

✓ Senator Edward M. Kennedy (D-MA)
Chairman, Committee on Labor and
Human Resources

DATE:

September 5, 1993

RECOMMENDED BY:

Susan Brophy *SB*

PURPOSE:

To thank him for his leadership in
securing the confirmation of Dr.
Jocelyn Elders as Surgeon General.

BACKGROUND:

Dr. Elders was confirmed by a vote
65 to 34.

TOPICS OF DISCUSSION:

1. Thank him for his support and
leadership throughout the
confirmation process.

CONTACT PERSON AND
TELEPHONE NUMBER(S):

White House Operator

DATE OF SUBMISSION:

September 5, 1993

ACTION:

good talk -

THE WHITE HOUSE

WASHINGTON

September 5, 1993

RECOMMENDED TELEPHONE CALL

TO: ✓ Senator Mark Hatfield (R-OR)

DATE: September 5, 1993

RECOMMENDED BY: Susan Brophy *SB*

PURPOSE: To thank him for his leadership in securing the confirmation of Dr. Jocelyn Elders as Surgeon General.

BACKGROUND: Dr. Elders was confirmed by a vote 65 to 34.

TOPICS OF DISCUSSION: 1. Thank him for his support and leadership throughout the confirmation process.

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

DATE OF SUBMISSION: September 5, 1993

ACTION: Wintaker - Thelma spoke at
U Oregon Health Care - his daughter was
in chair -

THE WHITE HOUSE
WASHINGTON

September 5, 1993

RECOMMENDED TELEPHONE CALL

TO:

✓ Senator Nancy Kassebaum (R-KS)
Ranking Minority Member, Committee
on Labor and Human Resources

DATE:

September 5, 1993

RECOMMENDED BY:

Susan Brophy *SB*

PURPOSE:

To thank her for her leadership in
securing the confirmation of Dr.
Jocelyn Elders as Surgeon General.

BACKGROUND:

Dr. Elders was confirmed by a vote
65 to 34.

TOPICS OF DISCUSSION:

1. Thank her for her support and
leadership throughout the
confirmation process.

CONTACT PERSON AND
TELEPHONE NUMBER(S):

White House Operator

DATE OF SUBMISSION:

September 5, 1993

ACTION:

initiate

THE WHITE HOUSE
WASHINGTON

September 6, 1993

To Rubin (Tyson Fy1)

B.

MEMORANDUM FOR THE PRESIDENT

FROM: BILL GALSTON WA9

SUBJECT: FRANK LEVY'S PAPER ON WORKFORCE EDUCATION AND TRAINING

You asked me to read and review a paper by Frank Levy on "Education and Training for the U.S. Workforce." As it happens, I had already done so. Frank Levy, who recently moved to MIT, is a longtime colleague of mine at the University of Maryland. In my opinion, which is widely shared, he is just about the most sensible labor economist in the country, and his book Dollars and Dreams ought to be required reading for everyone making economic and workforce policy in your administration.

* I met with Levy last week to discuss his paper at the Aspen Institute's "Domestic Strategy Group" (directed by David Gergen before he joined your administration). Levy stressed two points. First, in the new global economy, there is simply no substitute for a world-class system of education and job training. The human mind will be the primary source of the "Wealth of Nations" in the 21st century, and it will have to be our major comparative advantage in global economic competition. From this standpoint, among others, education reform and the school-to-work training bill may in the long run turn out to be the most important and enduring initiatives your administration can take.

Levy's second point was echoed by every other economist at the Aspen meeting. It is this: if we want adequate job growth in the face of rising productivity in services as well as manufacturing, we must do everything we can to make hiring new workers more attractive for employers. That means (among other things) avoiding new mandated employer costs whenever possible, through a strategy of spreading the burden of wage supports and social services across society as a whole. Everyone recognizes that this path is fraught with political difficulties, but from an economic standpoint it is by far the most sensible strategy.

* There is one other point that Levy did not stress but that flows logically from his analysis. If we are in a period of relatively high productivity increases but relatively slack labor markets, profits are likely to increase noticeably while wages remain virtually stagnant. The issue is whether our businesses and corporation will seize the opportunity to invest their increased earnings wisely in the future of our economy. This is an issue that cries out for sustained high-level attention.

THE WHITE HOUSE
WASHINGTON

September 8, 1993

MEMORANDUM TO THE PRESIDENT

FROM: Katie McGinty *mf*
SUBJECT: Sens. Bumpers's and Pryor's Positions on Wetlands Policy

This memo is in response to your inquiry concerning the views of Senators Bumpers and Pryor on our wetlands policy, and your desire to give them a "heads up." The Senators have been kept fully informed of the progress of the interagency working group on wetlands policy. Their staffs have not expressed any concerns about the policy to OEP.

On August 23, the day before the release of the policy, a special briefing was provided for the staff of the seven Senators, including Bumpers and Pryor, who asked that you establish a working group on Federal wetlands policy. None of the staff offered initial reactions to the policy after the briefing. However, Sen. Pryor's staff person expressed appreciation for the briefing. An additional briefing was also conducted to which all Senate offices were invited.

Sens. Bumpers and Pryor were both present at a speech by Sec. Espy in Arkansas in which he outlined the policy on the Friday before its release. I understand that the speech was well received.

The initial reaction from the agriculture staff in the State offices of both Sen. Bumpers and Sen. Pryor is positive and they are pleased with what they have seen. Nonetheless, they indicated that they need to review further the details of the policy.

THE WHITE HOUSE
WASHINGTON

September 7, 1993

SEP 7 09:42

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER *HP*

SUBJECT: NAFTA PROCEDURE IN THE CONGRESS

About 10 days ago you responded sympathetically to a suggestion from Senator Dole that perhaps the Senate should proceed first on NAFTA since this would increase the pressure on the House where the vote will be much tougher.

There is general agreement on Capitol Hill that the Constitutional requirement that revenue bills originate in the House means the Senate could not actually vote first on passage - although it could process the legislation up to the very point of the final vote.

While it may be possible to pursue this course, you need to know the general disposition among leadership Democrats in the Congress is not to support such an approach. We will discuss it further when Ambassador Kantor, Bill Daley, Bill Frenzel and I begin our round of Hill visits this week. But for now I suggest that if you are asked about the sequence of NAFTA consideration in the Congress that you indicate we will work it out with our bipartisan allies on Capitol Hill and the Congressional leadership. You should, however, use every opportunity to indicate your expectation that this can be finished this year.

OK - Ray
B

CC VP
Gergen
Stephanopoulos
Mack

THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON
20506

9/8
THE PRESIDENT HAS SEEN

03 SEP 2 P4:33

September 2, 1993

MEMORANDUM TO THE PRESIDENT

FROM: AMBASSADOR *Michael* KANTOR

SUBJECT: NAFTA Calls

Howard Paster and I believe that you should call Lee Iacocca and ask him to meet with you in the Oval Office to discuss his active involvement as a NAFTA spokesperson. Iacocca resigned today from the Chrysler Board and is available. As you know, we need a non-Administration spokesperson who is telegenic, visible and articulate to counter Perot, Buchanan, et al.

Iacocca has the time. I believe he is willing to give you the help and, given your phone conversation with him early in the Fall of 1992, he is somewhat obligated to help you win what he got you into. I have talked to Iacocca within the last three months, and he is a strong supporter of NAFTA.

In addition, it would be a good idea for you to call former Presidents Bush, Reagan, Nixon, Ford and Carter and invite them to join you on September 14 for the NAFTA "Roll-Out." We believe Bush, Ford and Carter will accept. Nixon will probably send a statement of support. We have no idea how Reagan will respond.

If you could make these calls within the next 72 hours, it would be of enormous help in jump-starting the "campaign."

I will be attending a meeting in the West Wing at 6:00 p.m. tonight with Bob Rubin, David Gergen, Bill Daley and others to go over the first two or three weeks of the NAFTA effort. I am sure that Bob or Bill will be reporting the results to you.

*Over weekend
won't get into
his ready to go*

*cc. Rubin
Daley*

Roaring Back

Key U.S. Industries Are on the Rebound

That sound you hear is the hum of factory machinery, the rattle of auto assembly lines, the whine of the drilling rig. It's the sound of American manufacturing slowly coming back to life as the economic recovery huffs and puffs along.

While the revival may be neither universal nor readily apparent in depressed Southern California, critical sectors of American industry are seeing increasing demand for their products and services.

On the Gulf of Mexico, a flotilla of U.S. drilling ships plies the oily waves. On the tundra of Siberia, a new fleet of U.S.-made bulldozers soon will be grading the frozen ground. In the auto showrooms of suburbia, Americans are rediscovering Detroit's best.

The phenomenon—particularly notable in the case of American-made cars, heavy equipment and computers—represents something of a historical anomaly, analysts say. In the past, consumer purchasing pulled the nation out of recession, but this recovery is characterized by rising spending for capital goods.

"The industrial side of the economy is doing better than the consumer side of the economy," said Tobias M. Levkovich, industry analyst at Smith Barney Shearson in New York.

"Consumers are tapped out," he said. Much of the expansion is in home markets, not overseas. European and Asian nations continue to struggle with their own recessions.

Overall, the American recovery remains sluggish. And it is an overstatement, of course, to say that all of U.S. industry is back at work.

One measure of that is the July report of orders to U.S. factories, which dropped

This story was reported and written by Times staff writers Patrick Lee in Los Angeles, Martha Groves in San Francisco and Donald W. Nauss in Detroit.

2.1%. It was the worst decline since December, 1991, and the fifth drop in seven months, according to a government announcement last week. Orders for transportation equipment were off 16.7%.

But there are signs of life, notwithstanding the industry-wide data. Excluding the transportation sector, orders rose 0.2% in July—the second increase in two months. Demand for industrial equipment and machinery increased

Please see COMEBACK, D4

A Manufacturing Revival

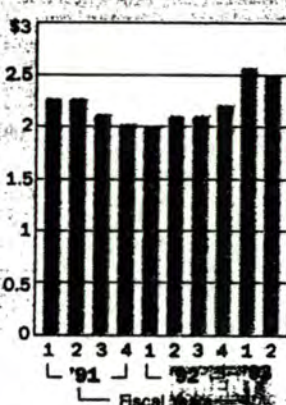
In critical business sectors, American manufacturers have regained a competitive edge worldwide, fueling whatever recovery is evident in the U.S. economy. The charts below focus on three reviving industries—heavy equipment, computer components and autos—and on the companies that exemplify their comeback.

HEAVY EQUIPMENT

New orders for construction, mining and material handling equipment have soared 25% since hitting bottom in the first quarter of last year. At farm machinery maker Deere & Co., quarterly profits are up more than tenfold from a year ago.

New Industry Orders

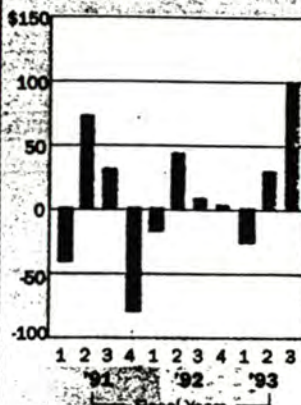
(Monthly average, in billions of dollars.)



Sources: U.S. Census Bureau, Los Angeles Times

Deere & Co.

(Earnings, in millions of dollars.)



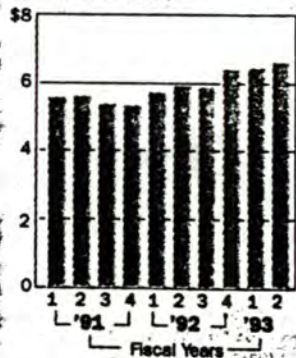
Sources: Bloomberg Business News, Los Angeles Times

COMPUTER COMPONENTS

Led by Intel, which last year became the first U.S. company since 1984 to produce the most semiconductors worldwide, American computer parts makers are enjoying the benefits of continuing technological advances. New consumer and business products mean orders for electronic components and accessories.

New Industry Orders

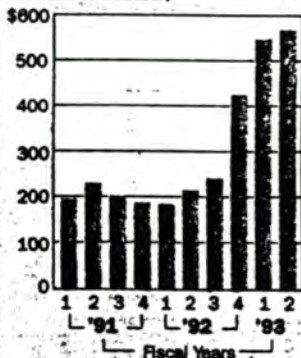
(Monthly average, in billions of dollars.)



Sources: U.S. Census Bureau, Los Angeles Times

Intel Corp.

(Earnings, in millions of dollars.)



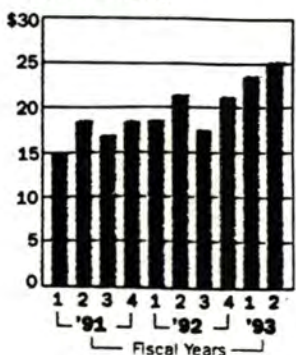
Sources: Bloomberg Business News, Los Angeles Times

AUTOS AND AUTO PARTS

Big Three profits have been decimated by massive provisions for retiree health benefits. And General Motors, in particular, still must go through wrenching change. But America's car makers are reclaiming market share at home and boosting sales worldwide, with Chrysler's comeback the most dramatic.

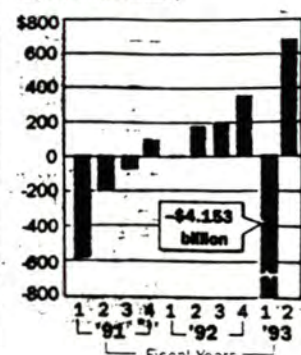
Industry Shipments

(Monthly average, in billions of dollars.)



Chrysler Corp.

(Earnings, in millions of dollars.)



Sources: Bloomberg Business News, Los Angeles Times

Los Angeles Times

SUNDAY, SEPTEMBER 5, 1993

COMEBACK: Revival of American industry

Continued from D1

4.2% and orders for electronic equipment were up 1.6%.

Moreover, certain corporations are seeing some of the most profitable quarters ever as they benefit—finally—from cost-cutting, better prices, a renewed technological edge, new product lines and rising demand for their products.

The firms on the rebound include farm machinery maker Deere & Co., auto maker Chrysler Corp. and chip maker Intel Corp.

Autos

When Chrysler rolls out its stylish Neon subcompact Tuesday at the Frankfurt Auto Show in Germany, it will be making a statement of international proportions. Developed in just 31 months at a cost of \$1.3 billion, the Neon promises to be an American oddity—a small car that makes money.

Indeed, after several years of torrential losses, General Motors, Ford and Chrysler all have made substantial progress toward transforming themselves into formidable competitors on the world market.

"They have figured out how to run their business in different but better ways," said David Cole, director of the University of Michigan's Office for the Study of Automotive Transportation.

By doing so, the Big Three are regaining market share. They now command 74.7% of the U.S. car and truck market, up from 70.5% in 1991. Meanwhile, Japanese auto makers are in retreat, hurt by a strong yen and recession at home.

Even with the slack economy, new vehicle sales have risen 7.7% so far this year. That translated into combined second-quarter profits of \$2.35 billion for the Detroit auto makers.

The turnaround has come after several years of wrenching change. The Big Three posted combined operating losses of more than \$10 billion for 1990 through 1992.

With the pain has come gain, however. The auto makers continue to cut costs across the board. Lean production operations and team building techniques are common on factory floors. Productivity and quality control improvements abound. At the same time, more attention is being paid to what car buyers want. "Customer service" has become an industry mantra.

The greatest strides are apparent at Chrysler. Saved from bankrupt-

cy by a federal bailout in 1980, Chrysler was on the brink again as that decade came to a close.

Its traditional customers—blue-collar workers and retirees—were being priced out of the market. Chrysler decided it had to build cars with broader appeal and build them cheaper and faster.

Then-chairman Lee Iacocca undertook a major restructuring in 1989, long before his rivals would take similar steps. He closed several assembly plants, laid off 11,000 workers and went on a cost-cutting rampage.

Scrapping its old hierarchy, Chrysler created interdisciplinary groups to be involved in a product's planning, design, manufacturing and marketing from beginning to end. This team approach is credited with helping to reduce the development time and cost of Chrysler's highly acclaimed LH mid-sized sedans and Dodge Ram pickup trucks.

Union workers at the Belvidere, Ill., plant were asked for suggestions about how to make production of the new models easier and more efficient. More than 4,000 ideas flowed in, and many of them were adopted.

As a result, the Neon is lighter and simpler to build, though it has more features than its predecessors, the Plymouth Sundance and Dodge Shadow. The Neon uses 52% fewer fasteners than those cars and draws from 37% fewer suppliers.

The short development cycle virtually ensures that the car will be profitable. By contrast, GM's Saturn took seven years and \$5 billion to develop. Despite its popularity, the Saturn line still has not made money after three years on the market.

Even without the Neon Chrysler is riding high, with vehicle sales up 26% this year. It dominates the minivan field and its Jeep Cherokee is a major player in the sport-utility category.

Chrysler still must prove that the quality of its much-ballyhooed new products can equal that of its competitors' products. Chairman Robert Eaton has said this is one of his major goals.

And, while the Big Three appear to be back on the road to success, they also know their industry is highly cyclical. Though some of the recent gains are due to hard-won changes in productivity and quality, a significant portion can be attributed to fortuitous events, such as the surprisingly strong rise of the yen.

Much uncertainty remains. GM may break even in North America this year, but still must make many tough decisions about closing plants in the United States. The current negotiations with the United Auto Workers union could threaten the Big Three's financial recovery. A sudden downturn in the economy could erode sales.

But most industry experts believe Detroit has emerged from its recent struggles stronger than before.

"The last few years have shown that if the chemistry is right, we can have explosive changes even in large corporations," said the University of Michigan's Cole. "I think the U.S. auto industry will be the model for industrial transformation elsewhere in the future."

Technology

The downsizing that has slashed and burned its way through America's work force over the last three years has been good for the electronics industry. Business has turned to technology to help boost productivity by putting more computing power on the desks of the workers who remain.

Meanwhile, a rough-and-tumble price war has heated up the home market for personal computers, turning these once arcane machines into household appliances.

For Intel Corp., the world's leading maker of semiconductors, that has meant record sales—\$5.9 billion in 1992 and a projected \$8 billion this year.

It took nearly 10 years scrapping with Japanese rivals, but the Santa Clara company in 1992 climbed back to the top of the production heap for the chips of silicon that are the programmable brains of computers. Besting the likes of NEC, Toshiba and Hitachi, Intel became the first American company to head the list since Texas Instruments in 1984, according to Dataquest Inc., a market research firm in San Jose.

Intel has been boosting production at a number of its plants and has begun building a \$1-billion facility in Rio Rancho, N.M., where it will produce both the popular 486 chip and the next-generation Pentium, which is three to five times more powerful. Other companies expanding production are Intel's chief rival, Advanced Micro Devices, and Texas Instruments.

Given the industry's penchant for boom-and-bust cycles, there is some concern that these firms will

end up with too much capacity should the personal computer market stall after this period of hyper-growth.

"It's a real balancing act, between having enough but not so much that in a downturn you have to lay people off or suffer losses," said Michael C. Maibach, Intel's director of government affairs in Washington, D.C. One key element, he said, is just-in-time production, which should help keep Intel from getting stuck with a big oversupply.

With the worldwide semiconductor market at \$70 billion and growing fast, Fred Zieber, president of Pathfinder Research Inc. in San Jose, doesn't see a problem.

"Even if the PC market flattens, you have other things supplying strength, such as workstations, telecommunications and network electronics," he said.

The Japanese semiconductor market, on the other hand, "is doing not so well," Zieber noted, having shrunk from 40% of the world market to less than 30% in five years.

Chip makers are benefiting from another phenomenon that is in high gear—the traveling worker's need to power up a laptop while away from the office.

Dataquest reports that U.S. sales of notebook computers more than doubled last year, making it the fastest-growing segment of technology. For 1993, growth is expected to be significantly above 50%.

For many years, Toshiba of Japan had the leading share of that sizzling market. This year, Toshiba probably won't make the top four, "because of the creative engineering and resurgence at Compaq Computer and IBM," said Gerry Purdy, Dataquest's chief analyst for mobile computing.

Both Compaq and IBM have strong entries that have cut into sales of the one-time leader, Apple Computer's PowerBook, which last year sold more than 280,600 units.

Still untested in the marketplace is the array of new "personal digital assistants"—paperback book-size gizmos, such as Apple's Newton MessagePad, which can convert handwriting into computer text, store messages and organize appointments.

These first-generation gadgets are expected to evolve quickly into more sophisticated machines capable of wireless communication. And Silicon Valley is developing much of the technology.

"We're looking at a rocket going

Please see COMEBACK, D5

Los Angeles Times

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COMEBACK: Revival of American Industries

Continued from D4
off a launch pad," Purdy said. "The question is whether it will fly at 18,000 m.p.h. or 1,000 m.p.h."

Heavy Industry

In August, 295 big yellow bulldozers were sent off to Russia to begin scraping the face of Siberia. It was just one sign of a long-awaited revival of the heavy equipment industry.

Caterpillar Inc., the world's largest manufacturer of construction and earth-moving equipment, began shipping its trademark earth-movers to Russia to aid in construction of a natural gas pipeline. Cat beat out a Japanese competitor to win the \$100-million contract.

The deal—financed mainly with a loan from the U.S. Export-Import Bank—is only one example of increased demand for heavy-duty goods and the improved competitiveness of U.S.-made products.

As the economic cycle begins to turn up in the United States, makers of farm and construction equipment generally are seeing sales burgeon. Construction activity is expanding; bumper crops have left farmers cash-rich.

Also, companies such as Caterpillar and Deere, the world's largest maker of agricultural equipment, finally are reaping the benefits of cost-cutting and restructuring and are posting some of

their best earnings ever.

The gains haven't come easily. Caterpillar, based in Peoria, Ill., saw its sales and profits tumble in the 1980s due to a strong dollar and the worldwide recession. Deere, of Moline, Ill., struggled through the same period as the farming economy turned sour.

Caterpillar expanded its model lines to include lighter equipment. It automated its factories for greater flexibility. And, with more overseas markets than ever, Cat aimed for globally competitive labor costs. That effort culminated in a bitter, five-month strike by 13,000 United Auto Workers members that dragged into last year.

Deere closed several plants and slashed inventories. To win back market share, it brought out a new line of large tractors.

Now, both Cat and Deere are able to capitalize on the economic upswing.

Cat's sales of construction machinery and diesel engines are climbing in the United States and in promising overseas markets such as Mexico. The new Deere tractors are drawing customers and demand for Deere mowers is up.

The payoff: Cat reported earnings of \$67 million in the second quarter of 1993, compared with a \$64-million loss for that period a year ago. In its third fiscal quarter, Deere scored surprisingly strong earnings of \$100.1 million, more

than 10 times its profits a year earlier.

Changing conditions also are making for better times in the oil industry.

For years, U.S. drilling has been in decline, in part because of depressed natural gas prices. But with the shrinkage of the so-called "bubble"—the oversupply of natural gas—prices have begun to climb.

As a result, natural gas drilling has exploded, a boon to the firms that supply drilling equipment and crews for oil companies. Over the last 18 months, the number of U.S. rigs drilling for natural gas has risen 56%—an average of 390 rigs in August, up from 250 in March, 1992, according to Alan Townsend, editor of the trade publication World Gas Intelligence. (By contrast, U.S. drilling for crude oil remains depressed.)

For firms such as Halliburton Co., the Dallas engineering, energy services and construction company, this all translates into increased business and improved profits. Vice President Guy Marcus estimates that second-quarter revenues in Halliburton's U.S. market for energy services were up 32% over a year ago. Operating income for the unit was up 64%.

Meanwhile, the drive to improve productivity and efficiency in manufacturing has helped companies that make automation systems and equipment, such as Allen-

Bradley Co., a Milwaukee-based unit of Rockwell International Corp.

"Our equipment fits right in the heart of automation . . . and goes to the heart of what many manufacturers are trying to achieve," said Don H. Davis Jr., president. Allen-Bradley sales this year are expected to reach \$1.7 billion, up from \$1.4 billion in 1991.

Indeed, the potential market for such systems was a prime reason that Seal Beach-based Rockwell bought the closely held business in 1985. And the struggle for competitive position is only beginning.

Said Rockwell's chairman, Donald R. Beall: "It's a never-ending battle."

Los Angeles Times

SUNDAY, SEPTEMBER 5, 1993

THE PRESIDENT HAS SEEN 9/8/93

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The Folly of Deciding to Use Force by Committee

■ **Policy:** The Administration's intention to put Americans under U.N. command in the name of multilateralism is a recipe for chaos.

By Henry A. Kissinger

WASHINGTON
A presidential directive will soon be issued that places some U.S. military forces under U.N. command. Reportedly, they will be employed when a country undergoes a "sudden and unexpected interruption of established democracy or gross violation of human rights." The directive would also commit U.S. forces to support peacemaking efforts designed to bring about settlements, not simply to police them. Americans would serve under U.N. commanders, but American officers would be expected to ignore those orders they judge to be "imprudent or outside the agreed U.N. mandate."

This is a recipe for chaos.

If the directive's provisions imply that international consensus is the prerequisite for employing U.S. power, the result may be dithering, as has happened in Bosnia. If they mean that international machinery can commit American forces, the risk is U.S. military involvement in issues of no fundamental national interest, as is happening in Somalia.

The new directive does not explain who is to decide where democracy has been "established"; what constitutes a gross violation of human rights, and what happens if the interruption of democracy is not "unexpected." And how is an American officer on the ground to decide whether a U.N. order is "imprudent" or

Former Secretary of State Henry A. Kissinger writes frequently for The Times.

"outside the U.N. mandate"?

In practice, U.N. multilateralism can work only if all nations share a common perception of danger, are willing to run the same risks and agree on a common strategy. Unless each of these conditions is met, multilateral machinery becomes paralyzed and, indeed, is likely to favor the side capable of creating *faits accomplis*, as happened from the Italian invasion of Abyssinia, in 1935, to Serbian depredations in Bosnia and Croatia. In fact, in Croatia, the United Nations is protecting Serbian conquests.

It is no accident that, in the history of the League of Nations and of the United Nations, multilateral action has never proved effective against a threat by a major power, against an action by a secondary power backed by a major power or even in a diplomatic conflict in which these conditions existed.

The United States' actions in Korea and in the Gulf, though endorsed by the United Nations, are no exception. In Korea, the Soviet Union was boycotting the Security Council when the crucial vote was taken. During the Gulf War, Mikhail S. Gorbachev, in the last months of his rule, was preoccupied with domestic issues, while the People's Republic of China was seeking to improve its relations with Washington in the wake of Tian An Men Square. Since in each case the United States was prepared to act unilaterally, U.N. support became a means for other nations to gain influence over U.S. decisions.

To be sure, peacekeeping forces in Cyprus, the Middle East and Cambodia have made major contributions to international stability. But forces like these can be assembled on an ad hoc basis and require no significant combat activity.

In the peacemaking efforts with a permanent force, if multilateral organizations determine the U.S. military commit-

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Military

Continued from M1

ment, there is the danger of overextension; if they are given a veto, the risk is abdication. Somalia illustrates the first danger; Bosnia, the second.

Multilateral action in Somalia was first raised by Boutros-Ghali, who called starvation there a more serious problem than what was happening in Bosnia. His concern generated international action because the effort seemed largely humanitarian and because the United States was willing to bear the initial military burden.

Madeleine Albright, the U.S. ambassador to the United Nations, has described the U.S. role in Somalia as nation-building. Secretary of Defense Les Aspin has defined the U.S. objective more modestly as security in Mogadishu and the creation of a national police force. Yet, neither of these worthy objectives justifies risking American lives in a country where there exists no other U.S. interest.

Moreover, what starts out as a "humanitarian intervention" almost inevitably becomes political. We entered Somalia to distribute food. The attendant need to establish security drew us into fighting a warlord, escalating the U.S. role into a contest over the distribution of political power. Distasteful as it may be to say it, Albright's and Aspin's stated criteria are more reminiscent of the 19th-Century wars to establish "protectorates."

If, in Somalia, multilateralism triggered a military mission in search of a political purpose, Bosnia has been a human debacle to which U.N. multilateralism has proved, at best, irrelevant and, at worst, an obstacle. Every international forum—whether the European Community, the North Atlantic Treaty Organization or the United Nations—has failed to agree on the political objective, the principle of military action or the appropriate measures to be taken.

Part of the difficulty has been in defining what multilateral force is supposed to accomplish. If Bosnia is treated as a nation, the purpose of military action would have had to be to restore a unified country. But Bosnia has never been a nation, nor is there any ethnic basis for nationhood.

The Clinton Administration has been dithering, unable to devise a plan of action that would combine a demonstration of its abhorrence of Serbian atrocities with its desire to avoid becoming involved in a prolonged Balkan war. For present purposes, without clear-cut U.S. leadership, multilateralism in Bosnia amounts to an alibi for inaction.

Even when some consensus did form around possible military action, it was mired in a bog of multilateral confusion. A few weeks ago, NATO agreed to use air strikes, but immediately deadlocked on defining their purpose. Was it to protect Sarajevo? To assure humanitarian relief? And, if so, against whom? Croats or Serbs? Or only Serbs? Each of these purposes was mentioned alternatively, but no clear decision ever emerged. And if the objective was not clear to NATO, how could the parties involved have been brought to understand from what they were expected to desist?

The command arrangements for the proposed air strikes were a study in confusion. The purpose was variously described as "showing resolve" and "moving up the escalatory ladder." Yet, the devastatingly conclusive experience of the postwar period teaches that such symbolic acts are dangerous. The only plausible way to show resolve is by

inflicting penalties the adversary is unprepared to accept. In any event, NATO planning was said to be subject to final approval by the U.N. Secretary-General, an international civil servant with no military experience. Multilateralism of this sort is not policy but a flight from it.

In these circumstances, it seems unwise to commit 20,000 troops to peacekeeping in Bosnia. The agreement is being reluctantly entered into by parties that are unlikely to keep it, putting U.S. forces in the middle, under rules of engagement they cannot control.

This leads to the following conclusions:

- There is no substitute for a clear-cut U.S. policy. Whether it is executed multilaterally or unilaterally thus depends on how vital a subject is to U.S. interests.

- Force should be used only if definable U.S. interests are at stake. These can—and often should—include moral concerns. But they must be strongly supported by public opinion, and they should be clear. Frequent changes of the goals undermine confidence.

- Sufficient force must be applied to reach these objectives quickly and at a minimum cost.

- Multilateral support for the use of U.S. force is, of course, highly desirable. But, at the end of the day, the United States can neither give a veto over the defense of its interests to international institutions nor permit multilateralism to invoke U.S. forces where no significant national interests are involved. □

Los Angeles Times

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A Solution for the Border: Eliminate It

■ **U.S.-Mexico:** A twin-city 'intra-national' zone would end wasteful duplication and get a handle on common problems.

By **BILL MANSON**

Think of Upper and Lower (Baja) California as the two shanks of your arm. Where they meet at the elbow there should be a nice round olecranon bone and lots of soft material to allow smooth movement between the two.

Right now, at the U.S.-Mexico border, it's just two bits of hard bone butting painfully up against each other.

It is, of course, *la frontera* that is the problem, with its boundary fence perpetuating vast differences of language, economy and culture. It dictates an abrupt end of one civilization and the sudden beginning of another and creates a siege mentality on both sides.

This abrupt meeting of two nationalisms is creating a kind of apartheid between peoples who are neighbors and who should be able to work unhindered on common problems like trade and migration.

The solution? A soft border, a cushioning buffer zone. San Diego-Tijuana should be declared by both governments an "intra-national zone," with its own twin-city government, officially sanctioned bilingualism, binational police, immigration and, perhaps a tax-free status—a Hong Kong-like openness to trade as an entrepot between the two Americas as well as the Pacific trading bloc.

Think of Singapore. Think of Venice. Think, back in history, to places like Xian, Alexandria, Constantinople—trading cities on the cusps of different worlds. Instead of desperately trying to maintain their separate identities as outposts of empire, these city-states prospered by becoming the middlemen, centers full of people savvy in the ways of several civilizations.

Closer to us in time and place, the hard-border concept is already breaking down up north in the Seattle/Vancouver area. Last fall, Congress passed a bill establishing the Cascadia Corridor Commission, a binational decision-making body to coordinate the economic development of "Cascadia," which happens to run through two countries and three states—Vancouver, Washington and Oregon—but shares the same mountains, valley system, climate and outlook. As a result, the inhabitants are developing common environmental and growth-management strategies, water-supply solutions, education policy. They are working on coordinating expansion plans for the Seattle/Tacoma and Vancouver airports, rather than fighting one another to snare foreign carriers. There's even a competition going on to design a transnational Cascadia flag.

The economic and cultural differences

between San Diegans and Tijuans are, of course, far greater. But they share two important elements with Seattle-Vancouver: They are split by a random, artificial border, and their respective capitals are far removed from their own special regional needs. It makes sense for them to start looking to one another to work out their region's problems.

Problems such as:

• **Communications**—It costs more to place a call from San Diego to Tijuana than from New York to Hawaii. Mail can take three weeks to deliver over the border.

• **Regional development**—The port of Ensenada is looking to develop its own container facility, with no thought of coordinating with the port of San Diego to take on the shipping giants to the north—Long Beach and Los Angeles.

• **Transportation**—There could soon be two massive airports immediately adjacent to one another on either side of the border. Both cities are looking to build separate rail links, and their tracks could be just 100 yards apart.

This is crazy! Yet there it is, in varying degrees all along the border to Browns-

ville/Matamoros. It is creating waste in the name of national separateness, the result of each nation thinking of these cities as ends of the road, not trade and business crossroads joined to bridge the two economies.

As for the "porous border" problem that worries so many: There's no miracle cure but a strong, combined city-state of San Diego-Tijuana should act as a filter and achieve a more effective control. A single, bicultural immigration body and unified law-enforcement could unite the know-how, intelligence and costs of the present array of organizations currently doing their own thing on each side.

Sovereignty issues tend to be very emotional. And yet if, by giving up some sovereignty to create intra-national zones like San Diego-Tijuana, we can lubricate the elbow joint of Upper and Baja California, the spread of prosperity southward will be the best cure for many of the aggravations and irritants we each have been trying to remedy alone.

Bill Manson is a San Diego-based journalist and frequent contributor to The Times.

Los Angeles Times

SUNDAY, SEPTEMBER 5, 1993

THE PRESIDENT HAS SEEN 9/8/93

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THE PRESIDENT HAS SEEN 9/8

Retrieval of Bush Personnel Files By Clinton Aide Is Under Inquiry

By STEVEN A. HOLMES

Special to The New York Times

WASHINGTON, Sept. 3 — The State Department has begun an internal investigation into why a Clinton Administration official ordered the retrieval of sensitive personnel files of Bush Administration appointees and how that material was given to The Washington Post.

For the Clinton Administration, the inquiry is embarrassingly reminiscent of revelations during the Presidential campaign that Republican political appointees at the State Department searched the passport files of Mr. Clinton and his mother, Virginia Kelley.

A State Department official said today that the Clinton official's request for the files was not illegal but that how that material was handled could be a violation of the Federal Privacy Act. The request, made by Joseph Tarver, a former Clinton campaign worker who heads the White House Liaison Office at the State Department, involved the files of 160 Bush Administration appointees.

Retrieval Called Inadvertent

The State Department official, speaking on the condition of anonymity, said the retrieval of the personnel files was inadvertent. The official said Mr. Tarver was trying to familiarize himself with his new job in June and had asked for all files used by the White House liaison office under the Bush Administration. He did not realize that those files, which had been sent to a State Department archives in Hyattsville, Md., contained sensitive material on personnel, the official said.

The office works with the State Department in selecting political appointees for jobs at the department.

Some material from the files was in a brief news article in The Post this

week. The retrieval of personnel files of former Government employees is not illegal, but the disclosure of their contents can be a violation of the Privacy Act.

"The concern here is not the retrieving of files," said the State Department official. "It's disseminating personnel information in violation of the Privacy Act."

A special prosecutor is currently investigating the campaign accusations against Elizabeth Tamposi, the former head of the State Department's consular office. She was accused by the department's Inspector General of rummaging through the files of Mr. Clinton and his mother.

The Inspector General's office is now looking at the possibility that Clinton Administration political appointees disclosed information from Ms. Tamposi's files as well as from the files of Jennifer Fitzgerald, a former deputy chief of protocol who for years was an aide to Mr. Bush.

The article said that Ms. Fitzgerald's file was empty and that very senior State Department officials had expressed concern that Ms. Tamposi, a former New Hampshire real estate agent, was not ready to take on the responsibilities of an Assistant Secretary of State. That was her ranking at the consular office.

Senator Mitch McConnell, a Kentucky Republican, has written Attorney General Janet Reno asking that a special prosecutor be named to look into the new episode.

"What did Yogi Berra say? 'It's déjà vu all over again,'" Mr. McConnell said in a telephone interview. "The facts sounded very similar to something we just went through in the 1992 campaign."

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THE PRESIDENT HAS SEEN THE WHITE HOUSE

Office of the Press Secretary
(Georgetown, Delaware)

For Immediate Release

September 3, 1993

REMARKS BY THE PRESIDENT
AT SCHOOL TO WORK PROGRAM OF OPPORTUNITY SKYWAY

Delmarva Aircraft Hangar
Sussex County Airport
Georgetown, Delaware

10:47 A.M. EDT

THE PRESIDENT: Thank you. I want to say how delighted I am to be back in Delaware. You know, when I saw Governor Carper here I was reminded of a time back during the election when Senator Biden and I had a big rally in Wilmington. And I was pleased to say that I was delighted to be in a place where it was not a disadvantage to be the governor of a small chicken-growing state. (Applause.)

I am delighted to be here today. I can tell all of you are happy, too. How could you not be when you see students like Chrissy and Francis making those presentations? Weren't you proud of them? They were great. Let's give them another hand. (Applause.)

I also want to thank Governor Carper and my former colleague and longtime friend, now your Congressman, Mike Castle; and Senator Biden -- without him I don't think I could function as President -- all of them for being here today. He is not responsible for the mistakes I make, only for the things that go right. (Laughter.)

I want to thank all your state officials for coming here today and many of the local officials, and all of you from the various groups. I want to say a special word of thanks to the two persons who also spoke on the program, Dorothy Shields from the AFL-CIO; and my longtime friend, Larry Perlman, who came from a long way away. He lives in Minnesota, and he thought enough of this project to come here to represent the American business community. This is the sort of partnership that I want us to have in America.

I'd like to say, too, how much I appreciate the work that has been done by this education program -- and to Diane and to all the others that are here -- Carlton Spitzer and others -- I thank you for the work you have done.

I came here today not just to showcase these fine students, but to make the point that every student in America needs the opportunity to be in a program like this. (Applause.)

I got into the race for President because I was very concerned about the direction of my country, a direction that had been underway for 20 years under the leadership of people in both parties in Washington with forces that are beyond the reach of ordinary political solutions. In 1973, real hourly wages for most working people peaked in this country, if you adjust them for inflation. For 20 years, most Americans had been working a longer work week for the same or lower wages, once you adjust them for inflation, while they've paid more for health care, housing and education.

We have tried a number of things to deal with this issue, to deal with the whole question of how do you keep alive

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the American Dream; how do you offer each generation of young people a better future than their parents had. It is clear to me that we have to revive our economy, all right, and we also have to pull our people back together. And the two things are inseparable. We need to offer our people more opportunity, insist that they assume more responsibility. We need to all be reminded that we are in this together. We have to recreate the American community.

That's why when you see here business and labor and government, when you see young people of different racial and ethnic groups, when you see people reaching across their party lines, you really see the future of America if it's going to be a good future.

I picked the two Cabinet members who are here with me today because I thought they could help us to create that future. The Secretary of Labor Bob Reich, has been a friend of mine for 25 years, and I think has written more thoughtfully than any other person I know about the future of the American work force and what's happening to us in this global economy.

The Secretary of Education Dick Riley, has been my friend for about 15 years now, was my colleague and one of the best governors I ever served with on the issues of education and economic development. In other words, one of them is at the Labor Department, the other's at the Education Department, but they both understand that if you want a good economic future, there can be no simple division between work and learning. We must do both. (Applause.)

In the last several months and in the months ahead, you will see a lot of publicity about other initiatives of our administration: The economic plan that reduced the deficit, increased incentives to invest, offered 90 percent of our small businesses a chance to reduce their tax burden, but only if they reinvest in their businesses and gave tax relief to 20 percent of the working poor families in the state of Delaware.

The reinventing government program that the Vice President will announce next week that will help us to virtually revolutionize a lot of the things about the federal government, to eliminate waste and inefficiency and give all of you better value for your tax dollar.

The health program that the First Lady has worked on so hard for several months now, which will finally give every American family the security of knowing they won't lose their health care if they lose their jobs or someone in their family is born with a serious medical condition, and will give the American business community the assurance that we're not going to bankrupt the country and wreck the economy by continuing to spend more and more and more for the same health care. (Applause.)

I will ask the Congress to approve with the amendments that we secured the trade agreement between the United States and Canada and Mexico because I believe it will create more jobs. And we'll have a vigorous debate about that, but I will tell you this: the real problem we've got right now in America in creating more jobs is rooted at least in part in the fact that our exports are not selling abroad because we have too many trade barriers in the world and slow economic growth everywhere.

Latin America is the second fastest growing part of the world. They can buy more of our things, and they should.

And finally, Senator Biden and I are going to work on a new crime bill that will put more police officers on the street and take more guns out of the hands of our children. (Applause.)

MORE

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All of these are critical to restoring opportunity, insisting on more responsibility from our people, and giving America the sense that we are one community again. But none of them will work unless we maintain a steadfast determination to educate and train our people at world-class standards.

We are living in a world where what you earn is a function of what you can learn; where the average 18-year-old will change jobs seven times in a lifetime; where there can no longer be a division between what is practical and what is academic. Indeed, one of the young students back there said, I'm learning a lot more than I used to because this is fun. Now, that sounds funny and a lot of you clapped when Chrissy talked before, but the truth is there's a lot of very serious academic research which indicates that significant numbers of our people actually learn better in practical circumstances than they do in classroom settings. It's different for different people. (Applause.)

For two centuries our education system has always been adequate to the task and has helped us to keep alive the American Dream -- an awful lot of people here today who wouldn't be doing what you're doing if you hadn't had the opportunity to get a good education.

But on the eve of this new century, when we are struggling so hard to get and keep good jobs; when we are struggling hard to reestablish the premise that people that work harder and are more productive should earn more money year in and year out; a world of instant communication, supersonic transportation, worldwide technologies in global markets and a veritable explosion of knowledge and invention, we have to face the fact that we, while we still have the best system of higher education in the world, are the only advanced country without a system to guarantee that every student that doesn't go on to a four-year college institution has the opportunity to be in this program or one like it that we're celebrating here today. (Applause.) We don't do that. (Applause.)

So what happens? We see these young people talk and we see these young people demonstrate their skills, and our hearts are filled with joy, and we're proud and we know they're going to have a decent future. What we don't see here today is that 50 percent of the high school graduates in this country do not go on to college, 75 percent of the high school graduates in this country don't finish college, and nowhere near all of them are in programs like this which should start when they are in high school. That is what this is all about today. (Applause.)

During the 15-year period from 1975 to 1989, the wages of young high school graduates -- that is young people who are under 25 who had only a high school diploma -- dropped about 40 percent in real terms. The wages of young high school dropouts -- that is, people who are working full-time -- dropped even more. Why? Because of the downward pressure on those wages caused by global competition, caused by mechanization, caused by all the pressures that you all know. But young people who got at least two years of post-high school training related to a workplace skill for which there is a demand in this global economy were overwhelmingly more likely to get good jobs with rising incomes.

And when you look at the American economy, when you see the unemployment rate, or you see the income statistics, you know that they're grossly oversimplified. If the unemployment rate is 6.8 percent, what it really means is that the unemployment rate among people over 40 with college educations is about 3.5 percent, which is almost zero. You've got almost that many people walking around at any given time. But the unemployment rate among young people who drop out of high school may be 20 percent. And if they happen to live in a place where there's already high unemployment, it may be 40 or 50 percent.

MORE

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This issue that we're meeting here about today may never acquire a great deal of public attention because we're not fighting about it. The bill that I introduced shortly before the Congress left has Republican as well as Democratic cosponsors. They are labor as well as businesspeople up here. We are not having the old fights, but the old fights have not provided the new solutions that America desperately needs. And that is what we are here today to seek.

Change is going to happen in this country. No president can promise to shield the American people from the changes going on. And anybody that tries to is simply not being candid. The real question is whether change is going to be the friend of these young people and the rest of us or our enemy. And that depends on whether we can adapt to change.

This program today is an example of what America has to do to adapt to change. We can no longer afford to be the only advanced nation in the world without a system for providing this kind of training and education to everybody who doesn't go on and get a four-year college degree. We can do better. We can have programs like this everywhere. And that's what our legislation is designed to do. (Applause.)

This legislation basically will support learning in the workplace, learning in the school room, and connections between the workplace and the school room. It will involve all kinds of programs that are working. It is not a big federal top-down program, but we will have some common standards -- a certificate that means something when you finish a program, meaningful learning in the workplace and in the school room, a real connection between work and school, and a real chance to get a job.

And when combined with the other major piece of education legislation that we have in the Congress, the Goals 2000 program, which seeks to enshrine in the law the national education goals that the governors adopted along with the previous administration of President Bush back in 1989, that legislation will establish for the first time a national system of skill standards so that you will actually know whether you're learning what you're supposed to learn by national standards and whether they stack up with the global competition. That is what we seek to achieve -- not with a new federal bureaucracy, but by building on successes like this. (Applause.)

This bill involves a historic partnership, too, between the Departments of Education and Labor. They will sort of operate like venture capitalists. They will provide seed money to states, set the goals and the standards, give waivers to communities to give them more flexibility as they set up new programs, and require that the graduates attain real skill certificates that verify the quality of their training. But the design and planning of the programs will be left to states and communities and educational institutions who know best how to address the local possibilities.

Finally, the School to Work legislation will enable our nation for the first time, to create the kind of partnership that we so desperately need between schools, businesses, labor and communities, so that we can connect our people to the real world.

That's why the Business Roundtable, the National Association of Manufacturers, the United States Chamber of Commerce, the National Alliance of Business, the AFL-CIO, and leading Republican and Democratic legislators all support this legislation.

If we are going to prosper in the world toward which we are heading, we have to reach out to every one of our young

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- 5 -

people who want a job and don't have the training to get it. We don't have a person to waste. And believe you me, when we waste them, the rest of us pay. We pay in unemployment. We pay in welfare. We pay in jail costs. We pay in drug costs. (Applause.)

And when we make education come alive as it has for these young people who showed me their plans, when we enable students to apply English history and science to the practical problems of the workplace, we are building a future that all of us will be a part of. We must -- I will say it again -- we must learn to integrate serious academic study into the workplace, starting in high school and continuing for at least two years thereafter for every one who needs it.

If we do it, if we do it, we are going to do as much as anything else we could do to guarantee most Americans a real shot at a good future. And if we don't all of our other, all of our other economic initiatives will be consigned to less than full success.

I got into this issue when I was a governor of a state not unlike Delaware, and I saw too many people working their fingers to the bone for less and less and less; too many people who were dying to go to work who could never find a job; too many people who didn't have impressive academic accomplishments, but were plenty smart enough to learn anything they needed to know to compete and win in this global economy. I determined then, as a governor that if I ever had a chance to do something about this in this country, I would. And that's what we're here doing today.

I want you to support this legislation just like you support Opportunity Skyway. I want you to support the idea that the public and private sectors all over America can do for all of our young people who need it what this program has done for the young people we've heard from today: provide a smooth transition from school to work.

So far, 900 high schools students have participated in Opportunity Skyway. Many of them are on route to careers in aircraft maintenance, avionics and airline piloting. Now they'll find out how much algebra and geography they've learned. And I'll say this, I'm on my way back to Washington now using a flight plan that the students prepared. (Applause.)

Three or four hours from now, if I'm wandering out over the Atlantic somewhere -- (laughter) -- I'll know I wasn't very persuasive today.

There are programs like this one all over the country; we're going to build them. But we need your help. Next week when the Congress comes back I hope each one of you will do what you can to encourage the United States Congress, without regard to party, to embrace this new approach to a new economy to give these young people a new future and give America a better future.

We can make a real difference, folks, a real difference if we'll pass this legislation and get about providing every young people the opportunity to be as self-assured, as knowledgeable, as skilled as the two young people you heard from today. That's an important legacy we ought to leave to them.

Thank you and God bless you all. (Applause.)

END

11:06 A.M. EDT

THE PRESIDENT HAS SEEN 9/8

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THE HEARST NEWSPAPERS
WASHINGTON HEADQUARTERS
1701 PENNSYLVANIA AVENUE, N. W.
WASHINGTON, D. C. 20006
TELEPHONE (202) 298-6920

NATIONAL EDITOR
SENIOR WASHINGTON REPRESENTATIVE

VICE PRESIDENT AND DIRECTOR
THE HEARST CORPORATION

9th August 1993

Personal

Mrs. Hillary Rodman Clinton
Chairing the Health Care Task Force
The White House
Washington, D.C. 20500.

Dear Mrs. Clinton:

My warmest congratulations to the President and you for the historic Budget victory. It is a tremendous tribute to the President for his patience, determination and conciliatory attitude.

Your crusading throughout the country with brightness, beauty and wisdom among the average American man, woman and child was, I am sure, a major factor in gaining public support for the President during the budget crisis.

On another subject, I thought it might interest you to know confidentially that a former employee of the old N.Y. Journal American who had not seen Bill Hearst for 20 years submitted recently to our N.Y. office a proposal for an unauthorized biography of the President and you. A considerable part of the resume devoted to Bill was sent to me for my opinion. I found it had numerous falsifications which seriously impugned Bill's reputation. The N.Y. office approved my conclusion that the writer was not qualified to write for us an unauthorized biography of the President and you.

With warmest good wishes.

Respectfully yours,,

Joseph Kingsbury-Smith

THE WHITE HOUSE
WASHINGTON

March

notes from March Ewin, H. Cu
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TIME OF TRANSMISSION**TIME OF RECEIPT**

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MESSAGE NO. 03 CLASSIFICATION Unclassified PAGES 5 + cover

FROM Paul Richard 202-456-2702 Gnd Flr/ WW
(NAME) (PHONE NUMBER) (ROOM NO.)

MESSAGE DESCRIPTION Memo from the Vice President re: Community
Enterprise Board.

TO (AGENCY) _____ DELIVER TO _____ DEPT/ROOM NO. _____ PHONE NUMBER _____

WH Bruce Lindsey (For the President)

REMARKS:

Bruce:

The Vice President asked that the President look at this today. Please advise as to the President's decision.

THE WHITE HOUSE

WASHINGTON

September 4, 1993

SEP 6 P1:23

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT
CAROL RASCO
BOB RUBIN

RE: PROPOSED PRESIDENTIAL MEMORANDUM ESTABLISHING
THE COMMUNITY ENTERPRISE BOARD

Attached is a proposed Presidential Memorandum establishing an intergovernmental "Community Enterprise Board" to coordinate your Administration's community empowerment strategy. The Community Enterprise Board will be chaired by the Vice President, with Carol Rasco and Bob Rubin serving as Vice-Chairs. The Board will be comprised of the Secretaries of HUD, Agriculture, Treasury, Commerce, HHS, Interior, Education, Transportation, and Labor; the Attorney General; the Administrator of EPA; the Director of the Office of National Drug Control Policy; the Administrator of SBA; the Director of OMB; and the Chair of the Council of Economic Advisors.

The Board will serve as a forum for (1) the development of selection criteria for the designation of empowerment zones and enterprise communities, (2) the discussion of proposed exemptions from legislative and regulatory mandates requested by communities, and (3) the coordination of existing programs that promote community empowerment. Its first task will be to assist Secretaries Cisneros and Espy in the successful implementation of your empowerment zone legislation, which was signed into law as part of the Omnibus Budget Reconciliation Act.

In addition to establishing the Community Enterprise Board, the proposed Memorandum also requires the Secretaries of HUD, Agriculture, and HHS to develop (by November 1, 1993) regulations regarding the dispensation of the \$1 billion in Title XX grants provided for in the empowerment zone legislation. The directive also requires the participating agencies to identify (within 15 days of the issuance of the Memorandum) existing programs for the use in empowerment zones and enterprise communities.

We hope you will be able to issue this Memorandum on Wednesday, September 9, 1993, as part of the community development event in Cleveland.

Please indicate your decision: ☒ Approve ☐ Discuss Further

Thank you.

DRAFT

September 9, 1993

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF THE TREASURY
THE ATTORNEY GENERAL
THE SECRETARY OF THE INTERIOR
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HEALTH AND HUMAN SERVICES
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY OF TRANSPORTATION
THE SECRETARY OF EDUCATION
THE ADMINISTRATOR OF THE ENVIRONMENTAL PROTECTION
AGENCY
THE DIRECTOR OF THE OFFICE OF NATIONAL DRUG
CONTROL POLICY
THE ADMINISTRATOR OF THE SMALL BUSINESS
ADMINISTRATION
THE ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY
THE ASSISTANT TO THE PRESIDENT FOR ECONOMIC POLICY
THE CHAIR OF THE COUNCIL OF ECONOMIC ADVISORS
THE DIRECTOR OF THE OFFICE ON MANAGEMENT AND
BUDGET

The Vice President and I strongly believe that the best way to serve distressed communities in urban and rural America is through a comprehensive, coordinated, and integrated approach that combines bottom-up initiatives and private sector innovations with responsive Federal-State support. Today, I direct the Federal agencies to work cooperatively to implement this approach in a way that reflects the principles of the Vice President's National Performance Review -- i.e., meeting the needs of local communities through a performance-measured, customer-driven philosophy and a cross-agency approach. I also hereby establish the President's Community Enterprise Board ("Board") to advise and assist me in coordinating across agencies the various Federal programs available (or potentially available) to distressed communities and in developing further policies related to the successful implementation of our community empowerment efforts.

The Vice President has agreed to chair this Board, and the Assistant to the President for Domestic Policy and the Assistant to the President for Economic Policy have agreed to serve as Vice-Chairs of the Board. I request the following Administration officials to serve on this Board: the Secretary of the Treasury, the Attorney General, the Secretary of Interior, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Secretary of Health and Human Services, the Secretary of Housing and Urban Development, the Secretary of Transportation, the Secretary of Education, the Administrator of the Environmental Protection Agency, the Director of the Office of National Drug Control Policy, the Administrator of the Small Business Administration, the Director of the Office of Management and Budget, and the Chair of the Council of Economic Advisors.

The first task of the Board is to assist in the successful implementation of the Administration's empowerment zone legislation, Subchapter C of Title XIII of the Omnibus Budget Reconciliation Act of 1993, Pub. L. No. 103-66, reprinted at 139 Cong. Rec. H5851 (daily ed. Aug. 4, 1993) ("Empowerment Zones, Enterprise Communities, and Rural Development Investment Areas"). This Act authorizes the Secretaries of HUD and Agriculture to designate certain localities as empowerment zones and enterprise communities, thus enabling them to receive certain federal funds and other benefits from the Federal Government.

Other programs, old and new, are similarly beneficial to local communities. These programs, however, form an overly complex, categorical, unworkable, and ineffective response to the needs of distressed communities. I hereby direct the Board to review these programs in order to ascertain how we can make the entire Federal effort more responsive to the needs of distressed communities. In addition, with respect to the empowerment zones and enterprise communities, I direct the Secretary of the Treasury, the Attorney General, the Secretary of the Interior, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Secretary of Health and Human Services, the Secretary of Housing and Urban Development, the Secretary of Transportation, the Secretary of Education, the Administrator of the Environmental Protection Agency, the Director of the Office of National Drug Control Policy, and the Administrator of the Small Business Administration to (1) identify, within 15 days of this directive, existing programs that further the goals and objectives set forth in this memorandum and the Act and (2) make available, to the extent permitted by law, funds from those programs for use in implementing the strategic plans of the designated empowerment zones and community enterprises.

In order to advise and assist me regarding issues that relate to community development and empowerment, I request that each Board member --

(a) Provide me with recommendations, consistent with Section 13301 of the Omnibus Budget Reconciliation Act of 1993 ("OBRA" or "the Act"), on the criteria to be used for selection and designation of empowerment zones and enterprise communities, as set forth in Section 13301 of the Act;

(b) Identify additional legislative mandates that further the goals and objectives set forth in this memorandum and the Act and, where appropriate, develop for my consideration recommendations for further action;

(c) Identify legislative mandates that may be impeding State, local, and tribal governments from meeting the goals and objectives set forth in this memorandum and the Act, and, where appropriate, develop for my consideration recommendations for further action; and

(d) Consult with the Board regarding exemptions from regulatory mandates for which the member agency has jurisdiction and inform his or her decisions regarding any such exemptions with the recommendations of the Board.

In addition, I direct each of the agencies to cooperate fully with the Chair, the Vice Chairs, and the Secretaries of HUD and Agriculture in assisting designated zones and enterprise communities in successfully implementing their strategic plans under Section 13301 of the Act. This inter-agency effort shall, among other things, coordinate federal assistance and support within each empowerment zone and enterprise community.

In order to meet the goals and objectives set forth above, I also request the Secretary of HUD and the Secretary of Agriculture to consult with the Board regarding (1) the designation, under Section 13301 of the Act, of empowerment zones and enterprise communities and (2) possible revocation of designations, as set forth in Section 13301 of the Act.

Finally, I direct the Secretaries of HUD, Agriculture, and HHS (in consultation with the Board) to take, by November 1, 1993, the appropriate regulatory measures to ensure that the use of all Title XX grants awarded under the Act meets the criteria of Section 13761 of the Act, including, specifically, that portion of Subsection C that requires, among other things, localities to

use Title XX grants (1) in accordance with the strategic plans approved by the Secretaries of HUD and Agriculture, (2) for activities that directly benefit the residents within the designated empowerment zones and enterprise communities, and (3) to promote economic independence for low-income families and individuals.

* * *

With the Board members' commitment to achieving community empowerment and to providing our local communities with a single Federal forum, we will be able to assist distressed communities and American families all across urban and rural America in obtaining economic self-sufficiency.

Thank you.

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**"BEYOND THE POLITICS OF PRESERVATION:
THE CLINTON ADMINISTRATION'S WORKFORCE STRATEGY"**

**REMARKS OF
LABOR SECRETARY ROBERT B. REICH
TO THE
CENTER FOR NATIONAL POLICY'S NEWSMAKER LUNCHEON**

SEPTEMBER 1, 1993

I want to talk today about some fundamental changes affecting American workers.

Then I'll set out our response: The Clinton Administration's workforce strategy.

The good news is that jobs are coming back. Cautiously, haltingly, a jobs recovery is finally underway. In the first six months of this Administration, our economy created nearly one million private sector jobs. That is 94% as many as were created in the previous four years.

The bad news is that Americans are worried about keeping their jobs -- and with good reason.

Even though job gains are exceeding job losses, we are witnessing an unprecedented shakeup of the American workforce and workplace. By the end of most recessions, a substantial portion of the people who lost their jobs get their old ones back again. Not this time. This time, people have had to find new jobs.

And a big percentage of the new jobs have been temporary or part-time, offering none of the job security that American workers once took for granted.

In a recovery, the total number of involuntary part-time workers -- part-timers who would rather be working full time -- typically decreases. In the current recovery, the total number of involuntary part-timers has increased by 8 percent. Moreover, about one-quarter of the net increase in private sector jobs in this recovery is attributable to the temporary help supply industry.

Low-skilled jobs continue to become scarcer. Some drift to nations whose workers are eager to labor for a small fraction of American wages. Others fall prey to technology: programmable

robots in the factory; automated switching equipment instead of telephone operators; automated teller machines instead of bank tellers.

Entire industries, such as mainframe computers and aerospace, have proven vulnerable to sudden change.

No one is secure today -- not even the chief executives of our biggest companies. And almost every day seems to bring news of another major corporation cutting its payrolls.

Some of this cutting is short-sighted. For Americans to compete solely on the basis of costs is for us to become contestants in a vain race to the bottom. The direction we need to go is upward -- to high-value products and higher-wage work.

Great change demands great flexibility -- the capacity to adapt quickly and continuously, to change jobs, change directions, gain new skills. But the sad irony is that massive change may be inviting the opposite reaction: A politics of preservation, grounded in fear.

One of the most glaring examples of this is opposition to the North American Free Trade Agreement. This opposition has little to do with the agreement, and much to do with the pervasive anxieties arising from economic changes that are already affecting Americans.

Most responsible economists agree: NAFTA will bring more jobs and better jobs. Between 1987 and 1992, 48 out of 50 states increased their exports to Mexico. This happened in the face of Mexican tariffs on our goods that are much higher, on average, than U.S. tariffs on Mexican goods. When NAFTA brings down tariffs on both sides, the "giant sucking sound" you hear won't be American jobs, it will be American products going to Mexico. The result will be thousands more jobs here.

Even though NAFTA gives us change on our terms, opponents have made it a lightning rod for job anxieties. The fact that NAFTA's net effect will be to create more and better jobs hardly seems to matter -- in the current climate of insecurity, change itself is threatening to many Americans.

But remember this. When Mexican consumers and businesses buy more U.S. electronics and telecommunications equipment made in California -- a category of exports that rose by more than 200% between 1987 and 1992 -- the workers who make this equipment gain job security. When Mexico boosts its consumption of refined petroleum products from Louisiana -- as it did by about 200% in that period -- Louisiana refinery workers gain job security. And when Mexico's purchases of industrial machinery and computer

equipment made in Illinois increase -- as they did by more than 300% in those same years -- the workers who build that equipment gain job security.

Examine the evidence and you'll agree: NAFTA will fare well so long as we debate it on its merits, instead of playing on peoples' fears.

The Administration's efforts to get the nation's fiscal house in order are not immune to the same politics of preservation. In enacting his economic plan, the President managed to cut many programs which -- even though they no longer benefit the public as a whole -- were the favorites of this or that entrenched interest. But it wasn't easy to attack even the most outmoded outposts of the status quo.

The Vice President will soon unveil his proposals for "reinventing government." The National Performance Review has been turning the federal government upside down and shaking it -- not just for spare change but for genuine bottom-to-top reforms that will make government leaner yet not meaner. These proposals must get a chance to succeed on their merits, instead of being ambushed by the politics of preservation.

Scaling back weapons production is equally vulnerable to this climate of insecurity. It's difficult to phase down or eliminate some programs even when they are no longer needed, because many defense workers see no future elsewhere. In a cartoon I saw recently, a minister is saying to his congregation: "And the Bible said, 'let them beat their swords into plowshares -- but gradually, lest it cause unemployment.'" Not a bad cartoon, but the larger point is no laughing matter. Surely we owe it to our compatriots who helped America win the cold war not to simply leave them out in the cold.

And finally, the Administration's historic health care proposal, not even formally announced yet, has come in for criticism that it may destroy some jobs.

The fact is that American companies are now less productive and competitive because they have to bear most of the costs of a hugely inefficient health care system. Bringing these costs under control will mean more jobs, not fewer. Of course, many Americans now processing insurance claims and performing other administrative functions won't be doing so once the plan is fully phased in, but many Americans will be needed to provide home health care and deliver other health services more efficiently than under our current system. And we are in the process of designing subsidies for low-wage workers whose companies don't now insure them, in order to fight any tendency for such companies to slough off such workers rather than contribute to

their health insurance.

This fall, all these important initiatives -- NAFTA, the National Performance Review to "reinvent government," our continuing efforts to convert from defense to a civilian industrial base, and health care reform -- all will be confronted by the politics of preservation, the chorus that proclaims, "Don't change the way things are, because we're anxious about jobs."

The challenge, in short, is to ease the transition of Americans from the old economy to a new one. It is to replace the politics of preservation with an economics of hope.

The real choice in our democracy isn't whether government should intervene in the market -- but rather, whether it should intervene to preserve the old or to usher in the new. If the watchword of the emerging economy is change, then a central mission of government must be to help citizens equip themselves to prosper in a world constantly being transformed.

The days when high school dropouts could expect to find good-paying factory jobs for life are gone. To adapt successfully to change, American workers must be prepared for it -- early on.

For this reason, the Clinton workforce strategy begins with a program of bold reforms of primary and secondary education, so that every young person gets a good start on learning. This program, Goals 2000, is now working its way through Congress.

The next piece of our strategy is a pathbreaking school-to-work transition program. The President will formally unveil it soon. This initiative will catalyze change nationwide, by building on the successes of public-private partnerships and union apprenticeship programs around the country while leaving room for state and local experimentation. During the last two years of high school, and for at least one year beyond, young people will be able to get on-the-job experience, tightly coupled with classroom training, leading to certification in a marketable skill. Such well-marked paths to productive roles in the working world are especially important to the 75% of young Americans who won't earn a college degree -- and to businesses starved for skilled new employees.

Another part of our program is voluntary national skills standards. Businesses will be working with educators, human resources professionals, labor and community leaders, to identify the higher-wage skills that are in short supply and the training needed to master them. This way, workers can know what to train for, and after completing their training, they'll have a

credential to show employers.

This brings me to a particularly important part of our workforce strategy: a reemployment system designed to help Americans find new jobs and prepare for them.

For over fifty years, we've had an unemployment insurance system premised on the notion that what workers needed most was some income assistance during economic downturns (typically lasting no more than six months) until they got their old jobs back in the same company or industry.

And we've had a scattershot array of job training programs, with each one designed to help a different category of workers who lost their jobs.

Unemployment insurance still helps people, of course. And particular identifiable groups of workers still need retraining. But given the huge structural changes in the American economy, this old system has become a band-aid rather than a cure. Lately, we're spending more than \$35 billion a year just keeping people financially intact until a new job comes along. The fact is that more and more Americans need to find new jobs, in new industries. And more and more of them need retraining -- sometimes for more than six months -- regardless of the reason they lost their job.

We will start with simple changes to make unemployment insurance more flexible, and to identify permanently displaced workers early on. We've found that the early identification of dislocated (versus temporarily laid-off) workers, followed by early readjustment and job-search assistance for them, cuts their time spent unemployed, along with the associated costs and pain.

Our efforts will transform today's passive scheme of unemployment insurance into a comprehensive re-employment system. This system won't just kick in when you're unemployed. It will feature universal access, so that those in dead-end jobs wishing to leave them, or those who simply wish to move in a different direction, can begin doing so before the trauma of unemployment hits, and have the same access to job banks and other job-search assistance as the unemployed. And these services will all be delivered at one-stop centers, with a minimum of red tape.

The Administration's health care reform initiative also will play an important role in building the kind of flexible, dynamic economy I've been discussing. One out of four Americans -- some 63 million people -- will lose their health insurance coverage for some period during the next two years. The Administration's plan will end "job lock" -- where you're stuck in your current job not because you want to be, but because it carries health insurance coverage you may not be able to maintain if you leave.

We will eventually have a health care system that guarantees that you and your family will be covered regardless of job loss or the next employer. This will give all of us the flexibility we need for a world where security lies not in staying in place, but in having the skills and mobility to change jobs as often as you want or need to.

Anybody looking at the changes we're making in workforce policy can see they're ambitious -- especially in this time of tight budgets and eroded faith in government. That's why the Vice President's National Performance Review is far more than a noble-sounding exercise in "reinventing government," and why so much hinges on the reform package to be unveiled September 7. We have to make government work better. Our whole agenda depends on our ability to reinvent government -- to do things more efficiently, flexibly, and accountably -- and we know it.

That's why an integral feature of so many of the initiatives I've mentioned is a reinvented way of doing things. The school-to-work opportunities program is not a massive federal dictate from on high in Washington -- it's seed money to states and communities to design solutions fitting local needs. Our one-stop reemployment centers will be "customer-driven" -- if they're not serving the people who use them, they will be held accountable.

We understand that just as our private sector has become more attuned to serving the customer quickly, flexibly and efficiently, so must our public sector. A shiny new training program does no good if it's giving people skills that aren't in demand. Filling out the same form for three different agencies wastes time, shortens tempers, and undermines confidence. For these reasons, locally-based, customer-driven, reinvented ways of doing the public's business are built right into the ground floor of our initiatives -- not tacked on as an afterthought.

We're doing all this because we understand that we truly don't have a person -- or a tax dollar -- to waste.

And remember: the reemployment approach is not charity. It is the practical investment we must make in your sister, the former defense industry worker; your neighbor, the medical records clerk; your cousin, whose low-skill old job went overseas. It will lessen our reliance on unemployment compensation and our hard-pressed "safety net" programs. It is spending to save: Our not making this investment would be as penny-wise and pound-foolish as a hard-pressed farmer not finding room in his budget for next year's seed corn.

The workforce initiatives I've described are part of a unified approach to the challenge of fundamental economic change. Our initiatives are about confronting changes that are

inevitable, harnessing them, and turning them to our advantage. If we evade this challenge, our prosperity will ebb, and we will become more and more like the rest of the world. But if we confront and surmount it, America will remain an upwardly mobile society -- a special place where everybody, whatever their origins, has a real chance to make it.

I don't minimize the challenges that face us. But I have never wavered in my belief that America, the most resourceful nation in the world, can adapt and thrive in today's fast-forward global economy.

Change has always been America's strong suit. It hasn't been some flaw in our national character that has prevented us from confronting the economic changes that face us. As F. Scott Fitzgerald put it, "America is a willingness of the heart." No, the flaw has been in our policies. What has been lacking is leadership worthy of the name, and of the American people.

So you see, my confidence in the strategy I've outlined today rests partly on the fact that it is profoundly American.

Instead of running away from the challenge of change, it embraces it. Instead of surrendering our long-standing commitment to trade and open markets, it reaffirms it. Instead of watching the most fortunate secede from the rest of society, it pursues the longstanding American ideal of broadly-shared middle-class prosperity. And instead of continuing a debilitating race to the bottom, it fires the starter's gun in an uplifting race to the top.

That is the race we should be running.

Because in that race we all win.

THE WHITE HOUSE
WASHINGTON

September 7, 1993

MEMORANDUM TO THE PRESIDENT

FROM: MACK McLARTY

SUBJECT: Community Enterprise Board

I reviewed your note from this morning concerning the proposed Community Enterprise Board and asked Bill Burton to review the memorandum. He offered two thoughts:

- X
- Bruce Lindsey questioned the need to create another White House commission/board, particularly one with such a limited charge, and particularly when its membership nearly parallels the membership of your Domestic Policy Council. He understands that the new structure will allow the Vice President to be chairman, but questions whether "the game is worth the candle."

- Burton suggested that since the board will be dealing with empowerment zones, and other issues affecting inner cities and poor rural areas (both with large minority populations), perhaps a minority member of the board should assume one of the co-chairmanships. As currently envisioned, the chair and co-chairs would be three whites -- Messrs. Gore and Rubin and Ms. Rasco. Perhaps a minority co-chair should also be named, such as Lee Brown (if you want another White House coordinator) or Ron Brown (if you are willing to elevate a cabinet member).

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THE PRESIDENT HAS SEEN 9/8

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THE PRESIDENT

9-8-93

(215) 875-3801, 3804
FAX (215) 875-5740



MARY JANE CLANCY

Coordinator, Program Planning,
Development, and Implementation

SCHOOL DISTRICT OF PHILADELPHIA
Education for Employment

Clase

at home, but for
school to work

and just program discovery

John F. Kennedy Center
734 Schuylkill Avenue, 6th Floor
Philadelphia, PA 19146-2397



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Popular Democratic Party of Puerto Rico
Washington, D.C.

TO: John D. Podesta, Esq.

Assistant to the President & Staff Secretary

Fax No.: (202) 456-2883

FROM: José Roberto Martínez

DATE: August 26th, 1993

PAGES: 3 and cover

NOTE: F.Y.I.

9/8/93
Circulate TO:

MAK

RAHM

Jon Baysett

Howard Raster

MARCIA HALE

If there are any problems with this communication, please call (202) 686-6555.

Commonwealth Continues to Lead Statehood in Latest Public Poll in Puerto Rico

On November 14, 1993, the 2.1 million voting-age U.S. citizens in the Commonwealth of Puerto Rico will have the opportunity to vote in a referendum on the Island's political relationship with the United States. The three options will be: (1) the existing commonwealth relationship; (2) statehood; and (3) independence. The last time the people of Puerto Rico expressed themselves in a similar referendum was in 1967 when over 60% of the voters supported the commonwealth status.

The most recent public poll, commissioned and published by Puerto Rico's leading newspaper, *El Nuevo Día*^{1/}, shows the following voter preferences:

- Commonwealth - 38%
- Statehood - 36%
- Independence - 4%
- Undecided,
or will not vote - 22%

This public poll is consistent with the private polls of the pro-commonwealth Popular Democratic Party (PDP). The pro-statehood New Progressive Party (NPP), whose private polls are conducted by Republican pollster Frank Luntz, has not released any poll results to the contrary.

The results of this public poll are significant considering that the poll was taken in the middle of a massive television advertising campaign by the NPP and Governor Pedro Rosselló in favor of statehood. The NPP has already spent over a quarter of a million dollars just in T.V. advertising since it kicked-off its pro-statehood campaign on July 4th of this year. The PDP will begin its campaign in earnest this Saturday, August 28th, when its first T.V. ads will be broadcasted.

Among the issues that are playing a significant role in the campaign are the following: what option gives Puerto Rico a better opportunity for sustained economic development, what would be the result of the elimination of the Section 936 investment incentives, can Puerto Ricans afford to pay the new federal taxes that would accrue to them as a result of statehood, could Puerto Rico as a state of the Union maintain its identity as a Spanish-speaking Latin American and Caribbean culture, and could Puerto Rico as a state continue to field its own Olympic teams in all international sports competitions.

^{1/} This poll was conducted between July 16 and August 2 by the New York firm Kaagan Research Associates, Inc., through 1,000 door to door interviews of a representative sample of voting-age adults residing throughout Puerto Rico.

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THE PRESIDENT HAS SEEN
9/7/93 db



Uninventing Government ✓

Instead of Tinkering, Let's Give Federal Power Back to the States and Cities

(cont.)

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structures, most notably Japan, Taiwan and Hong Kong.

* Even in Europe, regions with the strongest economies—such as north-central Italy and southern Germany—boast highly developed networks of small producers. In most of these areas local government and industry associations have been most responsible for stimulating the development of vital sectors, often against the centralizing instincts of policymakers in the national capitals.

Similarly, the more dynamic of North America's various regional economies have grown out of strong regional strategies, based either on largely voluntary networking and state-supported education as in Silicon Valley or in more conscious local efforts as in Pennsylvania's Lehigh Valley. Simply allowing economic resources and decision-making to flow back to such regional efforts likely would do more to spark economic growth than federal efforts that tend to favor larger, inefficient but better-connected economic interests.

Secondly, the move to less centralized control is propelled by the globalization of the economy. Over the past four decades, the rate of growth in international trade has been more than twice that of global GNP; between 1978 and 1989, exports of business services alone—including finances, entertainment and all other forms of information—jumped more than six-fold. The globalization process has been particularly notable in the United States, where international commerce has grown over the past three decades from less than 8 percent of GNP to more than 25 percent. Today the United States is the world's largest exporter.

These factors have made regional economies increasingly more attuned to global, as opposed to national, economic trends. Local development officials in regions such as Lyons, France, or Flanders desperately seek investment from Europe's supposed rivals in North America and Asia. Even in Japan, particularly on Prime Minister Hosokawa's southern island of Kyushu—which has an economy larger than that of the Netherlands—local business and community leaders actively provide technical assistance to firms in nearby Korea, often against the interests of Tokyo-based giant multinationals.

In America, the Pacific Northwest has become almost inextricably tied to the exports of aerospace products, natural resources and, increasingly, recreation dollars from the Pacific Rim countries. California's defense-battered economy relies more and more not on decisions made in Washington or Ohio but on purchases of films, medical instruments, food and fashion products from buyers in Taipei, Tokyo and Turin.

The conflict between national and local concerns is even more obvious in terms of foreign investment, which has grown more than five-fold since 1980. Even as officials in Washington, Paris and elsewhere rail against Asian, and particularly Japanese, investment, local communities actively court groups that can bring new technology, skills and capital.

The southeastern United States, for example, has become largely dependent on European investment for its economic health. State troopers jokingly refer to Highway 85, linking the Carolinas and home to more than 200 German companies,

as "the autobahn." Similarly, Texas looks toward a burgeoning relationship with Mexico while South Florida sees itself as the natural center of a reinvigorated Caribbean and Latin American region.

Indeed, throughout the developed world, commercial opportunism increasingly overwhelms the narrower economic nationalism of the past as the cosmopolitan global city-state takes precedence and even supplants the nation. Rather than seeking to fend off foreigners, regions look for ways to accommodate outsiders, often seeing them as a potentially far richer source of regional advantage than other parts of the same country. Far from seeing their city as the corrupted Japanese-controlled burg of "Rising Sun," most residents of Los Angeles worry not about Nipponese control but about the near-collapse of Tokyo-derived new investment. Such

investment has dropped from more than \$3 billion in 1988 to a mere \$16 million last year, effectively drying up one of the most important sources of new jobs and capital for the region.

Finally the essential cultural unity of the national state is being undermined by rapid demographic changes that are creating distinct sociological entities within national boundaries. In the United States, the biggest impacts come from immigration. In contrast to its mid-19th century version, recent inflows have been heavily concentrated in only a few regions, with three states—New York, California and Florida—home to the preponderance of newcomers.

As a result, states such as California, which once were thought to mirror the nation, now increasingly diverge from the national norm. The new immigrant communities in Los Angeles, San Francisco, New York, Miami, Houston and other key economic regions are also transforming the cultures as well as the economies of these regions in ways unimaginable in much of the rest of the country.

* The "tribal ties" between these cities and the rest of the world make the policies of a monolithic American state anachronistic. Devolutionist ideas offer a way for America, and President Clinton, to forge a governmental structure appropriate to these new conditions. Instead of trying to "reinvent" the old model of New Deal democracy, the devolutionist idea could assault the structural deficit by transferring all but a few key responsibilities—Social Security, air traffic control, defense and foreign policy—back to the localities, eliminating needless layers of expensive and often ineffective bureaucracy.

To those enamored with the power and glory of the old nation state, devolutionary politics will, no doubt, appear as an abandonment of positive government. But Clinton's advocacy of local control and self-determination may be his—and his party's—last best hope to remain relevant to the emerging realities of the 1990s.

Uninventing Government ✓

Instead of Tinkering, Let's Give Federal Power Back to the States and Cities

By Joel Kotkin

VICE PRESIDENT Al Gore's plan to "reinvent" the federal government, to be unveiled this week, may well be a decent first step towards realigning Washington's obligations with its resources. But to reinvigorate our democracy, we need to go beyond streamlining and begin scaling back Washington's imperial control over the rest of the country.

Thus far, the Clinton program has actually moved in the opposite direction. The economic plan passed last month, for example, like the Bush and Reagan efforts before it, boosted federal involvement in scores of programs, adding billions of dollars in requirements without providing the money to do the trick. New regulatory mandates are likely to impose further burdens on business and local economies.

In the past such federal interventions may well have been justified, whether for defense reasons or to extend basic human and economic rights to the citizens of recalcitrant or impoverished states. But today, as President Clinton's deputy budget director, Alice Rivlin, has pointed out, the federal government has become increasingly an unmanageable conglomerate. More than reinvention, as Rivlin suggested before the election, the federal behemoth needs to be restructured, many of its functions eliminated and returned to local authorities.

In the past, states and localities have been dubious about the notion of federal retrenchment, fearing the price of freedom from federal control would be too high. But after more than a decade in which the decline of federal aid was matched by rising demands, an increasing number of states and local jurisdictions—joining in a worldwide trend—have begun to question the wisdom or necessity of centralized control.

Take, for instance, California, which alone pays \$10 billion more in federal taxes than it receives in federal benefits, a gap that could widen substantially under the recently passed Clinton plan. New York, Chicago and all the other great urban concentrations are also generally losers under the federal system which, by its very nature, favors the interests of smaller states with disproportionate influence, most particularly in the Senate.

Under a devolved government, however, the great urban centers would no longer have their economic interests mortgaged to meet the demands of Nevada's casino economy or Louisiana's energy sheiks. Equally important, unable to look

toward Washington for help, local politicians would be forced to rely on their own resources and skills to solve local problems.

That process is, in fact, occurring: While Washington remains hostage to entrenched bureaucratic interests, local innovators such as Philadelphia Mayor Edward Rendell, Indianapolis Mayor Steven Goldsmith and Wisconsin Gov. Tommy Thompson are breaking new ground in the areas of economic development, public-private cooperation and contracting for services.

Much of the drive toward devolution, however, springs not from government but from private groups, including business. Throughout North America a proliferation of local social agencies, economic development organizations and think tanks now focuses on forging policies appropriate to distinct regional needs. As one Omaha economic official put it: "My real interest is to figure out how Omaha fits into the world economy."

The devolutionist mentality is also growing in other countries. In the most extreme form, this trend is exemplified by the breakup of the Soviet superstate into several smaller, more homogeneous entities; the splitting of the former Czechoslovakia; and, in unfortunately tragic circumstances, the dissolution of Yugoslavia.

Rising political movements in Western Europe also follow this trend. Rather than acquiesce in a European superstate controlled from Brussels, they favor enhancement of local control and decentralization of power. Most obvious is the ascendancy of the Northern League in Italy, but devolution-

ists—and even secessionists—have also gained ground in such traditional centralist bastions as France and Britain. In Japan, the new prime minister, Morihiro Hosokawa, has made his career as an opponent of his nation's central bureaucracy. Similarly in China, the nation that invented modern bureaucracy, local economic power has been on the rise for more than a decade despite recurring attempts by Beijing to rein it in.

This shift away from a nation-centered political economy has its roots in three massive global changes. The first, and most important, is the reversal of the prior trend toward economic and, concomitantly, political centralization. Until the last few decades, the direction of business was toward ever-larger units. Whether as a part of the Galbraithian "industrial state" in the West or the communist-socialist economy in the East, the trend towards concentration of economic assets suggested as well a growing role for centralized political power, either as a counterbalancing force or as a means to give direction. The need for a permanent warfare state, as the Polish sociologist Stanislaw Andreski noted in the 1950s, further concentrated economic and technological power in a small, politically reliable domestic elite.

But by the 1980s these structures began to unravel. In economic life, larger corporations in virtually all the major industrial countries began to fall behind smaller, more innovative firms, particularly in critical industries such as computers. In the meantime the healthiest economies were found in countries with the most vibrant entrepreneurial industrial

Joel Kotkin, a senior fellow with the Center for the New West, is the author of "Tribes: How Race, Religion and Identity Determine Success in the New Global Economy."

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Has Wilson Outfoxed Himself on Immigration?

■ **Campaign:** He may have moved so far to the right on the issue that he has given his Democratic opponents a lot of room to maneuver in.

By Sherry Bebitch Jeffe

Could it be that Pete Wilson's hard-line stance on immigration will prove to be too clever by half? The press and pundits have declared illegal immigration the hot-button issue of the November, 1994, elections—particularly in California. It's probably safer to say that illegal immigration will remain a loud issue. But will it sway voters?

Wilson's abysmal job-approval ratings moved up around the time he called for an end to government services for illegal immigrants and a denial of U.S. citizenship to their U.S.-born children. The ratings of Sens. Dianne Feinstein and Barbara Boxer also went up following their uncharacteristically tough advice on how to curb the flow of illegal immigrants across the Mexican border.

But linking a rise in polls to strong rhetoric on immigration is simplistic. Getting something accomplished—like passing a budget on time, with little visible bloodshed—helped Wilson's ratings. And avoiding controversial actions boosted the standing of both senators.

Nonetheless, illegal immigration is widely perceived to be a cutting issue. And, in politics, perception has a way of

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becoming reality. That's where Wilson may have tripped himself up. And that's where Democrats may have gotten a break.

Wilson's hard-line rhetoric on illegal immigrants may give Republican conservatives something to rally around, as they rallied around reapportionment three years ago. GOP unity allowed Wilson an easy romp through the gubernatorial primary. That short-lived truce contributed to Wilson's narrow victory over Feinstein in the November election.

Co-opting the right on immigration might again pre-empt a serious primary challenge to Wilson. And, once more, he could hoard his money and resources for what is shaping up as a hard-fought general election campaign. But can Wilson rely on that strategy to help him in the general election?

His anti-immigration proposals have placed a potential grenade at Democrats' feet. From Bill Clinton on down, Democrats face a delicate balancing act. How can they come down hard on illegal immigration without alienating the party's minority constituencies?

But the governor may have moved so far to the right on immigration that he has given his possible Democratic opponents—and almost any other Democratic candidate who needs to stake out a position on the issue—a lot of room in which to maneuver. Pulling Democrats to the right means moving them toward the political center. And that's where general elections are won in California.

Consider the early maneuvering of state Treasurer Kathleen Brown, a likely candidate for the Democratic nomination for governor. Brown beat Wilson onto national television when she demanded that Clinton link the North America Free Trade Agreement to a side agreement to ship undocumented immigrants serving

time in U.S. jails back to their country of origin. Brown's proposal positions her as tough on crime and law enforcement, issues on which Democrats and women candidates, in particular, have been vulnerable.

That's a neat general-election strategy, calculated to appeal to moderate-to-conservative whites. It could also have interesting ramifications in the Democratic primary. The party's constituencies—labor, Latinos, liberals, moderates—are divided over what to do, if anything, about immigration. And the Democratic debate over the issue has got caught up in the intraparty NAFTA fight.

Calls, like Brown's, for side agreements put NAFTA at risk. But labor and environmentalists, two important Democratic primary constituencies, might not mind that. They remain skeptical of—if not opposed to—the free-trade agreement.

Brown's likely primary opponent, state Insurance Commissioner John Garamendi, has only recently weighed in on illegal immigration, joining other Democrats in support of stepped-up enforcement of current laws against hiring illegal immig-

rants. But Brown and Garamendi are on opposite sides of NAFTA, which may result in a divisive primary, with costly consequences in the general election.

How the immigration issue moves "the Latino vote" is also a subject of much discussion. Latino voters have been more up for grabs than blacks in recent California elections. A Republican who can attract 40% of the Latino electorate, as did Richard Riordan, can do serious damage to a Democratic candidate. Has Wilson forfeited that opportunity with his immigration views?

The Latino community is not an electoral monolith. Latino politicians have been split, or silent, on illegal immigration, reflecting their diverse constituencies. Both parties face challenges.

Polls show that Latinos share with other Californians concerns over illegal immigration. But, despite Wilson's denial of racist motivations, Latinos don't like the xenophobic intimations of the governor's proposals. That could hurt Wilson in the general election.

Loathe to upset his agricultural and business supporters who have relied on

undocumented workers for cheap labor, Wilson has been lax in enforcing existing immigration laws. That has not only given Democrats the opportunity to neutralize him on the issues of jobs and crime, it allows them to tweak voter cynicism concerning Wilson's social mandates.

Is there a place in the election campaign for a reasoned discussion of the impact of federal immigration policy on California?

At a recent hearing of the House Republican Research Committee's Task Force on Illegal Immigration, Pasadena Mayor Rick Cole put the debate into perspective: "The issue of immigration is a profound one, and deserves attention and goodwill," he said.

But, he added, "the demonization of immigrants is inhumane and wrong, particularly if it's for partisan gain. People need to stand up for thinking this through with the good sense and compassion that has marked the best of America."

In the end, the rhetoric of the 1994 election and the direction California takes to solve its problems will be a test not only of our leaders, but of ourselves. □

Claremont / ce March

Los Angeles Times

SUNDAY, SEPTEMBER 5, 1993

THE PRESIDENT HAS SEEN

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Entitlements — a Scary World of Budget Busters

By JAMES RISEN
TIMES STAFF WRITER

WASHINGTON — President Clinton's \$500-billion deficit reduction plan is the keystone of his program for reviving the nation's struggling economy and the object of a titanic struggle now approaching a climax in Congress.

But a few simple statistics go a long way toward explaining why the whole thing may not work despite the best intentions of its authors.

Within two years, annual spending will top \$1 trillion on interest on the national debt and entitlement programs such as Social Security. By 1995, such "mandatory" spending will account for more than half of the federal budget.

Unless Congress adjusts the formulas that govern the benefit programs, one out of every three dollars spent by the government in that year will be in the form of checks sent out automatically, without review, to America's growing ranks of senior citizens.

By 1997, the entire Pentagon budget will be smaller than interest payments on the national debt. By 1998, total discretionary spending—defense, foreign aid and all of the domestic programs covered by the spending caps in the Clinton deficit plan—will account for just 32% of federal outlays.

Welcome to the scary world of federal entitlements, the budgetary black hole that has devoured every previous effort to tame the federal budget deficit and threatens to do the same to Clinton's program. And if the current debate sounds familiar, it should.

Three years ago, a reluctant George Bush and leaders in Congress grappled their teeth and approved a politically risky plan to raise taxes and reduce the deficit

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BUDGET: Entitlements Seen as Black Holes

Continued from A1
by \$500 billion over five years.

The result? Tax rates went up right on schedule, but the deficit didn't go down. In part, that's because the recession reduced tax revenues below expectations. But significantly, the bipartisan plan didn't touch entitlements, a category of federal spending that includes such huge and growing programs as Medicare, Medicaid, Social Security, farm support programs, veterans benefits and welfare programs.

As the recession worsened and the S&L crisis deepened, mandatory spending on health care, unemployment compensation and thrift deposit insurance soared. At the time the 1990 deal was signed into law, the Congressional Budget Office assured the nation that the deficit would fall to \$29 billion by 1995. The latest forecast for 1995: \$286 billion.

When it was all over, Bush was evicted from the White House and congressional credibility fell to new lows.

Now, with Clinton and Congress getting ready to do it all over again—even shooting for the same target of \$500 billion over five years—skeptics are wondering whether the results will be any different this time.

"The 1990 agreement was an utter disaster, and this Clinton plan has so many parallels to 1990 that it's eerie," said Steve Bell, a former Republican Senate staff expert on budget issues.

If the 1993 deal suffers the fate of its predecessor, the reason, once again, will be the runaway growth of entitlements.

"When the 1990 agreement was enacted, it was going to come close to solving the problem, it was going to get the deficit off the front page," said CBO Director Robert Reischauer. "That obviously didn't happen. . . . With 20-20 hindsight, we should have had some measure to force policy-makers to re-examine entitlement spending."

But some observers see a faint ray of hope this time: To appease conservative House Democrats, Clinton has agreed to include in his budget a provision requiring Congress for the first time to take a vote each year on how to deal with soaring entitlement spending.

The provision has the potential to turn into political dynamite. As a result, it has plenty of enemies and may disappear before the budget finally emerges from Congress. But at least a few of its congressional supporters hold out hope that if it does survive, Congress will finally be forced to publicly confront entitlement spending. Cuts might then be enacted, and the Clinton plan might just beat the odds.

That scenario is still a long shot, however. The entitlement measure, sponsored by Rep. Charles W. Stenholm (D-Tex.), wouldn't force Congress to approve specific cuts. If spending on entitlements exceeds preset annual targets, Congress and the President would have to agree either to cut spending, raise taxes to cover the excesses or admit publicly that they are going to let the spending rise unchecked—thus worsening the deficit.

"I think the Stenholm proposal is a pretty constructive alternative because it is flexible," Reischauer said. "It doesn't force Congress to come up with a set answer, it forces a debate."

It may be hard to believe, but such a public debate is considered revolutionary in Washington today. In fact, half of all federal spending currently is not subject to any votes in Congress. Entitlements, protected by inflation-adjustment mechanisms built into the system 20 years ago and left virtually untouched since, rise inexorably each year.

If current trends aren't reversed, by the end of this century the federal government could become little more than a giant check-clearing facility, drawing in taxes and passing most of the money back out to entitlement beneficiaries.

All other functions of the federal Establishment—national defense, job training, public works projects, education funding, space exploration, to name a few—will be overwhelmed by the insatiable demands of entitlement spending.

None of the deficit reduction agreements passed by Congress in the last decade—not Gramm-Rudman-Hollings, not the 1990 Budget Enforcement Act—have made more than a halfhearted effort to rein in those explosive costs. Without an entitlement review mechanism, the Clinton budget won't do much better, experts say.

"I tell my constituents that Gramm-Rudman I failed, Gramm-Rudman II failed, the 1990 budget agreement failed and this Clinton budget will fail unless we

with entitlements," Stenholm said.

There is a fundamental reason Washington has never done much to cut entitlements: It's hard, maybe the hardest thing lawmakers are ever asked to do. The benefit programs are simply too entrenched in the nation's economic system to be rooted out. That's because, contrary to the widespread impression that most entitlement programs benefit the poor, virtually all of the growth has come in programs aimed at the politically powerful middle class, especially its older members.

In 1992, for instance, "non-means-tested" entitlements—benefits such as Social Security, Medicare, farm price supports and federal pensions that are not restricted to the poor—accounted for \$564.7 billion in entitlement spending. "Means-tested" benefits such as Medicaid, Aid to Families with Dependent Children and other anti-poverty programs accounted for just \$146.5 billion.

It's hard for politicians to make cuts in a program like Social Security, especially because Americans pay a designated tax to support the program and expect a reasonable benefit in return. Indeed, the Bush Administration's last-gasp attempt to impose a real cap on entitlement spending in 1992 failed after the White House refused to endorse the cuts in senior citizens programs needed to carry out its proposal.

As each successive Administration and Congress have skirted the issue, American voters, deeply conflicted about entitlements since so many of them benefit from them, have become increasingly disillusioned about Washington's budget politics and legerdemain.

In the past, Democrats exploited public skepticism about the deficit to inflict political damage to both Ronald Reagan and Bush. But turnout is fair play, and this year Republicans have been winning the rhetorical budget battle, demanding that Clinton accept tougher limits on entitlements.

"Every time Congress tries to do something about the deficit, it thinks only of raising taxes, not cutting spending," said Sen. Connie Mack (R-Fla.). "That's simply wrong. If Congress is serious about reducing the deficit, it has to cut spending, and the first step is capping entitlements."

Conservative Democrats say they are pressing the Stenholm entitlement measure to save Clinton—and the Democratic Party—from political disaster. Without curbs on entitlements, they warn, the deficit will continue to grow, and two or three years from now Clinton will be pilloried by the press and public for raising taxes without reducing the deficit.

It was just that sort of slow-motion train wreck that was set in motion by the 1990 budget agreement and that culminated in Clinton's victory over Bush two years later.

"The only thing new about the 1993 package is entitlement restraint, and without it we run the risk of another deal that doesn't meet its targets," said Rep. Timothy J. Penny (D-Minn.), a leading supporter of the Stenholm measure. Indeed, the CBO predicts that the deficit will dip only briefly in the mid-1990s as a result of the Clinton plan, then will surge again at the turn of the century as health care and Social Security costs overwhelm the budget.

To be sure, future deficits would be even larger without Clinton's package. When it released its budget in April, the Administration predicted that its policies would reduce the annual deficit to \$214 billion by 1997, down from an estimated \$319 billion shortfall if current policies and programs remain unchanged.

But even the White House estimates that the deficit will rise again to \$250.4 billion by 1998, and the CBO warns that it could hit \$653 billion by 2003 unless serious restraints are placed on entitlements.

The Administration, which is lukewarm about the Stenholm provision, disputes the argument that its plan will fail without an entitlement restraint mechanism. Administration officials insist that the overall budget plan includes features that will generate genuine deficit reduction.

They also complain that it is unfair to lump the Clinton plan in with past efforts. Over five years, for instance, the Clinton plan calls for reductions in discretionary spending—essentially everything in the budget except entitlements—of 12% on an inflation-adjusted basis. Most notably, defense spending will be slashed by a total of \$188 billion over four years.

Administration officials also stress that soaring health care costs, which account for most of the growth in entitlements in recent years, will

be dealt with in the Administration's pending health care reform package.

Despite the White House's insistence that its health care program will curb costs, some budget experts predict that Clinton's proposal to extend health care coverage to the uninsured could cost as much as \$100 billion a year initially and will evolve into a vast new entitlement.

Without new controls on entitlement spending, the tough restrictions on the Pentagon budget and other discretionary programs will only skew overall federal spending even more toward mandatory programs like Medicare.

Many groups that benefit from entitlements see the Stenholm proposal as a serious threat, and have targeted it for elimination from the final budget bill. The Black and Hispanic caucuses accepted the measure after intensive negotiations in the House, but that hasn't stopped outside groups from attacking it.

"We are strongly opposed to Stenholm," said Gary Bass, director of OMB Watch, a liberal research group that monitors federal funding for the poor. "It will reduce funding for all entitlements just because of uncontrolled health care costs."

"We in the Democratic Party have allowed entitlements to become the party's mantra, as if we own them," complains Penny, criticizing liberal resistance to entitlement reform. "But we are driving ourselves to the poor house."

A more serious challenge to the Stenholm measure may come from legislative maneuvering by Republicans who want to stop the budget from passing at all costs—even if that means opposing provisions they might otherwise endorse. In fact, the Stenholm measure was dropped from the Senate version of the budget because of worries by Democratic leaders that it would be vulnerable to GOP attempts to use arcane Senate rules to kill it.

Republicans know such a strategy would erode support for the bill among moderate and conservative Democrats, making it more difficult for Clinton to win final passage for the package and ensuring that the budget will be less effective as a deficit-reduction tool.

The Senate action has prompted House conservatives to warn they may oppose the entire budget if some entitlement reforms aren't reauthorized by House-Senate conference negotiators.

"If they want my vote, there better be something in there for entitlement spending enforcement," says Rep. Jim Slattery, (D-Kansas).

Without an annual review of entitlements, the only impact the Clinton budget will have on mandatory spending will come from proposed cuts in specific programs, such as reduced reimbursements to hospitals, physicians and other Medicare providers. The House version includes \$97 billion in entitlement reductions over five years, but the figure includes higher user fees that the White House defines as spending cuts.

The Senate version, which is more conservative than the House bill, has \$106 billion in entitlement cuts, according to the Office of Management and Budget. In both cases, there is nothing to prevent more uncontrolled growth if costs continue to escalate.

That doesn't make the Clinton package much different from the 1990 bill, which included \$75 billion in what were termed entitlement cuts, according to CBO calculations.

Entitlement benefits are automatically given to anyone who meets the eligibility requirements, making it difficult to forecast exactly how much money must be spent on the programs.

When the economy declines more rapidly than anticipated, for example, more people are thrown onto the rolls for such programs as food stamps, welfare, Medicaid and unemployment insurance. When federal courts issue orders mandating higher reimbursements to hospitals for Medicare or Medicaid services, the government has to comply. When administrative orders alter health care payments to states, federal costs rise again.

All of those things happened after the 1990 budget agreement—and overwhelmed every thinking else the deal offered in the way of fiscal restraint. Supporters of the Clinton program, when pressed, can only argue that the unexpected won't happen again.

"Virtually everything that could go wrong with the 1990 budget agreement did go wrong, both on a technical and an economic front," Reischauer said. "It doesn't have to be that way."

MONDAY, JULY 26, 1993

9/17/93 db

The Hosokawa Approach: An Ambitious Grand Design

How Washington can help Japan's dynamic new prime minister

Is this man serious? That is the question long-time observers of Japan are asking about the dynamic new prime minister, Morihiro Hosokawa.

"A nation of no-frills excellence"—this is the phrase coined by Hosokawa to describe his ideal Japan. He wants a country that values the good and simple and shuns useless luxury and extravagance. Drawing on these traditional values, he wants to shape a new, leaner Japan, better equipped to become a global superpower.

Coming back down to earth, Hosokawa supports open markets, cheaper imports, deregulation and a reduced trade surplus—reforms long sought by the United States and resisted by the now out-of-power, status quo-minded Liberal Democratic Party. But Hosokawa's new government, barely a month old, is built on a fragile coalition of eight parties—all with disparate interests and priorities. Transforming rhetoric to policy could be a daunting task.

Washington can help the new prime minister by taking a clear and consistent approach to Japan. This is no time for U.S. vacillation or showy saber-rattling. A clarity of purpose on the U.S. part, set forth by President Clinton in his expected meeting with Hosokawa later this month, will help to shape the political debate in Japan. The fluid political situation offers an opportunity for Clinton to move, delicately, in support of Hosokawa's efforts.

Hosokawa has described his biggest challenge as "not simply to lead the country for a brief interlude but to undertake the important mission of opening the way for a new era to come." In that mission he and President Clinton share a goal of fashioning epoch-making initiatives to better manage the U.S.-Japan relationship in the post-Cold War era.

For now, Hosokawa's most powerful weapon is his great popularity. But his political instincts will be severely tested by December, his self-imposed deadline for first carrying out the voters' mandate for political reform. Though he has been short on details, here is his program so far.

POLITICAL AND ELECTORAL REFORM: The aim, he says, is to reconfigure the absurd electoral system, which makes the rural vote worth up to three times the city vote. He also

wants to eliminate the graft-heavy system of political contributions, which has encouraged the corruption that brought down the LDP in July after 38 years in power.

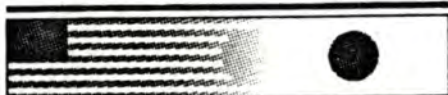
THE NEW BUDGET: Hosokawa has indicated that he wants to avoid deficit financing in the budget. But the Socialist Party members in his coalition want a tax cut. The Clinton Administration favors a Japanese tax cut, too, but also new spending by Tokyo to help stimulate consumer demand for U.S. goods in Japan. To avoid having a huge increase in overall government spending in the fiscal 1994 budget, Hosokawa may want the Parliament to pass an emergency stimulus package soon that offers new public-works allocations to counter the sluggish domestic economy.

ECONOMIC POLICY: Despite all the hoopla about political change, the new government's most vexing immediate problem is economic: Japan is wrestling with a recession and an appreciating yen. Reducing Japan's \$134-billion global trade surplus—and especially the \$50-billion surplus with the United States—is impor-

tant to Hosokawa, and any such reduction should help ongoing U.S.-Japan trade talks. But Hosokawa has criticized numerical targets advocated by Clinton and has indicated that no change is forthcoming on Tokyo's ban on rice imports. Hosokawa has also criticized both Japan's narrow-minded pursuit of personal economic gain and the pervasive influence of collusive institutions that shut out foreigners and other outsiders and work against Japanese consumer interests.

FOREIGN POLICY: Hosokawa's major initiative to date is his unprecedented, and welcome, expressions of apology to other Asian nations for Japan's World War II atrocities and aggression. U.S.-Japan relations remain the central pillar to Japan's foreign policy. Hosokawa may reveal other initiatives in an address to the United Nations' General Assembly later this month.

For now, Hosokawa's great achievement has been to open debate and the political process in Japan. The new government reflects a Japan that, at least in concept, is challenging its die-hard old ways. Whether or not Hosokawa succeeds in his major aims, he has already made a mark for himself on the world stage.



THE U.S. - JAPAN RELATIONSHIP
New Ideas for Reducing Bilateral Tension

■ One in an occasional series

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Los Angeles Times

SUNDAY, SEPTEMBER 5, 1993

INVESTMENT SOARS IN MUTUAL FUNDS, CAUSING CONCERNS

MARKET VOLATILITY FEARED

Driven by Low Interest Rates,
Millions of People Shifting
Savings to Wall Street

By LESLIE WAYNE

As millions of Americans pour money into mutual funds at a record rate — nearly \$1 billion a day — concerns are growing that the funds are bringing new risk to the savings of many people and instability to the markets in which they invest.

A whole generation of savers, seeking alternatives to the 2 and 3 percent returns available at banks, is now being transformed into investors. Since the start of the current bull market in stocks, at the end of 1990, more than \$450 billion has poured into mutual funds — which include stock, bond and money-market funds — bringing their total assets to nearly \$1.8 trillion.

First-Time Investors

But as the money mounts, so do the concerns. In large part, people putting their money into mutual funds are middle-income and often first-time investors — betting a larger part of their savings on increasingly uncertain and unstable markets. One in every four American households invests in mutual funds and nearly half of all fund owners earn less than \$50,000 a year.

"Mutual funds are becoming increasingly responsible for people's savings," said Arthur Zeikel, president of Merrill Lynch Asset Management, the nation's second-largest mutual fund group. "This is a cultural change. There are so many unknowns. Given the huge flow of dollars, more of these people's savings will become more volatile and less stable."

Most of the money for mutual funds has come from the banking system. Nearly \$350 billion has been drained from banks since mutual funds took off. And unlike bank deposits, which are Government insured and guaranteed never to lose a penny, mutual funds are bets on the far riskier financial markets, where there is no certainty that investors will ever see all their money again.

Stock Market's Gorilla

There are now twice as many mutual funds — about 4,300 — than stocks listed on the New York Stock Exchange, and the demand for funds has brought many more into existence, 1,000 in the last year alone. Mutual funds are the biggest buyers of municipal bonds and are an important source of capital for Corporate America and for emerging companies, and they provide billions of dollars to the home mortgage market.

But on Wall Street, the worry is growing that mutual funds have become the gorilla of the stock market. Statistics compiled by Laszlo Birinyi Jr., head of his own market analysis firm in Greenwich, Conn., show that the major reason for large price changes in the stock market in recent months

Continued From Page A1

has been investments of mutual funds, pushing up prices, rather than the fundamental health of the economy or of the companies whose stocks are traded.

During the 1980's, the stock market was propelled by two dominant players — pension plans investing on behalf of future retirees and corporations buying back their own stock through leveraged buyouts and takeovers of other corporations.

But that has changed since 1990, as mutual funds have invested nearly \$140 billion in the stock markets. Mutual funds account for as much new money going to the stock market as do pension funds and individuals combined.

While mutual funds account for about 10 percent of all stock ownership, they account for 30 percent of the trading volume on the New York Stock Exchange, Mr. Birinyi said, and, on hectic days, for more than 40 percent of all trades.

This high volatility results from a troubling aspect of mutual fund behavior: unlike pension funds and individuals, which tend to buy and hold, mutual funds are generally short-term traders. Pressured by yield-hungry investors, mutual funds are more prone than pension funds or individuals to sell a stock when it begins to drop and buy those on the rise — lest they miss the latest trend and investors flee.

"Funds jump in and funds jump out of the market," Mr. Birinyi said. "This is creating a major degree of stock volatility because all these funds are doing it together. Funds face real pressure on daily performance and this leads to a great deal of short-termism."

Funds' Fickle Nature

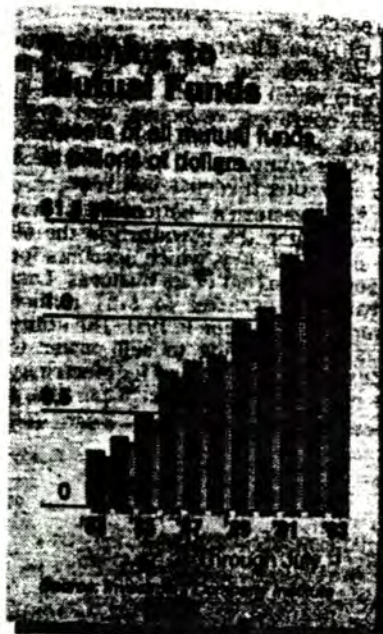
Adding to this is the fickle nature of many mutual fund investors. Panicky shareholders can overwhelm a mutual fund with redemption orders, forcing fund managers to sell shares to raise cash, even if they do not think it is wise. Market analysts worry that investors' demands can force more stock sales, pushing down stock prices and fueling the demand for more redemptions, promoting a destructive downward spiral.

"I worry about 1-800-redemption," said Richard Hoffman, chief investment officer at Cowen & Company. "In the old days, an individual stock buyer would go to a broker, who would be a buffer and slow the process down. Now, if the market hits an air pocket, they can run helter-skelter and take the investment decision."

THE PRESIDENT HAS SEEN
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THE NEW YORK TIMES, TUESDAY, SEPTEMBER 7, 1993



The New York Times

Professionals see a
cultural change,
with many
unknown factors.

making out of the hands of portfolio managers by overwhelming him with redemptions."

Mutual funds are in effect pools of capital that enable an individual investor to divide a single investment among many stocks or bonds, which can be safer than choosing one particular company to invest in.

Congressional Hearings

The shift into mutual funds has not gone unnoticed: Congress is holding hearings examining this explosive growth. While this inquiry is described as a "checkup" of an otherwise healthy patient, it is the first time in recent years that Capitol Hill has examined the industry.

Mutual fund leaders have been calling on Congress to increase inspections by the Securities and Exchange Commission to protect an industry that so far has been tightly regulated and free from scandal — despite infrequent inspections. The industry fears that the explosive growth may entice marginal players into the business, bringing shoddy products and scandal with them.

Industry executives are also wor-

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ried that the average investor who is benefiting from — and causing — the mutual fund boom, may be in for a rude awakening when the markets turn sour. Just as these investors suffered when crumbling real estate prices diminished a large portion of their net worth, the same thing could happen with mutual funds, in turn shrinking their personal net worth. Arthur Levitt, chairman of the S.E.C., said: "It is essential that individual investors understand what they are investing in. But I worry."

And John Bogle, chief executive of the Vanguard Group, based in Valley Forge, Pa., the third-largest mutual fund seller, commented: "Not enough people are aware of the risks. And investors don't understand risk, they not only lose money, but they get mad, too."

In a series of hearings headed by Representative Edward J. Markey, a Massachusetts Democrat, members of Congress, industry representatives and regulators appear to have agreed on an approach to better police the industry, and protect investors by hiring 150 new inspectors — pending Congressional financing. Now, 107 inspectors oversee the entire industry, or one examiner for every \$14.5 billion of assets. The industry wants more, it contends that it pays \$81 million to the S.E.C. in fees, but only \$18 million of that goes to mutual fund inspection.

Because of scarce resources, inspections are generally limited to only the top 100 mutual fund families. Many smaller and medium-sized funds — the ones with fewer resources and, hence, the greater chance for intentional or unintentional wrongdoing — have their books inspected by the S.E.C. only once every four or five years.

Worry Over 'Fringe Player' "There is a lot of concern that new entrants in the business have not been brought up to the mutual fund culture," said James S. Roper, managing director at T. Rowe Price Associates, based in Baltimore. "We're worried about some fringe player coming in and blowing it. I'm not worried about Fidelity or Merrill Lynch."

One reason for the industry's clean history is that it is the most tightly regulated player in the securities business. The Investment Company Act of 1940, which applies specifically to the mutual fund industry, is considered one of the most comprehensive and successful pieces of regulatory legislation. Unlike other Federal securities laws, which protect investors primarily

shock to the system. My concern is what happens if you have a long-term bear market like 1973-74. During the 1973-74 bear market, stocks lost about 40 percent of their value, on average.

The New York Times

rush to sell the huge number of mutual fund shares bought since 1987. "The 1987 experience was not a good prototype," Mr. Zeikel at Merrill Lynch said. "It was a one-time

downward slide is accelerated by the grind down agonizingly and whose about a long-term bear market that 1987. The industry worries far more at pre-crash levels. Besides, less mutual fund money was in the market in market drop, stock prices were back lines and, within three months of the but were tempered by clogged phone. Redemptions of mutual funds soared. October 1987 market crash was much of an indicator of future behavior. No one in the industry feels that the avoid bear markets forever."

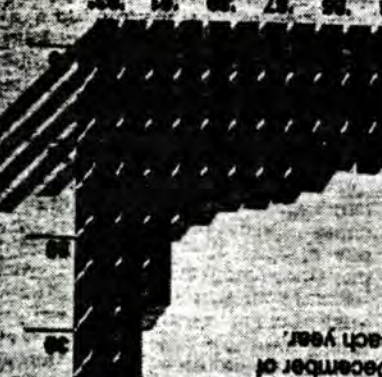
But the biggest worry for policy makers and the mutual fund industry is that when financial markets go down, new investors will be shocked. No one, of course, knows when the stock and bond markets will go down and by how much. But all know that they will. "It's like everything else," they will. "You know it's coming, you just don't know when. You can't avoid bear markets forever."

Chilling Effect "Any negative publicity about any fund could have a chilling effect on the warm feelings that the investing public has for the mutual fund industry today," said Mr. Zeikel of Merrill Lynch. "For this reason, S.E.C. re-

operations. Last year, the S.E.C. undertook a major study of the act and concluded that no significant changes were necessary — although the industry is vocal in its demand for more inspectors. Last year, the S.E.C. undertook a map on how to manage day-to-day law gives them a very detailed road more independent board oversight, porting, stricter prohibitions and Mutual funds face more public re-

the group generates a disproportionate amount of trading volume

Mutual fund trading as a percentage of all dollar trading volume on the New York Stock Exchange in December of each year.



though mutual fund holders are relatively small, the group generates a disproportionate amount of trading volume. Mutual fund trading as a percentage of all dollar trading volume on the New York Stock Exchange in December of each year.

A Growing Market Force

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Al Gore's Misguided Mission

By Louis Winnick

America's disaffection with politics has energized a movement to "reinvent government" by slashing bureaucracy and making public agencies more efficient and responsive.

"What we are describing," David Osborne writes in his book "Reinventing Government," "is nothing less than a shift in the basic model of governance used in America." The central problem of governments, says Mr. Osborne, is "not what they do, but how they operate." Accordingly, he presents a catalog of exemplary innovations in public management,

Louis Winnick, an urban economist, is a member of the editorial board of the Manhattan Institute's City Journal, from which this article is adapted.

most at the state and local level.

The call for government reinvention has resonated through the political establishment. President Clinton, who called Mr. Osborne's book "the blueprint" for revitalizing government, designated Vice President Gore to head a "national performance review" to root out bureaucratic inefficiencies. Mr. Gore is to release his recommendations today.

The movement for innovation surely deserves applause. But the benefits of "reinventing government" are likely to be marginal at best.

Governmental innovations have a high failure rate. Transience is the inevitable hazard of creative endeavors, in the public sector as anywhere else. What has become of the many ideas from the Great Society's feverish years? Where now are Model Cit-

ies, New Towns, zero-based budgets?

Where is Turnkey III, the sale of public housing units to tenants — a Republican reinvention that long antedated Jack Kemp's parallel thrust under the banner of empowerment?

Moreover, many innovations that succeed at a local level are not replicated elsewhere. Sunnyvale's "long-range budgeting protocol" and Visalia's "mission-driven budget" have traveled no inordinate distance from those small California cities. St. Paul's profit centers have swept, well, St. Paul.

In addition, even successfully imitated innovations typically yield only limited benefits. That is because the fundamental problem of government is not inept administration but an overload of policy mandates. A real shift in American governance would

require not merely managerial reinventions but sweeping disinventions.

Rationally ordered public management is a precious jewel. So, too, is the mind-set that impels some creative official to rejigger his mousetrap to the greater misfortune of the mice. But genuinely radical transformations in government cannot occur without radical transformations in policy, in the fundamental "what" of government as distinguished from

THE PRESIDENT HAS SEEN
9/7/93 db

THE NEW YORK TIMES, TUESDAY, SEPTEMBER 7, 1993

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There is a gem of
something here
We need a list of
things we propose
to stop doing
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Let's *disinvent* government.

the procedural "how."

Admire it or not, the New Deal was such a transformation, as was the Great Society. But Franklin Roosevelt is not remembered for introducing the Office of Management and Budget, nor Lyndon Johnson for reorganizing the executive agencies. Rather, they are remembered for drastically expanding the scope of government's responsibilities.

"Reinventing" government even while its scope is being expanded still further will do nothing about the problem of ballooning government, which owes immeasurably more to the sweep of misguided policies than to the creep of misguided management. For example, as the social scientist Charles Murray argues, genuine welfare reform would require wrenching changes in policies based on hallowed but self-defeating precepts that perpetuate the cycle of poverty.

Confounding matters further, as James Q. Wilson noted in his book "Bureaucracy," is the endless multiplication of missions. Important laws are freighted with disparate goals dear to the hearts of various legislative factions. The administrators of a highway program, for example, must carry out policies dealing with environmental protection, historic preservation, minority set-asides and features for the handicapped. Bureaucrats are ruled by such constraints.

The fundamental question is what we expect government to do. American government cannot be meaningfully reinvented unless its ambitions are scaled back. Massive government will not be shrunk by marginal reinventions, only by massive disinventions. As Professor Wilson has written, "You can have less bureaucracy only if you have less government." □

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WASHINGTON

saved to
L. Lader 9/7/93

DATE: 09/07/93



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Action ☐

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

cc:



11/11/93

THE WHITE HOUSE
WASHINGTON

September 2, 1993

James M. Dunn
Executive Director
Baptist Joint Committee
200 Maryland Avenue, N.E.
Washington, D.C. 20002-5797

Dear James:

Thank you for your letter. It was great to see you at the breakfast Monday. Having all of you in for a visit renewed my spirit.

I appreciate your good idea that I sit down for a few minutes with a group of writers for Baptist publications. I have forwarded your letter to Mark Gearan, Assistant to the President for Communications.

I look forward to seeing you soon.

Sincerely,

Bill



BAPTIST JOINT COMMITTEE

200 MARYLAND AVENUE, N.E., WASHINGTON, D.C. 20002-5797 • 202/544-4226

James M. Dunn
Executive Director

August 31, 1993

The President
The White House
Washington D.C. 20500-2000

Dear Mr. President:

The breakfast yesterday morning was a great idea. Your presentation was perfectly appropriate and inspiring. The participants were euphoric.

Thank you for putting up with all the "bull" you must endure. Thousands of Baptists are embarrassed by the actions of the most recent Southern Baptist Convention. We, like your pastor, Rex Horne are eager for Baptists to know the real Bill Clinton.

Rex and I had a talk yesterday and agree that it would be wise to bypass human filters who might distort your message and speak directly to the largest possible number of Southern Baptists.

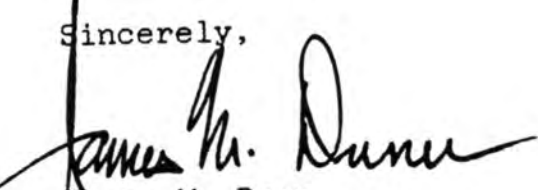
Here's an opportunity to share your spiritual commitments with respected Baptist writers who are eager to report fairly and objectively your views and values.

Given our shared religious heritage, I am sure you are aware of the importance of Baptist publications in Baptist life. While the local newspaper stacks up on the porch, Baptist state papers are stuck in the Bible, left on the nightstand, and discussed at church. An interview with Baptist editors and reporters will provide you with a secure forum to express your thoughts and beliefs. Moreover, this forum will reach all of the national, regional, and state Baptist papers as well as the religion pages of over 600 daily newspapers. As one Baptist addressing the others, you will have a substantial apparatus for communicating directly with the millions of Baptists across the United States.

Four journalists I would recommend for such an undertaking are Larry Chesser, editor of Report from the Capital and a member of the White House Press Corps., Jack Harwell, editor of Baptists Today, Michael Smith of the Columbia Missourian, and Presnall H. Wood, editor of The Baptist Standard, the religious weekly with the largest circulation in America, 236,000. All these Baptist writers are accomplished, objective and have demonstrated the highest journalistic integrity in their reporting. These are writers that you can trust.

As several of your staff suggest, I will be pleased to assist with logistics, ground rules, and backgrounding. We hanker powerfully at the Baptist Joint Committee to help you in the one area in which we confess to a considerable expertise, Baptists. Enclosed is a brief biography of each of these writers and Mark D. Geran has samples of their work which I sent to him earlier.

Sincerely,



James M. Dunn
Executive Director
The Baptist Joint Committee

Larry Chesser is editor of Report from the Capital, Washington Bureau Chief for Associated Baptist Press, and a regular writer for Religious News Service. He is the son of an Arkansas Baptist minister, was editor of the Conway Log Cabin Democrat, 1982-1988 and is a member of the White House Press Corps.

Jack Harwell is the highly visible moderate former editor of the Georgia Baptist paper the Christian Index and presently publisher and editor of Baptists Today, the one national news magazine of mainstream Baptists in all denominations. He is a major spokesman for the Cooperative Baptist Fellowship.

Michael E.M. Smith is the brilliant young editorialist and staff writer for the Columbia Missourian. His stories during 1992 were widely picked up and distributed. He helped me and Mike Lux answer the outrageous assertions of the Religious Right during the campaign. Associated Press wire services have picked up much of his material.

Presnall H. Wood is the long-time editor of The Baptist Standard the state paper for Texas. He has a great tradition since E.S. James, his predecessor, in the 1960's did exactly this sort of thing for President Kennedy. The impact of that interview dramatically enhanced the President's standing with Texas Baptists.

THE WHITE HOUSE
WASHINGTON

OFFICE OF THE STAFF SECRETARY

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John Podesta

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NOTE FOR: LINDA LADER

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Thank you.

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

cc:

J. W. Anderson

Perot's Little Book of NAFTA Nonsense ✓

Ross Perot is gripped, he says, by a nightmare vision of the impact of Mexican trade on American society. NAFTA—the North American Free Trade Agreement—will go to Congress for a final vote this fall, and Perot has made himself a leading figure in the campaign to defeat it.

The vehement little book that he's written (with Pat Choate) conveys the general tone in its title: "Save Your Job, Save Our Country: Why NAFTA Must be Stopped—Now!" The central issue is the ability of a high-wage country such as the United States to compete with low-wage Mexican labor. He doesn't think that it can.

NAFTA will mean downward pressure on employment and wages, pitting one American against another, Perot writes—the young against the elderly, unemployed minorities against insecure majorities, "a declining middle class versus a tiny majority who grow increasingly wealthy."

That sounds pretty scary. It's a good thing it's wrong.

Americans have had a lot of experience with competition between high- and low-wage regions right here within this country's borders. If you want to see how trade with Mexico will work out, take a look at the growth of America earlier in this century.

Two generations ago, at the end of the 1920s boom, average income per capita was four times as high in New York State as it was in the poorest of the southern states, then South Carolina and Mississippi. (Today, average income is about nine times as high in this country as in Mexico.)

Perot says that competition with Mexico isn't fair because labor unions can't organize effectively there, and because the health and labor standards aren't adequately enforced. All of that was true of the Deep South in the decades immediately before and after World War II. And, in fact, some factories did move south to escape unions and high wages, just as some factories have moved to Mexico.

According to the Perot theory, the result should have been social chaos in the North and a steady decline of wages.

In reality, wages rose in both regions—faster in the South, but substantially in the North as well. Personal income per capita in South Carolina is now nearly 70 percent of New York State's rather than the 23 percent it was in 1929, and Mississippi's is 60 percent. Meanwhile, New York State's is, after inflation, 2½ times as high as it was in the late 1920s. Massachusetts lost its textile mills and their many jobs to the South—a serious setback at the time, yet the state has pushed into the high technologies and is now richer per person than New York, let alone the South.

For two guys with unlimited access to expertise, Perot and Choate have made a remarkable number of flat factual errors in the 110 pages of this book. One of the most serious is the repeated claim that NAFTA will turn Mexico into a "platform" that Japan, Europe and (groan of horror) China can exploit to route their exports into the United States. The argument is that they would bring in their own manufactured goods for final assembly in Mexico before pushing them over the border as Mexican.

Perot has that exactly wrong. Under NAFTA it would get harder, not easier, for third countries to use that strategy. For automobiles coming in from Mexico, the requirements for North American content would actually rise under NAFTA.

Perot says that China has already made a deal with Mexico that "will allow Chinese textile and apparel companies to secure an exemption from U.S. quotas and duties." That's incorrect. Under NAFTA any clothing coming over the border as Mexican, exempt from U.S. quotas and duties, must be made from textiles produced in North America, and the textiles must be made from fiber produced in North America. Far from opening the door, NAFTA's provisions on the sensitive subjects of autos and textiles are more than a bit protectionist.

Perot repeats the accusation that the NAFTA text was kept secret so the innocent public couldn't find out what was going on and became available to outsiders only when President Clinton took office last

Jan. 20. In reality the text became public last Sept. 18, two months before it was signed. Perot also claims that the fast-track congressional process permits secret side agreements. That's nonsense, too.

One particularly mischievous charge is that NAFTA would require a lowering of health and cleanliness standards for food. Wrong again. It would permit this country—or any state or city—to set its health and sanitary standards as high as it pleased as long as it could show some scientific basis for its concern and as long as it treated domestic products the same way as imports.

But whatever the flaws of this trashy book, you have to say one important thing for Perot—he does not join Pat Buchanan in his explicit isolationism and his ugly comments about the Mexicans. At his press conference on Aug. 26, Buchanan spoke of the "pigpen" that the Mexicans have allegedly made of their side of the border.

"If we can defeat NAFTA here," Buchanan said, "I think the internationalists will be rolled back and, if you will, the America Firsters will be on the move. They'll be listened to, they'll be heard." He may be right about that.

The conventional wisdom is that Perot and Buchanan, by joining the other opponents of NAFTA—the labor unions and the left wing of the environmental movement—have made it much harder for Clinton to get it through Congress.

My own view is the opposite. Perot, Buchanan and company have increased the aura of kookiness and unreliability that surrounds the opposition to NAFTA. It's an invitation for President Clinton to position himself in the reasonable center, between the fringes.

But it's probably true that NAFTA won't succeed if the president continues to keep his distance from it. There's an impressive case to be made for NAFTA, but he's going to have to start making it personally and forcefully.

The writer is a member of the editorial page staff.

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Mack/

To Bill Daley

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^EDWIN YODER COLUMN<

^(Advance for Monday, September 6, 1993, and thereafter)<

^(For Yoder Clients Only)<

^By EDWIN M. YODER, JR.=

THE ARTICLE HAS BEEN
9/7/93 db
[Handwritten signature]

WASHINGTON--The happy prospect that Israel may at last be allowed to exist in peace is further confirmation of the truth recently noted by the historian John Lukacs in his book, "The End of the 20th Century and the End of the Modern Age": Nationalism, in all its benign and evil varieties, has been the great surviving force of the now-fading 20th century.

That was not always apparent. When Israel was created by the United Nations in 1948, near the century's midpoint, the act was perhaps more a compassionate response to the suffering of the Holocaust than it was a nod to Zionism or a fulfillment of the national hopes of the Balfour Declaration. The Balfour Declaration by the British government amid the First World War had envisioned a Jewish "homeland" in Palestine (a state was implied, but not pledged), with the proviso that the said entity must not impair the rights of other peoples.

By the time of Israel's actual birth, 30 years later, the British had tried and failed repeatedly to devise an acceptable partition plan and had become hostile to the Balfour legacy.

That hostility found reinforcement in unlikely places, even among some old-line Jewish organizations in the United States. Both world wars were seen as the products of nationalist agitation, discrediting exclusivist forms of nationalism.

The views of the historian Arnold J. Toynbee were typical. Toynbee, after an initial endorsement of the Balfour Declaration, became a lifelong detractor of Zionism. He viewed the persistence of Jewish national consciousness as archaic and tribal and he denounced it, in a provocative sentence in his "Study of History," as a "fossil of Syriac

(more)

civilization," an outdated relic of primitive religion. Cosmopolitan condescension could hardly go further.

This was far from the only instance in which the force of nationalism was underestimated. In St. Petersburg, in 1917, the Bolsheviks proclaimed worker solidarity to be the essence of all political loyalty, more powerful than national borders. Though the Marxist depreciation of nationalism was wholly different in character and motive from Toynbee's condemnation of Zionism, here, again, was a similar historical error. No feature of the First World War was clearer than that workers, in defiance of all Marxist prediction, had rallied to their national flags. By the time of the Second World War, Josef Stalin had absorbed the lesson. When the Germans attacked the Soviet Union in 1941 he wrapped himself in the mantle of the czars and framed the anti-Nazi struggle as the resistance of holy Russia to the Western hordes.

It sometimes requires the gross perversion of a benevolent or at least harmless historical force to stimulate real change. That is perhaps the case in the Middle East now. Until recently, Israel and the Palestine Liberation Organization had treated one another as everlasting enemies, not even to be spoken to. It was a crime, nominally at least, for a citizen of Israel to have contact with the PLO. The ban even spread to American diplomacy. In 1980, President Carter fired his ambassador to the United Nations, Andrew Young, for speaking unofficially with the PLO.

What a difference now! With the collapse of the Soviet Union and the end of the Cold War came a fierce and frightening outburst of repressed nationalist aspiration, explosive and, in places, unmanageable. The world suddenly witnessed terrible examples of where insensate tribalism might lead, especially when tinged with religious conflict.

It would be interesting to know what influence the chaos in Yugoslavia exerted, consciously or unconsciously, on the sudden triumph of reason in the Middle East. Yasser Arafat and the leaders of Israel read the newspapers. The horrors of Bosnia, where ethnic consciousness has soured

(more)

into mindless savagery, have held up a mirror to the Middle East, with its scores of fissures, hatreds and divisions.

Lukacs is right. Nationalism is the great survivor in the terrible struggles of the 20th century, outlasting other forces or doctrines (Nazism, Communism and Fascism, for instance) once thought to be more formidable.

Even so, the great question facing statesmen today is whether cosmopolitan and pluralist principles can be fashioned to contain and civilize that force before it runs wildly and destructively to seed, as in Yugoslavia. The sudden developments in the Middle East are one very welcome sign that the question has been identified and is being addressed.

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Chance

Studies Are Deceptive

By Rebecca L. Clark
and Jeffrey S. Passel

WASHINGTON
The economy is dragging, and Americans are looking for scapegoats. Increasingly, they seem to find them in immigrants. But do immigrants cost more than they put into the economy, as has been reported in two recent studies? And is this the right question to ask?

According to the 1990 Census, there are 19.7 million immigrants living in the U.S., or 1 in 12 Americans. Of these, 11 million entered the country before 1980; 2.6 million were granted amnesty under the 1986 immigration law. The Immigration and Naturalization Service recently estimated that there were 2.6 million illegal immigrants in 1990, and the number increased to 3.2 million in 1992.

Estimating the economic cost or benefit of legal and illegal immigrants — nationally or for local areas — is

Expenses are overestimated.

difficult. The necessary numbers are largely unavailable, so researchers must fill in gaps with assumptions.

Our intent is not to advocate higher or lower levels of immigration, but to provide guidance in assessing the assumptions — and thus plausibility — of the numbers used in the debate.

Most studies measure the costs of immigrants better than the benefits, because social service expenses can be estimated from government data, whereas estimates of taxes paid require statistics on income and place of birth from a representative sample.

The net cost of immigrants can be estimated from the following:

- **Taxes paid.** In our recent study of the impact of immigrants in Los Angeles County, we used Census survey data to estimate five Federal, state and local taxes paid by immigrants. We found that adult immigrants who arrived after 1980 paid a total of \$3,066 per person. This was almost twice as much as was estimated by a Los Angeles County government report.

The comparable figure for all immigrants, recent or not, is \$4,264 a person, compared with \$6,902 for natives. Long-term immigrants pay more than their proportionate share. They make up 15 percent of the Los Angeles County population and contribute 18 percent of the five taxes.

- **Jobs created and taxes paid by immigrant-owned or supported businesses.** This major contribution to public coffers has not been quantified or included in any cost-benefit studies of immigrants.

- **Cost of services.** Despite a widespread belief that immigrants are

attracted to the U.S. by its social services, there are several reasons to expect immigrants' use of welfare to be relatively low.

Undocumented immigrants are barred from most public assistance programs. Recent legal immigrants are effectively prohibited from receiving most public assistance for three to five years after arrival. And a person with a history of receiving welfare finds it more difficult to bring relatives into the country.

The cost of services provided to recent legal immigrants in Los Angeles has been overestimated. For some

social service programs, the Los Angeles County report mistakenly computed the costs for recent legal immigrants by using the costs for all legal immigrants. As a result, the report overestimated the costs of recent immigrants by one-third.

- **Displacement.** Many studies find that the loss of jobs to immigrants is minimal to nonexistent. Yet, a recent well-publicized report by one research group, the Carrying Capacity Network, says that for every 100 unskilled immigrant workers, 25 natives become permanently unemployed. But these figures were based on a very small sample of 378 unemployed Houston residents who were asked whether they would take an "illegal alien type unskilled" job "at \$7 or less per hour." This approach rests on three unsupported assumptions: that such a job exists, that an illegal alien has it and that the respondent would actually accept it.

In the end, the cost debate must address two questions: What is the cost of immigration to local governments? And what are the costs of keeping illegal immigrants out?

Most taxes that immigrants and natives pay go to the Federal and state governments. But most of the costs of caring for, educating and sheltering people accrue at the local level.

The Los Angeles government report is probably correct in concluding that immigrants get more in services from the county than they contribute in county taxes. But this is also the case for natives. The study is incomplete because it fails to include all sources of revenue and omits indirect economic benefits from immigrants' consumer spending and businesses.

In order to keep illegal immigrants out, we spend three-quarters of a

THE PRESIDENT HAS SEEN

9/7/93 db

billion dollars a year, and would have to spend many times that amount to succeed in keeping them from crossing our borders.

Recent popular calls to reduce illegal immigration have focused on further limiting illegals' access to education and social programs and erecting barriers to entry. The proposals have not focused on jobs — the true incentive attracting immigrants. If the flow is to be significantly reduced, the U.S. Government may have to adopt stricter employer sanctions and tighter regulation of business hiring — actions that would not have widespread support. □

Rebecca L. Clark and Jeffrey S. Passel are demographers at the Urban Institute.

chron

THE WHITE HOUSE
WASHINGTON

faxed to
L. Lader 9/7/93
ab

DATE: 09/07/93



NOTE FOR: LINDA LADER

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

Information	☒
Action	☐

Thank you.

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



cc:



THE WHITE HOUSE
WASHINGTON

*Cc: Showed to
Kunda Today
Mark Gearan*

September 3, 1993

David Neff
Executive Editor
Christianity Today
465 Gundersen Drive
Carol Stream, Illinois 60188

Dear David:

Thank you for your letter. It was great to see you at the breakfast Monday. Having all of you in for a visit renewed my spirit.

I appreciate your reminding me about the interview, and I have shared your letter to Mark Gearan, Assistant to the President for Communications.

I look forward to seeing you soon.

Sincerely,

Bill Clinton



August 31, 1993

The President
The White House
Washington, D.C. 20500-2000

Dear Mr. President,

I wish to thank you and Mrs. Clinton for your generous hospitality Monday morning and for your kind comments about *Christianity Today*.

We share a common concern for healing the many problems that plague our nation; and while we may sometimes disagree as to the best solutions, I know we both want to try to arrive at courses of action through careful, civil discourse informed by the wisdom of our religious heritage.

Your parting comment, suggesting an interview for the readers of *Christianity Today* appeals to us greatly. *CT* readers are key influencers in American churches, and their president should have the opportunity to speak directly to them about topics dear to his heart: about recovering a sense of the common good, about the need for humility in our debates, and about the realities of the political process in a pluriform society. We would very much like to accept your generous offer of an interview.

Knowing that you may be too busy to follow through on specific arrangements for such an interview, I am sending copies of this letter to David Gergen, Alexis Herman, and Linda Lader in the hope that they can help facilitate this meeting.

Mr. President, we deeply appreciated your sharing the concerns that were on your heart. As a result of our meeting, I feel I know how to pray for you more concretely.

Sincerely yours,

A handwritten signature in cursive script that reads "David Neff". The signature is fluid and extends to the right with a long horizontal stroke.

David Neff
Executive Editor



A PUBLICATION OF
CHRISTIANITY TODAY, INC

1465 Gundersen Dr.
708/260-6200

3 Carol Stream, IL 60188
FAX: 708/260-0114

**THE WHITE HOUSE
WASHINGTON**

DATE: 09/07/93

NOTE FOR: LINDA LADER

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

Information ☒ X
Action ☐

Thank you.

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

cc:

Richard Cohen

President Limbaugh? ✓

The National Review, a magazine of conservative politics and—at least when it has taken out after me—wretched accuracy, has Rush Limbaugh on the cover of its latest issue. "The Leader of the Opposition," the magazine proclaims, but the article goes farther than that. It suggests that Limbaugh could emerge as a Republican presidential candidate. For those tempted to scoff, I offer two words of warning: Ronald Reagan.

Never mind that the former president, in a famous letter, has called Limbaugh "the Number One voice for conservatism in America" or that others have pleaded with the portly talk show host to abandon radio and television and enter politics. What's striking to the writer of the piece, James Bowman, is the similarities between Reagan and Limbaugh. They include a Midwestern upbringing, success in California and, of course, a common background in show biz. In other words, "Ditto."

Still, I cannot repress my doubts. In the first place, Limbaugh has forsworn any intentions to run for public office. Second, it's not clear that he does anything more than preach to the choir. The hard-core talk show audience, according to a poll for the Times Mirror Center for the People and the Press, is more conservative than the nation as a whole, is much more critical of Bill Clinton (a 10- to 15-point higher disapproval rating) and hates Congress with an abandon that can only be attributed to abysmal ignorance of the federal system.

The Times Mirror pollsters call these people "the vocal minority in American politics." They're more likely to call a member of Congress, and when they call they're more likely to voice a complaint. The poll found that 39 percent of Republicans, but only 27 percent of Democrats, said they recently contacted a member of Congress. To a certain extent, these callers were clearly echoing the views of talk show hosts. Only about a quarter of the hosts approved of Clinton's performance.

The Times Mirror poll is both interesting and ominous. It coincided with the widespread syndication of talk shows. Limbaugh, with 616 stations and an estimated 20 million listeners, is the most successful. Now G. Gordon Liddy and Patrick Buchanan have followed—making a darkly conservative trio that has more than politics in common. Like the vast majority of talk show hosts, they are white men. The Los Angeles Times reported it could find only 12 full-time weekly hosts who are members of minority groups. There are about 1,000 talk show stations—and some of them, just recently, have picked up one of the new syndicated shows.

Whether this increasingly conservative-white-male hegemony over the airwaves will dramatically affect the nation's politics has yet to be seen. But if it does, it will be just another example of democracy—and broadcast ratings are nothing if not democratic—proving to be more mischievous than the Founding Fathers could have envisioned. Rather than concoct some sort of legislative antidote of the type being bandied about—a return to the "equal time" provisions of the old fairness doctrine, for instance—non-conservatives ought to pay attention to what's happening. A huge disaffected audience is making itself felt. It's talking back the only way it knows how.

What this audience is saying is often simplistic, often downright mean and very often beside the point. The Times Mirror poll, for instance, reported that while the hard-core talk show audience is likely to fire off a letter to a congressional office, these same people are not very likely to attend a town meeting or to write local officials. The trend toward national syndication will only increase the focus on the national government and national political figures. People will be blaming Congress for problems over which it has little jurisdiction—crime and education, for instance. By and large, these are local concerns.

But what talk show hosts have in common is a keen sense of their audience's alienation—and their disillusionment with the mainstream media. It can be no accident that the talk show audience is more male than female, more conservative than liberal—and that it thinks its values are not reflected elsewhere. They have a point. In the mainstream media, the fear of saying something that may trigger an accusation of racism or sexism is so acute that even people who are paid to take such risks—columnists, for instance—choose discretion over valor. Controversy is both fun and useful. Vilification is neither.

Little wonder then that we are seeing the rise of conservative talk show hosts. Their brand of tell-it-like-it-is patter, while often not to my liking, is clearly filling a void. If, as the National Review suggests (warns?), Rush Limbaugh has emerged as "the leader of the opposition," then the hurlers of epithets and imposers of political correctness on the left can only blame themselves.

THE PRESIDENT HAS SEEN

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B.

Christian Coalition Hopes to Expand by Taking Stands on Taxes, Crime, Health Care and Nafta

By GERALD F. SEIB
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — At the zenith of the debate over President Clinton's deficit-cutting plan, the office of Rep. Charles Stenholm began getting waves of calls telling him to vote no. Curious what was behind the wave, the Texas Democrat called back a few constituents himself.

When he did, he put his finger on an important new phenomenon in American politics. The calls were being generated by the Christian Coalition, which, as part of a new effort to broaden its agenda beyond traditional social issues, launched an aggressive grass-roots campaign against the plan's tax increases.

Rep. Stenholm, a conservative who had considered himself friendly to the Christian Coalition, wasn't pleased. He complains that radio ads the coalition ran in his district played "real loose with the facts," misrepresenting both his position on energy taxes and the percentage of spending cuts in the deficit-reduction plan. Still, though he insists the Christian Coalition didn't influence him, Rep. Stenholm decided to oppose the final version of the Clinton plan.

As the Stenholm episode suggests, the Christian Coalition is at a turning point as it prepares to host a meeting of 2,000 religious activists here at the end of this week. The organization, founded and led by one-time presidential candidate Pat Robertson, is a growing political force in state after state and clearly dominates the so-called religious right of the Republican Party.

Seeking Mass Appeal

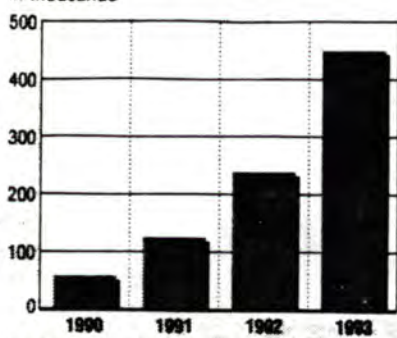
Yet its leaders have decided that their movement has focused too narrowly on social issues such as abortion and gay rights and must break out of that mold if it is to have mass appeal. So in a risky effort to expand its base, it has started taking stands on such diverse issues as taxes, crime, education, health care and even the North American Free Trade Agreement.

"We don't in any way mean to imply or convey that we are retreating in any way from these vital [social] issues," says Ralph Reed, the executive director of the Christian Coalition and the man who is spearheading the expansion effort. "I think of it as hiring more employees. When you hire new employees you don't get rid of the ones you already have."

Mr. Reed argues that the main interest of the Christian Coalition's 450,000 members is strengthening the American family, a pursuit that requires increased attention to crime and, above all, economic issues. "In order to deal with the break-

A Growing Force

Christian Coalition dues-paying membership, in thousands



Source: Christian Coalition

down of the family and in order to deal with the pressures on the family you have to address economic pressures as well as moral pressures," he says. Thus, the coalition argued against the deficit-cutting plan on the grounds that its tax increases would hurt families who were promised middle-class tax cuts by candidate Clinton.

But Mr. Reed also admits that he is taking a calculated political step. By expanding its horizons, he acknowledges, the coalition hopes to erase any perceptions that its activists are religious zealots intensely concentrated on one or two narrow issues. That perception, which was hardened by the attention given to "family values" rhetoric at last year's Republican convention, turns off moderate Republicans who are trying to move the GOP away from a focus on controversial social issues.

'A Friendlier Face'

"The fact we're also focusing on issues like crime and taxes will probably soften some of the features and put a friendlier face on who we are, so that we bring more political capital to bear when we do come to the table," Mr. Reed says.

If this process succeeds, some analysts say, Messrs. Robertson and Reed could become far more important players in the Republican Party. Mr. Reed is "making it possible for nonreligious Republicans to reach out to him," says Frank Luntz, a Republican pollster. "His politics may still be religiously based, but he's making them more acceptable to mainstream Republicans."

It is also clear, though, that the coalition has yet to prove exactly how much clout it will have beyond its core social and cultural issues. Its potential seems high. The coalition defines its audience broadly as churchgoing families with children. Its core of national members, who pay \$15 annual dues, forms only part of the coal-

tion's computerized data base of 750,000 activists who have been helpful in local political campaigns or have signed petitions. Those sympathizers can be activated by computer-generated mailings or mass phone drives.

In addition, the coalition has what amounts to a national precinct organization, thanks to its computer listing of 35,000 churches it can contact to disseminate its messages.

But the coalition still has to prove that it can deliver the kind of broad influence those numbers suggest. In its campaign against the deficit-reduction plan, for instance, the coalition targeted 14 wavering Democrats in 11 states and spent \$150,000 to influence them. It poured an average of 6,000 to 8,000 pieces of mail into each of those districts, backed up by telephone calls to members urging them to call lawmakers' local offices to lobby against the deficit plan. In addition, the coalition put ads on radio stations in two cities in each district at least four times a day.

Limited Success

But in the end, only Rep. Stenholm among those targeted voted against the deficit-reduction plan. "We don't interpret the fact that we didn't turn more of those the other way as a sign that our campaign was unsuccessful," says Mr. Reed. Instead, he argues, by targeting a few members the coalition was merely trying to illustrate to all lawmakers that voting for the Clinton plan would produce political pain.

Now that the budget debate has passed, the coalition intends to push for a "family tax relief" plan that would combine a federal budget freeze with an increase in the standard tax deduction for children.

Beyond that, it intends to lobby for initiatives, particularly one up for a vote this fall in California, that would give parents greater freedom to choose the schools their children will attend. Mr. Reed says that issue gives the Christian Coalition the chance to make rare inroads among minorities, who tend to favor choice in education.

The coalition also intends to weigh in on health-care reform, fighting funding of elective abortions in any national plan, opposing mandatory membership in health cooperatives that might limit families' choice of doctors and resisting requiring small businesses to pay for employees' health coverage.

Risky Move

Mr. Reed, noting Mr. Robertson's involvement in overseas trade through his broadcast operations, generally endorses Nafta. But Nafta also helps illustrate the risks in the Christian Coalition's strategy. On the budget deal, the coalition angered a generally sympathetic figure in Rep. Stenholm with its lobbying, even though Mr. Reed insists its ads on the issue were "completely documented and totally factual" and that he hopes to stay on good terms with the lawmaker. Now the coalition has displeased some of its conservative supporters by coming out in favor of Nafta.

Patrick Buchanan, the conservative commentator and a Nafta foe, says he complained about the endorsement of Nafta. Mr. Buchanan argues that many fellow conservatives who are bedrock supporters of the Christian Coalition don't like Nafta and that "come the fall" the coalition won't be very enthusiastic about the trade deal.

Mr. Reed acknowledges that the coalition's Nafta support may not be very vocal, partly because of such conservative misgivings. As the new strategy unfolds, he says, "we're going to have to pick and choose our fights."

GS/Geigun/BC

THE WALL STREET JOURNAL TUESDAY, SEPTEMBER 7, 1993

High-Tech Industry's Infatuation With Clinton Turns to Frustration Over Unkept Vows, Inaction

By ASRA Q. NOMANI

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—For many of the high-tech executives enamored of Bill Clinton during last year's campaign, the romance is over.

"There's an increasing sense of frustration for those of us who embraced the new administration and tried to give it advice," says Joseph Gorman, chairman of TRW Inc.

"There hasn't been any action," adds Edward R. McCracken, chairman of Silicon Graphics Inc., who was at Mr. Clinton's side when the president unveiled his technology plans at the company's headquarters. "They need to prove to the world and the high-technology industry they can facilitate action."

The high-tech connection was important to candidate Clinton, not just for the campaign money raised but because it lent a "New Democrat" allure to his message, countering arguments that Democrats were out of touch with the entrepreneurial spirit.

Mr. Clinton has said he's "very pleased" with the administration's record on high-tech issues, citing capital-gains tax measures for small companies and research-and-development tax credits included in his economic package. Vice President Al Gore adds that small businesses are "very happy" with administration initiatives such as increasing the amount of equipment purchases they can write off to \$17,500 from \$10,000.

Promises Unkept So Far

Hoping to assuage disgruntled high-tech executives, administration officials will seek to hash out troublesome issues at a technology "summit" sponsored by the University of California at Berkeley on Nov. 4 and 5 in Santa Clara, Calif. But many in the industry say that while the administration's heart may be in the right place on technology issues, there has been little effective follow-through on a string of promises.

"They have a good technology agenda, but there has to be action along with the hyperbole," says David Obershaw, director of product marketing at Mass Par

UAW Holds Strike Vote at Ford

DETROIT — The United Auto Workers union said its members at Ford Motor Co. voted by a 95% margin to authorize a strike if "one is deemed necessary" at the auto maker.

The UAW, like most unions, commonly uses strike votes as bargaining tools even in negotiations where the chance of an actual job action is small. On Monday, the UAW picked Ford as its contract target for the auto industry. The UAW represents about 97,000 workers at the company. Ford's current three-year pact with the UAW expires Sept. 14.

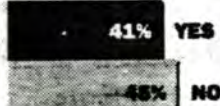
The Thrill Is Gone

A survey of 88 top high-tech executives found skepticism over Clinton administration plans

Do you think the Clinton/Gore high-tech policy will benefit your company?



Do you think the information highway project will be implemented?



Source: Computer Economics Inc.

Computer Corp. "They're stuck on autopilot," grouses Christopher Padilla, an American Telephone & Telegraph Corp. government affairs official. "We're reluctantly coming to the conclusion that our high hopes for the administration were unfounded."

For many executives, a key issue has been what they see as the administration's failure to make good on promises to speedily loosen Cold War-era restrictions on exports of high technology.

Many in the industry were cheered when Mr. Clinton told Russian President Boris Yeltsin in Vancouver in April that the U.S. would liberalize its technology transfer rules. But they say they have seen little progress since. The administration did recently propose to relax export rules on high-speed computers, but the move was seen as a limited one that Dick Iverson, president of the American Electronics Association, asserts "falls short."

Nor, executives complain, has the administration moved fast enough on the high-performance computing initiative, a plan to build a super-fast computer network often dubbed an "information super-highway." "Folks are saying, 'We've been snookered again,'" says Michael Erbschloe, vice president at Computer Economics Inc., a research firm. "They expected more planning and more public participation by now."

Commerce Posts Still Unfilled

Personnel is part of the problem. Key export-policy positions at the Commerce Department, including an undersecretary for export administration, have yet to be filled. James Unruh, chairman of Unisys Corp., an information technology company, met with administration officials in July to air complaints about the slowness of the export-license process. He lobbied for reform on behalf of the Computer Systems Policy Project, a trade group of big computer makers such as Apple Computer Inc. and Hewlett-Packard Co.

Moreover, the Commerce Department has hardly become the technological "powerhouse" that Secretary Ron Brown promised at his confirmation hearings. Mr. Brown's first choice for deputy secretary, former Cray Research Inc. Chief Executive Officer John Rollwagen, was widely hailed within the industry. But he withdrew from consideration in the wake of a Securities and Exchange Commission investigation into trading of the stock of a Cray spinoff. The designee for the post, David Barram, a former Apple vice president, isn't as big a name in the industry.

Mr. Brown defends the agency's record, saying Congress stalled some of the administration's high-technology initiatives when it defeated the president's stimulus package earlier this year. He cites progress with the appointments of high-technology executives to key Commerce positions and development of manufacturing centers that work with businesses in research and development ventures. "We're committed to our high-technology agenda," he says.

Some Progress Seen

The Clinton administration has begun to deliver on some promises. For instance, it has moved to develop a computer chip that protects data from being decoded while being transmitted. But industry executives are still unhappy, complaining that the work is behind schedule; that they weren't included in the chip's design, and that it is deliberately being designed so that the National Security Agency and other federal intelligence agencies will be able to intercept data, which hurts overseas sales. In a rebuke to the administration's approach, the industry has announced plans for its own data-protection system.

Many in the high-tech community also were disappointed that the president, in his economic plan, was forced to settle for only a temporary extension, through June 1995, of the research-and-development tax credit; high-tech companies say a permanent credit is needed to provide predictability in their R&D spending calculations. And some are angry at the package's tax increases aimed at corporations and affluent Americans. "There's been a lot of concern that Clinton is going back to being in a tax-and-spend mode rather than being a new Democrat," says Sandy Robertson, a San Francisco investment banker who, although a registered Republican, raised \$300,000 for Mr. Clinton at a fund-raiser last fall. "There are people who feel betrayed."

But Mr. McCracken, the Silicon Graphics chief, says the fundamental reason for disappointment may go beyond any issue. He suggests that the real reason simply may be "a culture clash" between high-tech's quick pace and Washington's more cautious approach. "In Silicon Valley," he says, "we just do it."

THE PRESIDENT HAS SEEN 9/7

THE WALL STREET JOURNAL THURSDAY, SEPTEMBER 2, 1993

Rubin / Tony
are we going to be able
to say anything to them
tomorrow

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BWR

Good piece

THE PRESIDENT HAS SEEN 9/7

E. J. Dionne Jr.

Rewards of Labor ✓

For years, the operating Labor Day slogan in the United States has not been "Workers of the world, unite!" but "Workers of the world, go fishing!" (or swimming or boating or to a baseball game or anything you want).

Lots of people did that sort of thing yesterday, and the sheer normality of it all is something the United States has long boasted about. The idea has always been that things were so good for wage earners here that they could afford to worry about fishing and baseball and not be distracted by such matters as solidarity or class warfare.

The collapse of state socialism in Eastern Europe only deepened our self-confidence. Marx's promise that workers would be free to hunt in the morning, fish in the afternoon and criticize in the evening would, it seemed, be fulfilled by—capitalism.

So what was surprising about our Labor Day celebrations this year was the extent to which they were carried out in an atmosphere of quiet anxiety, not boisterous self-congratulation. It is a mood more of disquiet than alarm, mixing faith and doubt in roughly equal measures.

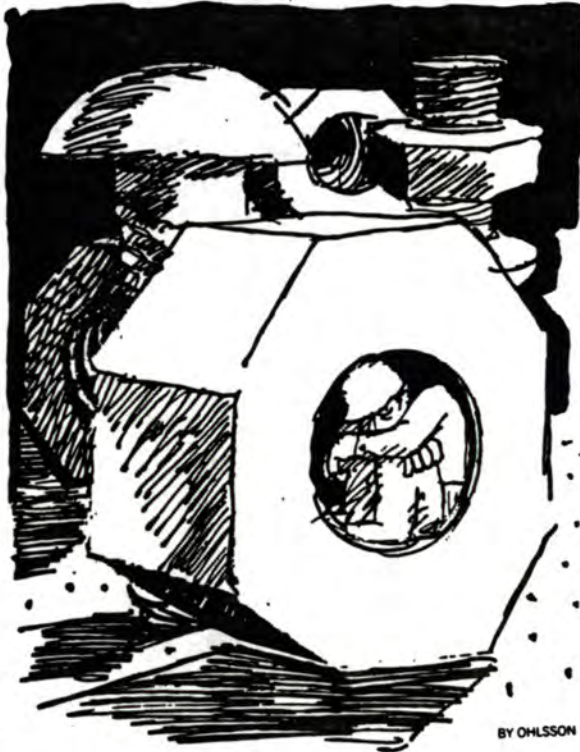
Few, for example, question the ability of the economic system to create wealth, to encourage inventiveness or to transform itself by fostering innovation. It is still possible under this system to go from rags to riches, and millions of immigrants are willing to brave all sorts of perils to get their shot at doing so.

What is being called into question around the kitchen tables of the country is the economy's ability to deliver jobs with reasonable pay to the vast majority who do not want to live in rags and don't anticipate riches. The paradox of the time is that fantastic progress in computers, robotics, transportation and communication has moved one of the oldest questions of political and economic life back to center stage: What shall be the rewards for labor?

The new economy has unquestionably shifted the balance of power between capital and labor in capital's direction. The catalogue of labor's problems is familiar, the largest being that the global economy makes it easier for company managers to move jobs and capital from country to country, often in search of lower wages and cheaper benefits. In addition, new technologies enable entrepreneurs to do much more with fewer workers.

One can see the decline of labor most starkly in the steady drop in the unionized share of the work force: from roughly one worker in three in the '50s to about one in seven now. Organized labor's decline in the private economy is actually steeper than this; such union gains as there were came mainly among government workers.

Real wages have been stagnating since 1973. Many families have defended their standard of living by working more. Wives and



BY OHLSSON

mothers entered the work force in large numbers. Many did so from a desire for independence and fulfillment. But many others felt they had no choice but to add another paycheck to the family till.

During last year's presidential campaign, reporters who interviewed voters around the country found that the work-more economy produced a common complaint: in large numbers, parents felt guilty at having to choose between working additional hours to keep the family income up and having enough time to spend with their children. In the view of many of these parents, their children were losers either way.

Over the last year or so, a new worry has been added to this long list: companies, fearful of adding expensive full-time workers to their payrolls (such workers collect pensions, health care, vacation time, among other benefits) have turned increasingly to part-time workers, easily hired and easily shed. The pro-labor Economic Policy Institute produced a study recently showing that a large share of the new jobs created in the sluggish recovery are part-time.

What makes the current economic situation so strange is that the transformations are happening slowly. The anxiety of 1993 is not the catastrophe of 1933. There are many winners in the new economy, especially people with high levels of education and specialized skills. Many workers manage to shift into the winners' circle by upgrading their skills, by going back to school, by starting their own businesses. There is also the promise that the

combination of productivity increases and the coming decline in the number of new workers entering the labor force will continue to cut unemployment and boost wages.

The Clinton administration's economic policy is actually built around a certain optimism. It is premised on the idea that this is a nation of strivers who are ready to seize new opportunities if only government (in cooperation with business) creates the right training and education opportunities.

This relative optimism explains the split between Clinton and most of his party on the North American Free Trade Agreement. Clinton and Labor Secretary Robert Reich believe that some of the manufacturing jobs the country is losing will go abroad in any event. NAFTA will at least help our Mexican neighbors to grow. The challenge, as Clinton and Reich see it, is not to save old jobs but to produce new ones based on high-value work.

But unlike most of their Republican allies on NAFTA, Clinton and Reich see the need for substantial government action to ease the transition of workers from today's jobs to tomorrow's. Clinton and Reich perceive the same problem as anti-NAFTA Democrats, but offer a different solution.

Clinton's problem is that many in the Democratic Party, in the labor movement and in Ross Perot's constituency don't see all that much money around for the new training and education programs that Clinton so loves to tout. Underlying their opposition to NAFTA is the erosion of confidence in the economic system produced by two decades of middle-class stagnation. The slogan of NAFTA opponents might well be: "Stop the global economy, I want to get off."

It's broadly true that there is no escaping the global economy and that adjusting to it holds more promise than resisting it. But it's not enough to jump from there to the complacent conclusion that all will work well out in the global economy if only we wait long enough.

Labor Day has always been about the dignity of everyone's labor. The economy's purpose in a democratic country is not only to produce more wealth, but to do so in a way that honors the dignity of work by providing those who do it with reasonable incomes and a modicum of security. This is not a radical goal. But if it is not met, the hunters and fishermen and baseball fans in the great middle class will find radical answers increasingly appealing.

And Then the Patients Suddenly Started Dying

How NIH Missed Warning Signs in Drug Test

By John Schwartz
Washington Post Staff Writer

AI

For months, Jay Hoofnagle and his staff at the National Institutes of Health had been discounting the complaints of some of their patients. Several had told the doctors that the experimental drug they were taking for chronic hepatitis B was causing side effects, from nausea and weight loss to a painful tingling in the feet.

The doctors had conducted extra tests, but found nothing unusual. They told the patients that their symptoms were not threatening and probably were not caused by the drug, fialuridine (FIAU). After all, FIAU had seemed relatively safe and wonderfully effective for some patients in two previous tests.

Then the patients started to die.

On June 25, Howard Tichenor, a 44-year-old Arlington man, checked into an emergency room with failure of his liver and other organs. He had a rare but ruinous symptom: lactic acidosis—a potentially fatal buildup of waste materials in the cells—which had afflicted another patient in a previous trial of the drug.

"The word 'acidosis' kind of struck like a lightning bolt," said Hoofnagle, who headed the study. "We realized that we had been mistaken" in disregarding earlier, less serious problems in other patients.

Hoofnagle stopped the trial the next day and called his patients back to NIH for tests. Some were vacationing. Hoofnagle persuaded police to break into one patient's house to find out where he had gone, and found another by calling the bar where his girlfriend worked.

Another patient, Carlton Lee, 35, had gone to Charleston, S.C., to visit family members. He had quit taking the drug on his own at least two weeks before because he felt ill, but he still looked awful, having lost at least 25 pounds from his previously chubby build. His sister, Susan, 33, pressed him about his health, obviously worried. An older sister, Darlene Kriewald, recalled,

See DRUG, A8, Col. 1

113

DRUG, From A1

"He snickered, and said, 'Susan, I'm not going to die.' " Hoofnagle reached Lee by telephone, and told him to get back to Bethesda right away.

Lee died on July 30, poisoned by FIAU. The drug cleared Lee's body of the hepatitis virus, but it destroyed his liver, pancreas and other major organs in the process. Of the 15 patients in the NIH trial, 10 had taken FIAU for more than a month. Eventually seven of those had to be sent to transplant centers for new livers. Five, including Lee, have since died, one is still hospitalized in fair condition following a liver transplant, and one has been released from the hospital following a successful transplant.

Because they were so unexpected, the deaths have drawn national attention even though drug trials are conducted to determine exactly these kinds of risks. The researchers felt they had found a safe treatment for a dangerous, drug-resistant disease, and the tests had been reviewed and approved by all the appropriate authorities. Only after patients began "crashing" one by one did the warning signs become clear. But by then it was too late.

The FIAU trial has been called "a catastrophe" and "a nightmare" by a shaken Hoofnagle, the 50-year-old lead researcher on FIAU and director of the division of digestive diseases and nutrition for NIH's National Institute of Diabetes and Digestive and Kidney Diseases. NIH is reviewing the case, as is the Food and Drug Administration, which regulates clinical trials and will hold hearings on the matter Sept. 21. In Congress, Sen. Edward M. Kennedy (D-Mass.), whose Labor and Human Resources Committee has oversight authority regarding NIH and FDA, is monitoring the reviews. Through a spokeswoman, Kennedy said: "The FDA and NIH have a heavy responsibility to reassure Congress and the public that adequate procedures are being followed in clinical trials of experimental drugs. Medical research is essential, but it also has to be safe."

Should Hoofnagle and his team have seen the signs that stood out so clearly after the fact? Or were FIAU's lethal ways so deceptive that they would have blindsided even the most careful clinicians at the NIH? It may take months to answer these questions.

Giving FIAU 'One Last Try'

Fialuridine was born in the 1970s at the institution now known as the Memorial Sloan-Kettering Cancer Center in New York. Chemically, it belongs to the family of "nucleoside analogues"—that is, its structure is chemically similar to one of the major components of DNA.

When a virus invades a cell, it commandeers the cell's nuclear equipment to make copies of its own DNA, using whatever natural nucleosides and other materials are at hand to assemble a replica. One way to stop that process, researchers reasoned, would be to introduce chemicals like FIAU that were close enough to natural nucleosides to fool the virus into using them—but different enough so that, when used, they would make the replica defective. Meanwhile, it was assumed, the more robust mechanisms that protect human-cell DNA from that sort of assembly error would keep the FIAU from causing damage to the patient's body. That approach had proven somewhat successful in the use of AZT to combat the AIDS virus, and with various chemotherapy drugs used to fight leukemia and other cancers.

FIAU, however, languished at Sloan-Kettering until the early 1980s, when Bristol-Myers (now Bristol-Myers Squibb) paid for the right to conduct animal studies of FIAC, a drug that turns into FIAU in the body. It dropped the license in 1988.

Oclassen Pharmaceuticals picked up FIAU on the rebound. The company, based in San Rafael, Calif., with \$16 million in sales a year, is best known for medicated skin creams. Company founder Glenn Oclassen said his researchers at first thought FIAU might be used as a topical ointment to treat herpes sores. But after plowing through the mountains of research material, Oclassen said, "we began to feel this was a drug that could treat patients systemically for serious viral infections." Oclassen tested the drug against cytomegalovirus, a

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relatively rare illness that has become more prevalent in the age of AIDS. The drug did not perform well, and the company was considering dropping it—but decided to give it "one last try" against chronic hepatitis B.

Hepatitis B had not excited much interest from drug companies in the past. People contract the disease a number of ways, including by living in poor sanitary conditions, using intravenous drugs or engaging in some sexual activities; it can lead to cirrhosis of the liver, liver cancer and death. But it is not always a killer: With or without drug treatment, patients who show no cirrhosis have an 80 percent survival rate, and 10 percent of patients eventually recover on their own. "Ten years ago I couldn't get a drug company interested in hepatitis B," said Hoofnagle, who recalled "knocking on doors" at drug firms in vain.

Still, the market was large. About 300 million people worldwide suffer from the disease—50,000 to 100,000 in the United States. Moreover, the rise of AIDS had caused an explosion in anti-viral research, and several companies were exploring hepatitis.

Suddenly Oclassen's gamble started to look good. The company worked up a liquid form of the drug, taking pains to give it a pleasant flavor. (Patients would later exclaim that it tasted like Grand Marnier; one former Oclassen official explained, "Well, it was Marin County.") In October 1990, Oclassen conducted a 10-day trial of FIAU on 43 patients who had both HIV (the AIDS virus) and hepatitis B. Glenn Oclassen recalled the results were "unlike anything that had been seen before," with significant reductions in hepatitis.

Hoofnagle wanted to see how it would perform in non-HIV patients, and obtained approval from the FDA in March 1992 to give the drug to 24 hepatitis B patients at four dosages. That test began in April 1992. Patients with the lowest dose did not see much in the way of results, and patients at the higher doses tended to get nauseated. But patients on the middle two doses made remarkable progress. Half cleared the disease from their system entirely, and others showed a significant drop in the level of virus, though they relapsed later. The new drug had done as good a job against the disease in one month as a four-month round of alpha interferon, without that drug's side disadvantages. (Alpha interferon cannot be taken orally, but must be injected; it also can have side effects, including flu-like symptoms and a lowered white cell and platelet count, and has triggered depression in patients with a history of mental illness.) By comparison, FIAU "looked terrific," Hoofnagle said.

Oclassen saw big things on the way—and knew that it would need a big partner to help pay for broader drug trials with hundreds of patients. On Sept. 1, 1992, the company announced that pharmaceutical giant Eli Lilly & Co. would pay \$7.5 million to share the development and marketing rights.

'I Began to Feel Like a Number'

Hoofnagle quickly made arrangements for the next test—a six-month trial to begin in mid-March of this year. Chronic diseases commonly require long cures. FIAU had reduced the amount of virus in the patients' systems, but didn't always eradicate it. Hoofnagle thought longer exposure to FIAU would wipe out the hepatitis completely.

But even as he was planning that longer trial, problems from the 1992 pilot study were beginning to appear. Four months after that trial, a 60-year-old participant from Kansas, Patient 4D, died of liver failure (Drug trials are confidential. Unless patients or their families have consented to have the names made public their patient numbers are used here.)

Some of Patient 4D's symptoms paralleled the deaths to come. He had suffered abdominal pain and nausea which doctors attributed to a "flare" of hepatitis symptoms that normally occurs when the body flushes out the disease. But he also developed lactic acidosis and a high concentration of fat in his liver, which are not commonly associated with hepatitis B. NIH doctors attributed the death to complications from cirrhosis of the liver and the man's recent gall bladder surgery, which NIH doctors had advised against.

A second FIAU patient from the 1992 trial suffered side effects that, while not fatal, also might have indicated some of the dangers ahead. Paul Melstrom of Phoenix, known as Patient 1A, developed a painful tingling in his feet 90 days after he stopped taking the drug in May 1992. Such pains, known as "periphe-

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neuropathy," have been linked to nucleoside analogues and were cited as a possible side effect in the "informed consent" forms that patients signed before beginning the drug trial. The sensations usually go away; Melstrom's continued to get worse.

Melstrom, a recovering alcoholic who provides AIDS information through computerized on-line services, said in a recent interview that NIH doctors told him they did not believe FIAU had caused his problems, in part because he had experienced a mild version of the syndrome years before when he was drinking heavily. The doctors, Melstrom said, "kept on discounting the obvious. They were willing to blame everything except FIAU for the side effects." The doctors arranged for Melstrom to get treatment at the NIH's Bethesda-based pain clinic. "We weren't thinking much of seeing toxicity at that point," Hoofnagle said, because Melstrom and others had been off the drug for so long.

Melstrom, an acerbic 53-year-old, wasn't satisfied, so he began educating himself, tapping into the databases he had discovered in his AIDS research and conferring with doctors and medical students he had met on-line. "It was my layman's med school," Melstrom said. Fredrick Kenny, Melstrom's gastroenterologist in Phoenix, was impressed with the depth of knowledge his patient had developed: "He dug into this more than anybody—certainly more than I did."

NIH doctors did take some action in response to Melstrom's complaints, however. They reworked their plans for medical tests on subjects in the long-term trial to include nerve tests that would check for the neuropathy, and strengthened warnings about it in informed consent forms and interviews. In a letter to Melstrom dated June 10, Hoofnagle mentioned that those warnings had been so strong that one patient decided not to enter the study.

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Melstrom kept up a steady stream of hectoring correspondence with NIH officials, complaining that they still were not paying sufficient heed to the dangers. In an angry letter dated June 20, he wrote Hoofnagle that while the constant pain of his neuropathy troubled him, "what equally irritates me was the insensitivity and denial from NIH. . . . I came to feel like a number, a mere casualty to research objectives."

Meanwhile, new patients were coming into the long-term FIAU trial. One was a familiar face to the researchers. Carlton Lee already had participated in four NIH drug trials for his condition, including the 28-day pilot FIAU study in 1992. His work in the Peace Corps, as a forestry manager in Sierra Leone, West Africa, had left him with a mild case of the disease.

Lee was the kind of person people naturally take to. He came to Washington in 1979 on the staff of newly elected Rep. Charles W. Stenholm (D-Tex.). In nearly 14 years in and out of the capital, Lee rose to become congressional liaison for the National Commission on AIDS, where he has been called "the driving force" behind the nation's first federal AIDS initiative in 1987. He was all energy, constantly working and networking, fueled by soft drinks and candy bars and the pleasure that came from doing work that he loved.

Lee told friends that even though hepatitis had never troubled him much medically, he had been impressed with the feistiness of the AIDS sufferers whom he worked to help. They took an active role in fighting for a cure, and he would too.

Within a few weeks of starting on the new drug, Lee began to hurt. He had suffered disagreeable side effects from the 1992 test, but this time Lee began to complain of painful tingling that made it hard to sleep at night. He had wrenching abdominal pain and severe weight loss. According to his roommates, he developed bizarre allergies, breaking out into blisters after eating an orange.

Lee's friends said he told his doctors that he wanted to be taken off the drug, but that several times in June 1992 Michael Fried, the NIH researcher most directly involved with the patients, encouraged him to remain in the trial. At that point, Hoofnagle was not involved in the trial on a day-to-day basis. In mid-June Lee ran into Hoofnagle on the NIH campus; when the doctor asked him how he was doing, Lee relied, "As a matter of fact, not well at all." Fried said in a recent interview that he ordered extra blood tests to look for signs of toxicity, but that nothing showed up in the "standard investigational techniques" NIH researchers followed. Eventually Lee stopped taking the drug on his own, but his condition worsened even as he continued to make regular weekly visits to the NIH doctors.

By the end of June, another patient was worrying the research team. A woman from North Carolina, Patient 6, had suffered from nausea and vomiting early in the trial. The doctors took her off the drug. She continued to have nausea, however, so she was brought back to NIH for evaluation on June 17. At first the doctors thought her problems might be related to "flaring," but tests showed that there was no virus left in her body. She became jaundiced.

'The Nightmare Was Deepening'

Then, on June 25, Patient 2—Tichenor, the 44-year-old Arlington man—showed up at an emergency room in Fredericksburg, Va., with multiple organ failure and lactic acidosis. Hoofnagle saw the warnings behind him, one by one, in sharp relief. He stopped the study on June 26 and called every patient back to Bethesda for testing. Of the 10 people who had taken the drug for longer than a month, all but three were showing some sign of toxicity. "The nightmare was deepening," he said.

(Five other patients at NIH and five others in a separate trial had begun taking the drug later, and had been exposed for less than a month. To date, none has shown signs of toxicity.)

Hoofnagle and his medical team immediately began combing the medical literature for clues, and quickly latched on to a theory suggested by researcher Yung-Chi Cheng of Yale University that seemed to fit the epidemic of lactic acidosis: somehow, the FIAU was damaging the mitochondria, sub-units of cells that provide energy, in organs such as the liver, pancreas and kidneys. Could it be that the mitochondria, which have their own DNA but lack the protective mechanisms of the cellular nucleus, had taken up the FIAU and been damaged?

On July 1, Hoofnagle took a moment away from the crisis to write a letter to his most persistent critic. "Dear Mr. Melstrom," it said. ". . . Recent events in our current study of FIAU have caused us a terrible shock and show that you were indeed right about the toxicity of FIAU."

When Melstrom received the letter, he turned to a stack of unread medical reports on FIAU. One caught his eye: a May 1991 article from the journal *Molecular Pharmacology* by Yung-Chi Cheng, the Yale researcher. The piece warned that some nucleoside analogues showed evidence of giving delayed toxicity—a toxicity that seemed to present itself in damage to mitochondria.

Hoofnagle had not seen Cheng's work until the weekend the crisis began. He said he immediately contacted Cheng, who became part of the team trying to make sense of the growing disaster. Cheng's lab showed the first evidence of mitochondrial damage in a biopsy sample from one of the NIH patients.

Hoofnagle convened emergency seminars with experts from around the country who flew to NIH to consult and find possible treatment. So many patients had so many things wrong with them. "There was liver failure," Hoofnagle said, counting down the list. "Abnormalities of the kidney. There was pancreatitis. There were muscle problems. There were nerve problems."

Working feverish 16-hour days, the doctors devised a plan to keep the patients alive and repair their damaged cells. They gave the patients an intravenous solution rich in two natural nucleosides: thymidine and uridine. They also tried to get each patient to compensate for the loss of energy-producing mitochondria: Patients were told to eat a box of cornstarch a day, and the sickest patients were given a viscous sugar solution in a line running directly into a neck vein.

On July 4, Hoofnagle's two sickest patients—including Tichenor—received liver transplants. Tichenor died the next day at the University of Pittsburgh hospital. The second patient died July 6 after receiving a transplant at the University of Virginia at Charlottesville. On July 16, a third patient died, also in Charlottesville, while awaiting a transplant.

On July 28, Hoofnagle decided to refer Carlton Lee to the University of Pittsburgh for a transplant. When Lee arrived in Pittsburgh on the evening of the 29th, doctors there initially said he seemed too healthy to qualify for an immediate transplant.

But the next morning when Lee's mother and a sister arrived at the hospital, they couldn't get into his room—it was crowded with doctors trying to resuscitate him. A doctor told family and friends that they were only keeping Lee alive through "brute force medicine," extreme doses of their most powerful drugs. A blood vessel in Lee's pancreas had ruptured during the night, sending the rest of his weakened body systems cascading into ruin. He died that afternoon.

On Aug. 31, Patient 6 (the woman from North Carolina) became the fifth of the trial subjects to die, at the University of Virginia hospital at Charlottesville. She had undergone two liver transplants. Hospital officials said her new liver was working well, but other major organs failed.

The FIAU deaths leave many questions—questions that may be answered only in a congressional hearing room or a courtroom, if ever.

Why didn't the doctors recognize the signs of trouble earlier? Several doctors in government and academia who have reviewed the facts of the FIAU case say it would have taken an exceptionally perceptive clinician to recognize the warnings in the varied reactions patients had to FIAU. The gall bladder patient's woes

seemed to be related to his earlier cirrhosis, and Melstrom had had peripheral neuropathy in the past. As for Lee, Hoofnagle said the symptoms were not obviously related to the toxicity of FIAU.

The risks from FIAU seemed slight in those early, short-term trials. Nausea is a common reaction to many drugs, including many vital medications such as those used in chemotherapy. One of the difficult tasks in clinical trials is separating such "nonspecific" symptoms from the "specific" ones, which indicate a real problem. The doctors decided Lee's symptoms fell into the "nonspecific" group, in part because Lee had suffered from an irritable colon in the past.

Today Hoofnagle believes the pain might have been a sign of autonomic neuropathy—pains emanating from the nerves along Lee's internal organs. But "I'm not jumping to conclusions anymore," Hoofnagle said; "In retrospect, I wish we had stopped everybody when they first burped."

Fried, who advised Lee to stick with the trial, said that while he might have urged Lee to stay on, the patient was free to drop out without any consequences from the NIH—as Lee had done in a trial of the drug interferon a few years before. "Ultimately the care of the patient wins out," said Fried, who added that he considered Lee a friend because of their long acquaintance through NIH.

Why weren't the dangers of nucleoside analogues taken more seriously? Drugs that are chemically similar can have widely different effects, which is why clinicians test so many of them. Ethanol and methanol are chemically close, but drinking the first makes people drunk while drinking the other can lead to permanent blindness.

In the case of FIAU, the doctors felt they had found a nucleoside analogue with lower toxicity than others in its family. In fact, it might be more dangerous, said Yale researcher Cheng. Other nucleoside analogues join the DNA chain at the end and drop off again relatively easily after the patient stops taking the drug. Cheng believes that FIAU is taken up in DNA well within the strand, so that "it's much tougher to repair."

While reluctant to criticize other researchers, Cheng said the NIH doctors should have been mindful of the dangers he described in papers from 1991 on. "Maybe they didn't pay attention to it," Cheng said, because his work is so much better known in the field of AIDS research than liver disease. "It's a sad story."

Through an NIH spokeswoman, Hoofnagle said his team did do a literature search on the "Medline" computer database for toxicity of nucleoside analogues, stressing their link to peripheral neuropathy. Hoofnagle said, however, that he did not discover Cheng's work until after the disaster struck. A recent Medline search for articles containing the words "nucleoside analogue" and "toxicity" by The Washington Post turned up Cheng's May 1991 article linking nucleoside analogues to mitochondrial damage in less than two minutes.

Stephen Straus, a co-investigator with Hoofnagle and chief of the Laboratory of Clinical Investigation at the NIH's National Institute for Allergy and Infectious Diseases, said that as a virologist he knew of the potential for mitochondrial damage in anti-retroviral drugs such as AZT—but that FIAU had not been commonly classified as an anti-retroviral drug. "Antiviral drug development is still a young science, and it's going to have false leads," Straus said. He suggested that FIAU's toxicity might be limited to patients whose systems had been weakened by hepatitis B, making it even harder to spot in preclinical tests.

Hindsight is a marvelous thing, and warning signs that seem sharp and bright in retrospect may have been lost in the mountains of research articles and symptoms that every drug trial deals with. In the case of FIAU, the late onset of toxicity and the hepatitis-like symptoms helped to camouflage the dangers further.

One View: 'The System Worked'

The Food and Drug Administration is under constant pressure from industry and patient support groups to speed its drug approval process so that promising medications get to market more quickly. While it does not appear that FDA rules regarding clinical trials were violated, NIH officials said the drug companies involved with the trials had pressed researchers to shorten the length of time between trials in order to speed up the process. "Pauses between studies were much more rapid than we're used to," Hoofnagle said. "There was a bit of a rush and push to get this evaluated quickly."

Had the six-month trial gone well, a large-scale trial with hundreds of patients would have begun immediately. Patients already were being recruited. "I didn't want [the drug companies] to go to a multicenter trial so quickly," Hoofnagle says today. In the case of a drug whose toxicity might show up only after many months, haste meant that problems with the drug showed up as the next trial was commencing.

A Lilly representative has made the case that the deaths, while tragic, show the strength of the clinical trial system, which is supposed to expose the smallest number of people to a drug in the shortest amount of time to establish its safety and effectiveness. "In view of that philosophy, the system worked," Allan Weinstein, vice president of Lilly Research Laboratories, said in a July interview. Without a system of clinical trials in place, far more deaths might have occurred, one government official said; in other countries, FIAU might already be on the market.

Could FIAU resurface some day, despite this disaster? Glenn Oclassen says FIAU's strong showing against hepatitis B in short-term treatment is hard to leave alone: "That leaves a continuing incentive to try to understand what happened . . . to try to decide if there's any way this program can go forward."

That sort of answer enrages Paul Melstrom, who is preparing for one of the many lawsuits likely to result from the FIAU tragedy. "If I ever hear that FIAU is going back into clinical trials for any purpose," he said, "I will go into federal district court for a restraining order to see that it is not used."

Hoofnagle was more succinct. The soft-spoken researcher, when informed of Oclassen's statement, shot a withering look toward the interviewer and deadpanned, "Yeah, right."

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Bush

Update on the Bank Scandals

CRIMINAL PROSECUTIONS are not always useful for getting at the truth in large scandals. The recent trial and acquittal of Robert Altman has added little to the public understanding of what went wrong in the case of BCCI, the thoroughly criminal Bank of Credit and Commerce International. Similarly, the prosecution of Christopher P. Drogoul has now ended in a way that does nothing to dispel the cloud of doubts hanging over the loans to Iraq by BNL, the Banca Nazionale del Lavoro.

But both of those cases have raised questions about the role played in them by the United States government, and it would be intolerable to leave them unanswered. Mr. Altman was charged with misleading bank regulators. The jury found him not guilty after hearing evidence that at least some bank regulators knew that BCCI was operating illegally in this country. Is that evidence not going to be pursued?

In the BNL case Mr. Drogoul was the manager of the bank's Atlanta branch, which had made loans of some \$5 billion to Iraq. The central issue is whether the parent bank in Rome knew of the loans. The federal prosecutors said that it did not and charged Mr. Drogoul with defrauding it. Mr.

Drogoul said that the head office knew exactly what he was doing and had authorized it.

There are some indications that the United States in the late 1980s may have been trying to prop up Iraq as a bastion against Iran and was covertly helping it finance arms purchases through the Italian bank. The Justice Department says that it has looked thoroughly into the allegations of a conspiracy by the Bush administration to help Iraq and that there's nothing to them. But the federal judge in Atlanta who has heard testimony in this case issued a scathing statement last month saying that, to the contrary, there is excellent reason to believe that there was just such an operation. A trial might have resolved this collision, but there will be no trial for Mr. Drogoul. The prosecutors have accepted his pleas of guilty to three minor charges unrelated to the key dispute.

The reason for continuing to pursue these two banking scandals is that each seems to show the American banking system vulnerable to misuse in ways that are dangerous to it and to the integrity of the government. To its credit, the Justice Department says that the BNL inquiry is not closed. It needs to be kept open until full and accurate explanations appear.



Jonathan Turley

Free the Rocky Flats 23 ✓

This month the Justice Department's environmental crimes section is being investigated, both by the department itself and by a House oversight subcommittee, to determine whether the Bush administration allowed corporations and corporate officials to escape punishment for serious environmental crimes. No one is more anxious for the results of the probe than the grand jurors in the case of the Rocky Flats (Colo.) nuclear weapons facility, and with good reason. They're currently under investigation themselves, by the FBI, for disclosing evidence of an alleged coverup.

It was over a year ago that the Justice Department announced its plea bargain with Rockwell Corp. for crimes committed at Rocky Flats. Rockwell pleaded guilty to criminal violations of the federal hazardous waste law and the Clean Water Act. The criminal conduct included possible exposure of workers and local citizens to radioactive and hazardous waste that was sprayed into open pools and even stored in ventilation vents.

The agreement with Rockwell brought a new meaning to the term "plea bargain." Rockwell was required to pay \$18.5 million from a venture that netted the corporation \$22.4 million in profits. The agreement also permitted Rockwell to file for reimbursement of \$7.9 million from the public for fees and costs associated with the case. Finally, it protected Rockwell and its employees from any future criminal or civil charges for the company's activities at Rocky Flats, and it allowed Rockwell to receive future contracts with the government.

The most remarkable aspect of the plea bargain, however, was the one element missing: individual indictments. Although more than 400 violations were found, occurring over a long period of time, not a single Rockwell employee was indicted.

The absence of individual indictments came as little surprise, however, to people familiar with the environmental crimes section. While the Justice Department has long opposed plea bargains with street offenders, it appears to be a firm believer in light rehabilitative sentencing when the defendant's name ends in an Inc. or a Corp.

In dozens of environmental cases identified by Congress, the Justice Department has allowed corporate officials to escape individual indictments in exchange for plea bargains and criminal fines. There was a critical difference, however, at Rocky Flats. In most of those previous cases, the Justice Department terminated the cases or cut plea bargains before a grand jury was allowed to see evidence of the crime. In the case of Rocky Flats, 23 grand jury members learned a lot about what happened at the weapons plant. Grand jury members learned not only about the crimes committed at the weapons plant but the possible identity of the individuals who committed them.

On Nov. 20, 1992, the Rocky Flats case took a remarkable turn. The grand jurors went public with a charge that the Justice Department had prevented them from fulfilling their oaths to pursue all wrongdoing regardless of the consequences. After almost three years of detailed testimony on criminal conduct at Rocky Flats, the grand jury wanted to indict individual Rockwell officials and also to consider indictments against the Energy Department.

The "Rocky Flats 23" became the first grand jury in history to risk personal incarceration for revealing information critical of the Justice Department. Two days before Christmas, the Justice Department responded by making them the first grand jury to become targets of the FBI facing possible criminal charges for revealing information on the case.

House investigators, while facing what one of

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them called "extreme" resistance from the department, uncovered evidence of high-level intervention by Justice Department officials to reduce both charges and fines against Rockwell. Oversight subcommittee chairman Howard Wolpe joined other lawmakers in asking President Clinton to pardon the grand jurors, noting that "if Caspar Weinberger can be pardoned for crimes resulting from withholding vital information from the Congress and the public, I don't see why these citizens should be prosecuted for providing vital information to the Congress and the public."

The problem with the Rocky Flats grand jurors is not that they misunderstood their oath but that they took it at face value. While grand juries are expected to be little more than rubber stamps for prosecutors, no one bothered to tell this grand jury. It wasn't until they uncovered evidence against particular wrongdoers that they learned the unwritten limitations on their oaths. It was then that they discovered that prosecutors would assist them in their indictments only if they happened to agree with the findings.

So when they were told to go home, the grand jurors were left with their evidence, copies of their original oath and no prosecutors to guide them. They debated what to do and decided to be a real grand jury. They voted to indict and refused to sign anything less than the truth. So far, the Justice Department seems intent on making sure that no future grand jury will be tempted to follow their example.

The writer is an environmental law professor and director of the Environmental Crimes Project at George Washington University. He represents the Rocky Flats grand jurors on a pro bono basis.

L → B. Nussbaum — advise — B.

THE WASHINGTON POST WEDNESDAY, AUGUST 11, 1993

THE PRESIDENT HAS SEEN 9/7

FAX COVER SHEET

Jerry and Carolyn Staley
 515 W. 15th Street
 Little Rock, AR 72202
 Phone: (501) 376-1284
 FAX: (501) 376-2595



TO: The President FAX: 202-456-6703
 FROM: CAROLYN STALEY FAX: _____
 DATE: FRIDAY Sept 3 1993
 SUBJECT: SARAH'S VISIT TOMORROW & DALLAS LITERACY MEETING
 Number of pages including cover _____
 next Wed-Th.

NOTES:

- Thank you for the breakfast invitation Monday. Sorry I didn't enter the conversation much. I wasn't feeling very well, unfortunately. The event was most special and you were at your best. Tremendous.
 - Thank you for seeing Sarah tomorrow (Sat 9/4). How special for her!
 - Great news you'll be in Dallas next week. I've been working with your scheduling office for 9 months to get you to appear at the Southwest Regional Literacy Summit in Dallas Sept 8-9 - either day. Important meeting. Southland Plaza, Dallas.
 - * Please come. Your schedulers have all the info - Even briefly. Thanks!
- Still waiting on Nat. Institute for Literacy. Ex. Dir. news - I was recommended, I'm told. Bruce has some info. Lots of love! Carolyn

Not in Dallas those days.
 ce
 Bruce

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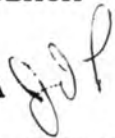
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THE WHITE HOUSE
WASHINGTON

September 7, 1993

MEMORANDUM FOR BERNARD NUSSBAUM
BETH NOLAN

FROM: JOHN PODESTA 

SUBJECT: CONFIDENTIAL FINANCIAL DISCLOSURE REPORT (SF-450)

After reviewing your memorandum of August 31, 1993, I have determined that as part of their official duties, R. Paul Richard and Mark Middleton could, on occasion, be involved in activities having a substantial economic effect on non-Federal entities. Therefore, I believe that they should file an SF-450 Confidential Financial Disclosure Report. Please forward the appropriate paperwork to them.

Please note that Todd Stern, as a Special Assistant to the President has filed an SF-278, and therefore, need not file an SF-450.

THE WHITE HOUSE

WASHINGTON

August 31, 1993

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MEMORANDUM FOR WHITE HOUSE OFFICE HEADS

FROM: BERNARD W. NUSSBAUM
COUNSEL TO THE PRESIDENT *BW*
BETH NOLAN *BN*
ASSOCIATE COUNSEL TO THE PRESIDENT

Staff Secretary
1

SUBJECT: Identifying White House Staff Required to File
Confidential Financial Disclosure Report (SF-450)

As you may know, conflict of interest regulations require certain executive branch employees to file a confidential financial disclosure report (SF-450).¹ Confidential disclosure is intended to assist us in avoiding conflicts of interest on the part of employees who are in a position to influence the financial interests of non-Federal entities.

Employees required to file a confidential financial disclosure report are those who are paid at a level less than \$79,931 and whose responsibilities include:

- contracting;
- procurement;
- administration of grants and licenses;
- regulating or auditing of non-Federal entities; or
- other activities having a substantial economic effect on non-Federal entities.²

Additionally, all employees who are appointed to serve less than 130 days in a period of 365 days (special government employees) are required to file SF-450s, unless they are required to file an SF-278.

Employees may be excepted from the requirement if you determine that an employee, or a class of employees, does not exercise sufficient independent judgment. In other words, substantial

¹The regulations also require certain other employees to file a public financial disclosure report (SF-278). White House Staff required to do so are those employees paid at a rate equal to or greater than \$79,931 and commissioned officers.

²This is the factor under which the majority of White House Staff will be required to file. Please give careful consideration to the responsibilities employees have that are likely to affect the financial interests of non-Federal entities.

supervision and review over the employee or class exists.

The SF-450s are required to be filed: (1) upon entrance into a position which requires filing, and (2) on an annual basis (October 31 for the preceding 12-month period ending September 30).

As we approach the October 31 deadline, we are trying to identify each employee required to file an SF-450. In order to provide the appropriate White House Staff with SF-450s, we need your assistance in identifying those employees who are required to file an SF-450. We are providing you with a list of staff who earn less than the SF-278 threshold. Please review the list, keeping in mind the factors listed above and the degree of supervision over the employee, and indicate those employees who should file an SF-450. For your convenience, we are also attaching a copy of the section of the regulations which defines "confidential filer" as well as a copy of the SF-450.

If you have any questions about the classification of an employee as a filer, please contact Kathleen Whalen of our staff who can be reached on extension 7903. Please return the list to Ms. Whalen, room 136 (OEOB), by September 10.

Thank you for your assistance in this matter.

Attachments

Executive Branch Personnel

CONFIDENTIAL FINANCIAL

DISCLOSURE REPORT

Instructions for Completing SF 450

A. Who Must File

Your agency will inform you if the position in which you serve or will serve has been designated as requiring confidential financial disclosure. Agencies are required to designate positions at or below GS-15, 0-6, or comparable pay rates, in which the nature of duties may involve a potential conflict of interest. Examples of such duties include contracting, procurement, administration of grants and licenses, regulating or auditing of non-Federal entities, or activities having a substantial economic effect on non-Federal entities. Additionally, all special Government employees (SGE's) (those appointed pursuant to 18 U.S.C. 202(a) to serve no more than 130 days in a period of 365 days) must file, unless exempted or subject to the public reporting system. Agencies may, in limited circumstances, also require certain employees in positions above GS-15, 0-6, or a comparable pay rate to file.

B. Reporting Periods

New entrant reports: The reporting period is the preceding twelve months from the date of filing.

Annual reports: The reporting period is the preceding twelve months ending September 30 (or any portion thereof not covered by a new entrant report). However, no report is required if you performed the duties of your position for less than 61 days during that twelve-month period.

C. When to File

New entrant reports: Reports are due within 30 days of assuming a position designated by your agency for filing (including reappointment as a special Government employee (SGE)), unless your agency requests the report earlier. No report is required if you left another (different) filing position within 30 days prior to assuming the new position.

Annual reports: Reports are due not later than October 31, unless extended by your agency.

D. Where to File

With ethics officials at the agency in which you serve or will serve, in accordance with their procedures.

E. General Instructions

1. Confidential filers must provide sufficient information about their outside interests and activities, as well as those of their spouse and dependent children, so that an informed judgment can be made by agency ethics officials as to compliance with applicable conflict of interest laws and standards of conduct regulations. Therefore, it is important that you carefully complete the attached form. This report is a safeguard for you as well as the Government. It provides a mechanism for determining actual or potential conflicts between your public responsibilities and your private interests and activities, and allows you and your agency to fashion appropriate protections against such conflicts.

2. This form consists of five parts, which require identification of certain specific financial interests and activities. No disclosure of amounts or values is required. You must complete each part (except as indicated for Part V) and sign the report. If you have no information to report in any part or do not meet the threshold values for reporting, check the "None" box. If you are a new entrant or special Government

employee (SGE), you are not required to complete Part V; in all other instances, a report is incomplete if any part is left blank.

3. The information to be disclosed on this form is required by regulation. You may include other information beyond these requirements that you wish to disclose for clarification. However, disclosure of any information does not authorize holdings, income, liabilities, affiliations, positions, gifts or reimbursements which are otherwise prohibited by law, Executive order, or regulation.

4. You can combine on one form the information applicable to yourself, your spouse, and dependent children which is required by Parts I, II, and V. (Parts III and IV require disclosures about yourself only.) You may, if you desire, distinguish any entry for a family member by preceding the entry with S if it is for a spouse or DC if it pertains to a dependent child. Joint assets may be indicated by J. Information about your spouse is not required in the case of marriage dissolution, permanent separation, or temporary separation with the intention of terminating the marriage or permanently separating.

5. In the case of references to trades or businesses which do not have publicly traded securities, you must provide sufficient information about these private entities to give the reviewers an adequate basis for conflicts analysis. Thus, you must disclose the location and primary trade or business of private entities, as well as their separate financial interests and liabilities which are not solely incidental to the business. For instance, if your family swimming pool services corporation purchases an apartment house for investment in addition to its pool services business, you will have to disclose the apartment house investment, in addition to the family corporation.

6. In the case of a mutual fund, pension, IRA, or investment account, you must disclose information about portfolio holdings and sources of income, unless the entity is "an excepted investment fund." See definition below. In that case, identify it by name and

indicate "excepted investment fund" in the appropriate block; no further disclosure is required.

7. In the case of a trust, you must disclose information about its underlying assets and sources of income, unless it is an "excepted trust." See definition below. In that case, identify it by name and date of creation, and indicate "excepted trust" in the appropriate block; no further disclosure is required. (Additionally, you may, in rare cases, have an interest in a trust specifically certified by the Office of Government Ethics to be a qualified blind or diversified trust, pursuant to statute; for such qualified trusts, you will also be exempt from disclosures about underlying holdings.)

8. If you need assistance in completing this form, contact the ethics officials of the agency in which you serve or will serve.

F. Definition of Terms

o Dependent Child

The term "dependent child" means your son, daughter, stepson, or stepdaughter if such person is either:

- (1) unmarried, under age 21, and living in your household; or
- (2) a "dependent" of yours within the meaning of section 152 of the Internal Revenue Code of 1986, 26 U.S.C. 152.

o Excepted Investment Fund (EIF)

An "excepted investment fund" is a mutual fund, common trust fund of a bank, pension or deferred compensation plan, or any other investment fund, which is:

- (1) widely held;
- (2) either publicly traded (or available) or widely diversified; and
- (3) you neither exercise control over nor have the ability to exercise control over the financial interests held by the fund.

A fund is widely diversified when it holds no more than 5% of the value of its portfolio in the securities of any one issuer (other than the U.S. Government) and no more than 20% in any particular economic or geographic sector.

o Excepted Trust (ET)

An "excepted trust" is one which:

- (1) Was not created by you, your spouse, or dependent children; and
- (2) the holdings or sources of income of which you, your spouse, and dependent children have no past or present knowledge.

o Honoraria

The term "honoraria" means payments (direct or indirect) of money or anything of value to you or your spouse for an appearance, speech or article, excluding necessary travel expenses. Also included are payments to charities in lieu of honoraria.

o Personal Savings Account

The term "personal savings account" includes a certificate of deposit, a money market account, a savings account, an interest-bearing checking account, or any other form of deposit in a bank, savings and loan association, credit union or similar financial institution. Additionally, any money market mutual fund holding is treated as the equivalent of a personal savings account.

Privacy Act Statement

Title I of the Ethics in Government Act of 1978 (5 U.S.C. App), Executive Order 12674, and 5 CFR Part 2634, Subpart I, of the Office of Government Ethics regulations require the reporting of this information. The primary use of the information on this form is for review by Government officials of your agency, to determine compliance with applicable Federal conflict of interest laws and regulations. Additional disclosures

of the information on this report may be made: (1) to a Federal, State, or local law enforcement agency if the disclosing agency becomes aware of a violation or potential violation of law or regulation; (2) to a court or party in a court or Federal administrative proceeding if the Government is a party or in order to comply with a subpoena; (3) to a source when necessary to obtain information relevant to a conflict of interest investigation or decision; (4) to the National Archives and Records Administration or the General Services Administration in records management inspections; (5) to the Office of Management and Budget during legislative coordination on private relief legislation; and (6) in response to a request for discovery or for the appearance of a witness in a judicial or administrative proceeding, if the information is relevant to the subject matter. This confidential report will not be disclosed to any requesting person unless authorized by law.

Falsification of information or failure to file or report information required to be reported may subject you to disciplinary action by your employing agency or other appropriate authority. Knowing and willful falsification of information required to be reported may also subject you to criminal prosecution.

Public Burden Information

This collection of information is estimated to take an average of one and a half hours per response, including time for reviewing the instructions, gathering the data needed, and completing the form. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Associate Director for Administration, U.S. Office of Government Ethics, Suite 500, 1201 New York Avenue NW., Washington, DC 20005-3917; and to the Office of Management and Budget, Paperwork Reduction Project (3209-), Washington, DC 20503. Do not send your completed financial disclosure report to these addresses; it should be filed as indicated above in section D.

Executive Branch CONFIDENTIAL FINANCIAL DISCLOSURE REPORT

PARTS I - II

Employee's Name (Last, first, middle initial)		Position/Title		Grade	Date of Appointment	Page No.
Agency		Branch/Unit and Address		Work Phone	Check box if special Government employee (SGE) ☐	
I certify that the statements I have made on this form and all attached statements are true, complete, and correct to the best of my knowledge.				Signature of Employee	Date	Reporting Status: ☐ New entrant ☐ Annual
Date Received by Agency	On the basis of information contained in this report, I conclude that the filer is in compliance with applicable laws and regulations (except as noted in "comments" box below).			Signature of Supervisor/Other Intermediate Reviewer	Printed Name/Title	Date
Signature of Agency's Final Reviewing Official and Title			Date	Comments of Reviewing Officials. (Check box if continued on reverse) ☐		

(Use additional copies of this form as continuation pages, if necessary to complete any part.)

Part I: Assets and Income

None ☐

Identify for you, your spouse, and dependent children: 1) each asset held for investment or the production of income which had a fair market value exceeding \$1,000 (\$5,000 for personal savings accounts) at the close of the reporting period; and 2) each asset or source of income (other than U.S. Government salary or retirement, including the Thrift Savings Plan) which generated over \$200 in income during the reporting period (\$1,000 for your spouse's earned income, other than honoraria). This includes but is not limited to employers, stocks, bonds, tax shelters, personal savings accounts, realty, mutual funds, pensions, annuities, IRA assets, trust assets, commodity futures, trades and businesses, partnership interests, and honoraria. Exclude your personal residence, unless you rent it out, and any earned income of your dependent children. If the holding is an excepted trust (ET) or an excepted investment fund (EIF) (see instructions), indicate that in the designated column, and you need not disclose underlying holdings.

Assets and Income Sources (Identify specific employer, business, stock, bond, mutual fund, financial institution, type/location of real estate, etc.)	(X) if no longer held	Nature of Income (Rent, interest, dividends, capital gains, salary, etc.)	If EIF or ET, so indicate	Date (Only for honoraria)
1				
2				
3				
4				
5				
6				
7				
8				

Part II: Liabilities

None ☐

Report liabilities over \$10,000 owed to any one creditor at any time during the reporting period (over \$10,000 at the end of the period if revolving charge accounts) by you, your spouse, and dependent children. Exclude a mortgage on your personal residence unless it is rented out; loans secured by automobiles, household furniture or appliances; and liabilities owed to a spouse, dependent child, or parent, brother, sister or child of you or your spouse.

Creditors (Name and address)	Type of Liability (Mortgage, promissory note, etc.)
1	
2	
3	
4	

Executive Branch CONFIDENTIAL FINANCIAL DISCLOSURE REPORT**PARTS III - END**

Employee's Name (Last, first, middle initial)	Agency	Branch/Unit	Work Phone	Page No.
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Part III: Outside PositionsNone ☐

Report any positions, whether or not compensated, which you held outside the U.S. Government during the reporting period. Positions include but are not limited to those of an employee, officer, director, trustee, general partner, proprietor, representative, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. Exclude positions with religious, social, fraternal, or political entities or those solely of an honorary nature. You need not report any positions of your spouse or dependent children.

Organization (Name and address)	Type of Organization	Position	(X) If no longer held
1			
2			
3			
4			
5			

Part IV: Agreements and ArrangementsNone ☐

Report your agreements or arrangements for future employment, leaves of absence, continuation of payment by a former employer (including severance payments), or continuing participation in an employee benefit plan. You need not report agreements or arrangements of your spouse or dependent children.

Terms of Any Agreement or Arrangement	Parties	Date
1		
2		
3		
4		

Part V: Gifts and Travel ReimbursementsNone ☐

Do not complete this part if you are a new entrant or a special Government employee (SGE)

Report the source and a brief description of gifts from one source totaling \$250 or more during the reporting period, and travel reimbursements from one source totaling \$250 or more during the reporting period, which are received by you, your spouse, and dependent children. Exclude anything valued at \$100 or less; anything from relatives or from the U.S. Government; anything given to your agency in connection with your official travel; and food, lodging, or entertainment received as personal hospitality at the donor's residence or other premises.

Source	Description (For travel-related items, include itinerary and date)
1	
2	
3	
4	
5	
6	

(2) However, no report shall be required if the individual:

(i) Has, within 30 days prior to assuming his position, left another position or office referred to in § 2634.904 of this subpart or in § 2634.202, and has previously satisfied the reporting requirements applicable to that former position, but a copy of the report filed by the individual while in that position should be made available to the appointing agency, and the individual must comply with any agency requirement for a supplementary report for the new position;

(ii) Has already filed such a report in connection with consideration for appointment to the position. The agency may request that the individual update such a report if more than six months has expired since it was filed.

(3) Notwithstanding the filing deadline prescribed in paragraph (b)(1) of this section, agencies may at their discretion require that prospective entrants into positions described in § 2634.904 of this subpart file their new entrant confidential financial disclosure reports prior to serving in such positions, to insure that there are no insurmountable ethics concerns. Additionally, a special Government employee who has been appointed to serve on an advisory committee shall file the required report before any advice is rendered by the employee to the agency, or in no event, later than the first committee meeting.

(c) *Advisory committee definition.* For purposes of this subpart, the term *advisory committee* shall have the meaning given to that term under section 3 of the Federal Advisory Committee Act (5 U.S.C. app). Specifically, it means any committee, board, commission, council, conference, panel, task force, or other similar group which is established by statute or reorganization plan, or established or utilized by the President or one or more agencies, in the interest of obtaining advice or recommendations for the President or one or more agencies or officers of the Federal Government. Such term includes any subcommittee or other subgroup of any advisory committee, but does not include the Advisory Commission on Intergovernmental Relations, the Commission on Government Procurement, or any committee composed wholly of full-time officers or employees of the Federal Government.

(d) *Extensions.* The agency reviewing official may, for good cause shown, grant to any employee or class of employees a filing extension or several extensions totaling not more than 90 days.

§ 2634.904 Confidential filer defined.

The term *confidential filer* includes:

(a) Each officer or employee in the executive branch whose position is classified at GS-15 or below of the General Schedule prescribed by 5 U.S.C. 5332, or the rate of basic pay for which is fixed, other than under the General Schedule, at a rate which is less than 120% of the minimum rate of basic pay for GS-15 of the General Schedule; each officer or employee of the United States Postal Service or Postal Rate Commission whose basic rate of pay is less than 120% of the minimum rate of basic pay for GS-15 of the General Schedule; each member of a uniformed service whose pay grade is less than O-7 under 37 U.S.C. 201; and each officer or employee in any other position determined by the designated agency ethics official to be of equal classification; if:

(1) The agency concludes that the duties and responsibilities of the employee's position require that employee to participate personally and substantially through decision or the exercise of significant judgment, in taking a Government action regarding:

(i) Contracting or procurement;

(ii) Administering or monitoring grants, subsidies, licenses, or other federally conferred financial or operational benefits;

(iii) Regulating or auditing any non-Federal entity; or

(iv) Other activities in which the final decision or action will have a direct and substantial economic effect on the interests of any non-Federal entity; or

(2) The agency concludes that the duties and responsibilities of the employee's position require the employee to file such a report to avoid involvement in a real or apparent conflict of interest, and to carry out the purposes behind any statute, Executive order, rule, or regulation applicable to or administered by that employee. Positions which might be subject to a reporting requirement under this subparagraph include those with duties which involve investigating or prosecuting violations of criminal or civil law.

Example 1. A contracting officer drafts the requests for proposals for data processing equipment of significant value which is to be purchased by his agency. He works with substantial independence of action. The contracting officer should be required to file a confidential financial disclosure report.

Example 2. An agency environmental engineer inspects a manufacturing plant to ascertain whether the plant complies with a permit to release a certain effluent into a nearby stream. Any violation of the permit standards may result in civil penalties for the

plant, and in criminal penalties for the plant's management based upon any action which they took to create the violation. If the agency engineer determines that the plant does not meet the permit requirements, he can require the plant to terminate release of the effluent until the plant satisfies the permit standards. Because the engineer exercises substantial discretion in regulating the plant's activities, and because his final decisions will have a substantial economic effect on the plant's interests, the engineer should be required to file a confidential financial disclosure report.

(b) Unless required to file public financial disclosure reports by subpart B of this part, all executive branch special Government employees as defined in 18 U.S.C. 202(a) and § 2634.105(s), including those who serve on advisory committees. The term special Government employees does not include an advisory committee member who serves only as a representative of an industry or other outside entity or who is already a Federal employee.

Example 1. A consultant to an agency periodically advises the agency regarding important foreign policy matters. The consultant must file a confidential report if he is retained as a special Government employee and not an independent contractor.

Example 2. An advisory committee member (who is not a private group representative) attends four committee meetings every year to provide advice to an agency about pharmaceutical matters. No compensation is received by the committee member, other than travel expenses. The advisory committee member must file a confidential disclosure report, since she is a special Government employee.

(c) Each public filer referred to in § 2634.202 on public disclosure who is required by agency regulations issued in accordance with § 2634.907(b) of this subpart to file a supplemental confidential financial disclosure report which contains information that is more extensive than the information required in the reporting individual's public financial disclosure report under this part.

(d) Any employee who, notwithstanding his exclusion from the public financial reporting requirements of this part by virtue of a determination under § 2634.203, is covered by the criteria of paragraph (a) of this section.

§ 2634.905 Exclusions from filing requirements.

Any individual or class of individuals, including special Government employees, described in § 2634.904 of this subpart, may be excluded from all or a portion of the confidential reporting requirements of this subpart, when the agency head or designee determines that:

(a) The duties of a position make remote the possibility that the incumbent will be involved in a real or apparent conflict of interest:

(b) The duties of a position involve such a low level of responsibility that the submission of a confidential financial disclosure report is unnecessary because of:

(1) The substantial degree of supervision and review over the position; or

(2) The inconsequential effect of any potential conflict on the integrity of the Government; or

(c) The use of an alternative procedure approved in writing by the Office of Government Ethics is adequate to prevent possible conflicts of interest.

Example 1. An agency special Government employee who is a draftsman prepares the drawings to be used by an agency in soliciting bids for construction work on a bridge. Because he is not involved in the contracting process associated with the construction, the likelihood that his actions will create a conflict of interest is remote. The draftsman need not be required by the agency to file a confidential financial disclosure report.

Example 2. An investigator is principally assigned as the field agent to investigate alleged violations of conflict of interest laws. The investigator works under the direct supervision of an agent-in-charge. The agent-in-charge reviews all of the investigator's work product and then uses those materials to prepare the agency's report which is submitted under his own name. The agency may decide not to require the investigator to file a confidential disclosure report.

Example 3. A nonsupervisory auditor at an agency is regularly assigned to cases involving possible loan improprieties by financial institutions. Prior to undertaking each enforcement review, the auditor reviews the file to determine if she, her spouse minor or dependent child, or any general partner, organization in which she serves as an officer, director, trustee, employee, or general partner, or organization with which she is negotiating or has an agreement or an arrangement for future employment, or a close friend or relative is a subject of the investigation, or will be in any way affected by the investigation. Once she determines that there is no such relationship, she signs and dates a certification which verifies that she has reviewed the file and has determined that no conflict of interest exists. She then files the certification with the head of her auditing division at the agency. On the other hand, if she cannot execute the certification, she informs the head of her auditing division. In response, the division will either reassign the case or review the conflicting interest to determine whether a waiver would be appropriate. This alternate procedure, if approved by the Office of Government Ethics in writing, will suffice for a conflict of interest review. Therefore, the agency may exclude the auditor from filing a confidential disclosure report under this subpart.

§ 2634.906 Review of confidential filer status.

The head of each agency, or an officer designated by the head of the agency for that purpose, shall review any complaint by an individual that his position has been improperly determined by the agency to be one which requires the submission of a confidential financial disclosure report pursuant to this subpart. A decision by the agency head or designee regarding the complaint shall be final.

§ 2634.907 Report contents.

(a) Other than the reports of confidential filers described in § 2634.904(c), each confidential financial disclosure report filed pursuant to § 2634.903 of this subpart shall include on the standard form prescribed by the Office of Government Ethics (see § 2634.601 of subpart F of this part) and in accordance with instructions issued by the Office, a full and complete statement of information required to be reported according to the provisions of subpart C of this part, (except for those provisions in subpart C requiring the reporting of the amounts or values of any item), with respect to the following:

(1) *Interests in property.* All the interests in property specified by § 2634.301;

(2) *Income.* All the income items specified by § 2634.302;

(3) *Gifts and reimbursements.* All gifts and reimbursements specified by § 2634.304 (except that new entrants, as described in § 2634.903(b) of this subpart, need not report any information on gifts and reimbursements);

(4) *Liabilities.* All liabilities specified by § 2634.305;

(5) *Agreements and arrangements.* All agreements and arrangements specified by § 2634.306; and

(6) *Outside positions.* All outside positions specified by § 2634.307.

(b) For reports of confidential filers described in § 2634.904(c) of this subpart, each supplemental confidential financial disclosure report shall include only the supplemental information:

(1) Which is more extensive than that required in the reporting individual's public financial disclosure report under this part; and

(2) Which has been approved by the Office of Government Ethics for collection by the agency concerned, as set forth in supplemental agency regulations and forms, issued under §§ 2634.103 and 2634.601(b) (see § 2634.901 (b) and (c) of this subpart).

§ 2634.908 Reporting periods.

(a) *Incumbents.* Each confidential financial disclosure report filed under

§ 2634.903(a) of this subpart shall include on the standard form prescribed by the Office of Government Ethics and in accordance with instructions issued by the Office, a full and complete statement of the information required to be reported according to the provisions of this subpart for the preceding twelve months ending September 30, or for any portion of that period not covered by a previous confidential or public financial disclosure report filed under this part.

(b) *New entrants.* Each confidential financial disclosure report filed under § 2634.903(b) of this subpart shall include, on the standard form prescribed by the Office of Government Ethics and in accordance with instructions issued by the Office, a full and complete statement of the information required to be reported according to the provisions of this subpart for the preceding twelve months from the date of filing.

§ 2634.909 Procedures, penalties, and ethics agreements.

(a) The provisions of subpart F of this part govern the filing procedures and forms for, and the custody and review of, confidential disclosure reports filed under this subpart.

(b) For penalties and remedial action which apply in the event that the reporting individual fails to file, falsifies information, or files late with respect to confidential financial disclosure reports, see subpart G of this part.

(c) Subpart H of this part on ethics agreements applies to both the public and confidential reporting systems under this part.

Appendix A to Part 2634—Certificate of Independence

The Certificate of Independence required by § 2634.406(b) shall be executed as follows:

Certificate of Independence

With respect to the trust of _____ (Settlor), which has been submitted to the Office of Government Ethics for certification pursuant to the Ethics in Government Act of 1978 (Pub. L. 95-521, as amended), the undersigned proposed [Trustee] _____ of such trust is a financial institution which is eligible to serve in such fiduciary capacity in accordance with section 102(f)(3)(A) of such Act:

FIRST: The undersigned is (check one)—
() a bank, as defined in 12 U.S.C. 1841(c), or

() an investment adviser, as defined in 15 U.S.C. 80b-2(a)(11),

not more than 10 percent of which is owned or controlled by a single individual.

SECOND: The undersigned—

(1) Is independent of and unassociated with any interested party so that the undersigned cannot be controlled or

8/11/93

THE WHITE HOUSE OFFICE
SALARY LESS THAN 79931
AS OF JULY 31, 1993
ORG: OFC OF THE STAFF SECTY

PAGE 9

NAME
DUDLEY, JENNIFER D

TITLE
DIRECTOR, VOLUNTEER ORIENTATION

TALLY

~~HOLTON, DWIGHT C~~

SPECIAL ASSISTANT TO CHIEF OF STAFF

MIDDLETON, MARK

ASSISTANT TO THE CHIEF OF STAFF

NORD, CAROLEEN ✓

STAFF ASSISTANT TO THE CHIEF OF STAFF

RICHARD, R PAUL

DEPUTY STAFF SECRETARY

STANZIONE, JANINE ✓

SPECIAL ASSISTANT TO CHIEF OF STAFF

STERN, TODD

278 files?

SPECIAL ASSISTANT TO THE PRESIDENT & DEP STAFF SECRETARY

SUDBAY, KAREN A ✓

SPECIAL ASSISTANT TO CHIEF OF STAFF

WALKER, ANNE S ✓

ADMINISTRATIVE ASSISTANT TO THE STAFF SECRETARY

That Time-Honored Democratic Party Tradition: Self-Destruction

■ **Politics:** Since the Chicago Convention of 1968, the Democrats have specialized in internecine warfare. A sorry affair for the party of F.D.R.

By William Schneider

WASHINGTON
 From Franklin D. Roosevelt's New Deal in the 1930s to Lyndon B. Johnson's Great Society in the 1960s, the Democratic Party ruled America. They were the nation's majority. They set the agenda.

All that came to an end, suddenly and violently, 25 years ago last week. At the end of August, 1968, the Democratic National Convention met in Chicago to nominate Hubert H. Humphrey for President—and ended up in a bitter and bloody civil war. The Democrats paid a terrible price. They got shut out of the White House for 20 of the next 24 years.

Now, a Democrat is President again.

William Schneider, a contributing editor to *Opinion*, is a political analyst for CNN.



THE NEW YORK TIMES / for The Times

But the scars of 1968 have never healed.

In 1968, the Old Politics and the New Politics confronted each other in Chicago. It was the young protesters out on the streets versus the old party bosses in the convention hall. Literally, the insiders versus the outsiders.

It was also a class conflict. Poorer blue-collar Democrats were for Hum-

phrey. Better-educated, upper-middle-class Democrats were for Sen. Eugene McCarthy, the man who won the primaries and drove Johnson out of the race.

The party split wide open, and the blood began to flow. On one side were the Old Politics regulars. They controlled the convention and nominated Humphrey, who had not run in a single primary. On

the other side were the New Politics liberals. They protested Humphrey's nomination—and got their heads beaten in by Mayor Richard J. Daley's cops.

"Boss" Daley was, of course, the archetypal Old Politics Democrat—vulgar, ethnic and corrupt. He was the deal-maker supreme. Humphrey's nomination was the ultimate political deal. The protesters demanded a New Politics, high-minded and issue-oriented, in which there would be "no more deals." By rewriting the party rules, they made it so.

Only one candidate could have brought the two sides together in 1968. That was Robert F. Kennedy. His campaign won strong support from both liberals and regulars. But Kennedy was murdered the night of the California primary.

What tore the Democrats apart was, of course, the Vietnam War. That war ended in 1975. But the bitterness remains. Look what happened to President Bill Clinton when he visited the Vietnam Memorial earlier this year. He tried to heal the wounds and ended up the target of protests for his 1990s anti-war activities.

Race was also a big issue in 1968. But not at the Chicago Convention. After all, it was the Old Politics regulars—John F.

Kennedy, Johnson and Humphrey—who first embraced the civil-rights movement and ended the Democratic Party's 100-year-old accommodation with racism. New Politics liberals had no quarrel with Humphrey on civil rights.

But a lot of Southern whites and northern urban ethnics did. Many followed Independent George C. Wallace out of the Democratic Party in 1968. And never came back. Most Southern whites didn't even vote for fellow Southerners Jimmy Carter and Clinton.

The fight over Vietnam raged on into 1972. The liberals got their revenge. They seized control of the party and nominated anti-war candidate George McGovern. Just as the regulars repudiated the party's racist tradition, the liberals repudiated the party's anti-communist interventionism that went back to Harry S. Truman.

Like Humphrey before him, McGovern lost. The 1968 election proved the regulars could not win without the liberals. The 1972 election proved the liberals could not win without the regulars.

1978 could have been a turning point. The Vietnam War was over, and the split in the party should have healed. It was

Please see DEMOCRATS, M6

Los Angeles Times

SUNDAY, AUGUST 29, 1993

2/2

Democrats

Continued from M1

time for a deal. The Old Politics regulars would admit they were wrong about Vietnam. The New Politics liberals would sign on to the tradition of big government.

Only one Democrat could bring this off. But Edward M. Kennedy chose not to run in 1978. Instead, the liberals went for Morris K. Udall, the regulars supported Sen. Henry M. (Scoop) Jackson and Wallace had his last hurrah.

So what happened? Carter, a non-traditional Democrat, defeated all three opponents, one at a time and on their own turf. The historic moment was lost. As President, Carter alienated liberals and regulars. The liberals thought he was too moderate, and the regulars got mad when he failed to deliver the economic goods.

In 1980, the anti-Carter coalition materialized, led by Kennedy. Kennedy offered himself as the rightful inheritor of party leadership. But he was four years too late. In the disastrous 1980 election, Carter's liberal support was drained away by Independent John Anderson, while many regular Democrats stayed home—or voted for Ronald Reagan.

In the 1960s and early 1970s, the political agenda was dominated by Vietnam, race and social protest. After the energy crisis of the mid-1970s, the agenda shifted to economics, where it has remained. Here's the irony: Economics had always been the Democrats' strength. But with the tax revolt and soaring inflation, and with Carter in office, the economic issue turned against the Democrats.

The Democratic Party had changed since the days of Roosevelt. Now the party included a large constituency of affluent voters who came in with the New Politics. After Vietnam, divisions over foreign policy were no longer so bitter. With the economic downturn, however, new divisions began to surface.

And once again, they divided Democrats along class lines.

After all, New Politics liberals had their

formative political experiences in the civil-rights and anti-war movements of the 1960s, not in the sit-down strikes of the 1930s. There is an affluent, suburban liberalism, not the working-class, labor-oriented liberalism of the regulars.

The new split became evident in 1984. It bore an unmistakable resemblance to the old split. Gary Hart, who had managed McGovern's 1972 campaign, defined the New Politics that year—problem-solving and “new ideas.” The champion of the Old Politics was Walter F. Mondale, who happened to be Humphrey's political protégé. Mondale discredited Hart in terms Old Politics regulars understood. He asked a devastating question: “Where's the beef?”

The regulars nominated Mondale. He turned out to be another Humphrey. A lot of upscale Democrats deserted Mondale in 1984 because of the economic issue.

Four years later, New Politics Democrats got their revenge—again. They nominated a brainy but bloodless New Politics liberal, Michael S. Dukakis. Dukakis turned out to be another McGovern. Just as Richard Nixon used “values” to demolish McGovern in 1972—“acid, amnesty and abortion”—so George Bush used values to demolish Dukakis in 1988—the Pledge of Allegiance and Willie Horton. Many blue-collar Democrats deserted Dukakis because of values.

It was happening again. The Old Politics found they couldn't win without the New Politics in 1984. And the New Politics couldn't win without the Old Politics in 1988.

But a lot has changed since 1968. The New Politics Democrats who started out on the streets of Chicago are now the party Establishment. And they are not simply liberals any more. They are “neo-liberals,” who reject the party's big-government tradition. Their creed is not more government rather than less. That's the Old Politics. They say they believe in smart government as opposed to dumb government. That's the New Politics.

Clinton was all set to run as the candidate of the New Politics against

Mario M. Cuomo last year. Clinton was, after all, a baby boomer, an anti-war protester and a McGovern organizer in 1972. But Cuomo fooled him. He didn't run. Instead, Paul E. Tsongas, who called himself a pro-business liberal, upstaged Clinton as the New Politics candidate.

To defeat Tsongas, Clinton had to mobilize the party regulars—union voters, minorities, poor people and the elderly. Clinton promised them tax cuts and new spending programs. He called Tsongas an “economic mechanic” who favored “cold-blooded” policies.

After winning the nomination, Clinton used the Democratic Convention to re-establish his New Politics credentials. It worked. He persuaded voters that he really was a new kind of Democrat.

In the election, Clinton managed to hold a fragile coalition of New Politics and Old Politics Democrats together, just as Carter did in 1978. Clinton got just enough support from each side to win—with 43%.

But the same thing is happening to Clinton as President that happened to Carter. Only sooner. Carter wasn't from either wing of the party. So a lot of Democrats didn't trust him. Clinton claims to be from both wings. So a lot of Democrats don't trust him, either.

Both wings of the party feel Clinton has betrayed them. Liberals complain he backs down—on gays in the military, for example. Party-regulars complain that, as President, Clinton has adopted Tsongas' program—deficit reduction—instead of what he promised in the campaign—a middle-class tax cut and an economic-stimulus program.

The two wings of the Democratic Party expect different things from Clinton. One recent poll asked people what his economic plan must accomplish if they were to judge it a success. College-educated Democrats said deficit reduction. Non-college Democrats said new jobs. If he's going to hold the party together, Clinton's plan had better do both.

Clinton should remember what happened to Carter. The Democratic Party turned against its own President in 1980 and ended up destroying itself. But then, self-destruction is an old Democratic tradition. It goes back to Chicago in '68.

Who will rid the Democrats of their Chicago demons? Clinton hopes he will. He picked a Chicago political operative, David C. Wilhelm, to head the Democratic Party. A man named Richard Daley (son of Boss) is again mayor of Chicago. And Clinton is desperate to make the point that the Democratic Party is not what it used to be, and thank God for it. What better way to do this than to hold the 1996 Democratic National Convention, for the first time in 28 years, in Chicago? □

THE PRESIDENT HAS SEEN 9/7

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When Good Deeds Make Bad Policy

From Lebanon to Somalia, the Danger in Noble Intervention

By Dimitri K. Simes

THE PRESIDENT HAS SEEN

SO FAR, despite a lot of public agonizing and brave talk, the Clinton administration has yet to use force in Bosnia. But there is little doubt that President Clinton and his advisers have a strong urge to accept, on behalf of the United States, worldwide responsibility for peace, tranquility and human rights—witness the recent dispatch of U.S. Army Rangers to Somalia. There is also no doubt that this generous urge could get America in a lot of trouble.

The Clintonites' taste for humanitarian interventions is based on the hypothesis that the post-Cold War world is longing for a benign superpower and that the United States has both an interest and moral obligation to assume this role.

But all too often, good intentions are in the eye of the beholder. Back in 1983, Syrian Vice President Rifaat Assad told me, "Americans claim they came to Lebanon to promote peace. But they are either lying through their teeth or terribly stupid. Their peace is our humiliation in the Arab world, our exclusion from Lebanon, Israeli domination in the area. How can anyone think that we would see the arrival of the American military to impose such an outrage on us as anything but a grave threat?"

The U.S. view of the mission in Lebanon was strikingly different. According to President Reagan, U.S. Marines were sent to Beirut as part of a multinational force on a "purely peacekeeping" mission. It came as a shock to Secretary of State George Shultz that the Marines increasingly came under fire from "ungrateful" Lebanese radicals. When the fire was returned by U.S. forces, America became a party to the Lebanese conflict—contrary to Reagan's original design.

One result was the suicide bombing attack on the Marine barracks, which forced the United States to pull out. A more remote outcome was the series of airliner hijackings by Lebanese extremists and later the taking of U.S. hostages in Lebanon. The consequences of the Lebanese debacle for U.S. prestige abroad and the Reagan administration's policy are a matter of record. But Shultz has become one of the cheerleaders for U.S. intervention in Bosnia.

The self-delusion about such actions is amazing. In Somalia, as Ambassador to the United Nations Madeleine K. Albright has noted, the Clinton administration has transformed the U.S. military mission from feeding the starving to building democratic institutions and stopping "those who disrupt the peace." American officials have made it abundantly clear, by both words and deeds, that clan leader Gen. Mohamed Farah Aideed was the one warlord they sought to cut down to size.

That Aideed would not give up without a fight was predictable. It was similarly easy to anticipate that many Somalis would not look favorably upon a military

See WORLD, C2, Col. 1

Dimitri Simes is chairman of the Center for Russian and Eurasian Programs at the Carnegie Endowment for International Peace.

THE WASHINGTON POST
SUNDAY, AUGUST 29, 1993

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Good Deeds, Bad Policy

WORLD, From C1

campaigns against their leader. Yet the Clinton administration's reaction is enough to give one the impression that Aidoo's refusal to surrender is the moral equivalent of challenging God's will.

The Somali operation, though, will seem like a comparative piece of cake if the Clinton administration stumbles into a military role in the Yugoslav civil war. "The United States should be very grateful to Russia and European allies for not letting it become involved in the Yugoslav quagmire," says Vladimir Volok, a member of Boris Yeltsin's Presidential Council and a leading Russian expert on the Balkans. He argues that, tragic as the Bosnian situation is, the story of Sarajevo today will not be a repeat of 1914, when the assassination there of the Austro-Hungarian archduke triggered World War I. "But the U.S. military attack could transform a local civil war into a major international crisis overnight," Yeltsin's adviser cautions.

The reaction of the Bosnian Serbs and their sponsors in Belgrade to a U.S. air strike is uncertain. But Bosnian Serb leader Radovan Karadzic has openly warned of terrorist attacks—similar to the attack on the World Trade Center in New York—if America intervenes on behalf of the Muslims. The head of the second largest Serbian Radical Party, Vojislav Seselj, has threatened missile attacks against Italy, Croatia and Austria. Incidentally, terrorist threats are not the exclusive trade of the Serbian leaders. Not to be outdone, the vice president of the Muslim-dominated Bosnian government, Ejup Ganic, has promised that, if his regime is not saved by the interna-

tional community, "of course, terrorism will start all over Europe."

Whether these threats should be taken at face value is anyone's guess. But over the years, both the Tito government and Croatian nationalists waged a war of terror on several continents unconstrained by any fear of hurting innocent bystanders. And terrorism is traditionally the weapon of last resort for groups fighting vastly superior military machines—the PLO vis-a-vis the Israelis, the ANC and the South African government, the Afghans against the Russians.

The consequences of U.S. intervention in Bosnia in terms of relations with other major powers would be more severe. It is an illusion that Europeans are yearning for assertive U.S. leadership. They want a U.S. presence and they want America to serve as a protective shield, when necessary. But they have little tolerance for being pushed around by Washington when their own interests and perceptions differ with ours—witness the strong Italian dissent on Somalia, the British and French stance on Bosnia, and the openly defiant stand of the French and Belgian generals commanding U.N. troops in Bosnia. If the United States develops a tendency to exercise pressure on European nations and Japan—in the absence of an overriding outside threat—it is only a matter of time before many of them start re-examining their relationship with the United States.

The problem may be even more sensitive with Russia. At this moment, to put it bluntly, Russia can be ignored with relative impunity. And, to be sure, Russia may continue to rot like the Austro-Hungarian and the Ottoman empires did for centuries before finally falling apart.

But this is neither the only nor the most

likely model of Russian development. One realistic scenario is that President Yeltsin will finally make a deal with centrist forces, arranging early elections and creating a credible government. With Russia's natural resources, its highly educated labor force and its motivated new entrepreneurs, the economic recovery could take much less time than most Western economists think likely. By the beginning of the 21st century, if not sooner, Russia may well become, once again, a force to reckon with in world affairs.

Conversely, as happened during the Time of Troubles in the 17th century and the civil war from 1917 to 1921, Russia might disintegrate before being reunited through the power of the gun. The government coming to power under such circumstances would not be friendly toward the West. Least of all, would it take the current borders between the Soviet successor states any more seriously than the Serbs have taken them in the former Yugoslavia? The implications of such an eventuality for U.S. interests is difficult to overestimate.

Common sense suggests that the stakes are high enough for America to try to avoid Russian disintegration and, in addition, to build good relations with a potential major world player. U.S. intervention in Bosnia would serve neither objective. Because many Russians identify with the Serbian predicament—as a dominant nation that lost control of its multiethnic states—a foreign strike against the Serbs would be widely condemned. In recent months, Yeltsin and his pro-Western foreign minister, Andrei Kozyrev, repeatedly told President Clinton and Secretary of State Warren Christopher as much.

Not surprisingly, hardline nationalists and former communists—those interested in demoting the United States—would applaud an American attack. "A U.S. strike against the Serbs would be a favor to us," Ilya Konstantinov, co-chairman of the xenophobic National Salvation Front, told me during a recent visit.

"It would clarify who are the true enemies of Russia and completely discredit their leaders in the Yeltsin occupational region."

Moderate politicians in Moscow appreciate what the reemergence of the "American Satan" image in their country would do to their situation. "A U.S. military role in Serbia would eliminate whatever remaining chances that the Supreme Soviet would ratify START II. Moreover, there would be strong condemnations of the American action from all sides of the Russian political spectrum. Even Kozyrev would not be able to stay on the sidelines," warns Sergei Stepashin, chairman of the Russian Parliament's Committee on Defense and Security and a Yeltsin supporter.

It is easy to predict how such a condemnation of a U.S. military action in Serbia would play in Washington: It would even kill prospects for the passage of a Russian aid package in Congress, leading to a new round of polemics with Moscow and, more ominously, a devastating blow to the chances of Russian democracy.

As if that damage were not enough, senior administration officials in late July delivered for President Clinton's signature a presidential directive that would anticipate sending international peacekeeping forces into the former Soviet Union with the explicit mission of protecting existing borders (presumably against Russia) and constraining mischief by the Russian military. Under strong criticism from both the Russian government and many American commentators, the administration began to give the draft directive a more benign twist, claiming that nothing would be done without prior consultation with Moscow and that no U.S. troops would be sent to that turbulent region. But the very fact that key Clinton advisers could contemplate introducing unilateral forces under U.S. patronage into an explosive area with thousands of nuclear weapons betrays a foreign mindset that is weak on responsibility and logic.

This, to be sure, is not the first time that, after a prolonged conflict, one power has found itself in a dominant position with seemingly great latitude to impose its will. After the Athenian victory over the Persians, according to Thucydides, the Athenian ambassadors (representing the superpower of the day) offered the following explanation to rival Sparta of Athens's intent to maintain and even expand its geopolitical outreach, though the common Persian threat no longer existed:

"We did not gain this empire by force. It came to us at a time when you were unwilling to fight on to the end against the Persians. At this time our allies came to us of their own accord and begged us to lead them. . . . We have done nothing extraordinary, nothing contrary to human nature in accepting of empire when it was offered to us and then in refusing to give it up. Three very powerful motives prevent us from doing so—security, honour and self interest."

Athenian reassurances did nothing for the Spartans or their allies—many of whom were originally associated with Athens but were alienated by the Athenians' heavy-handed posture. The long war that followed resulted in Athens's defeat and the overall decline of ancient Greek civilization.

Historical parallels are never precise. There is, for instance, no modern Sparta on the horizon to challenge American hegemony. But the law of history—that good intentions never save ambitious nations from encountering resistance—remains as valid as ever.

Certainly, as a great power with global interests, the United States should be prepared to use force when they are threatened—whether someone in Moscow or elsewhere files it or not. There are special cases, like the Holocaust, when the monstrosity of the crime demands a prompt military response. But those who want to use military force for worldwide social engineering are playing with fire.

The Washington Post

SUNDAY, AUGUST 29, 1993

THE PRESIDENT HAS SEEN 9/7

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NEWS IN TOMORROWS

LOS ANGELES TIMES

Clinton Boosts Proposal for Youth Job Training

By ELIZABETH SHOGREN
TIMES STAFF WRITER

GEORGETOWN, Del.—Visiting an innovative program that teaches high school students the basics of aviation, President Clinton warned Friday that none of his initiatives to improve the economy will be successful without dramatic improvements in the way the United States prepares young people for the work force.

Clinton chose to plug his "school-to-work" initiative—now pending in Congress—at the Sussex County Opportunity Skyway program here, which trains high school students for careers as pilots, airplane mechanics, air traffic controllers and airport managers.

"Every student in America needs the opportunity to be in a program like this," Clinton told a crowd of students, local residents and officials gathered at the tiny airfield in the southern Delaware town.

His proposal would provide money to states and localities to develop and implement programs that offer students—especially the 75% who do not earn college degrees—on-the-job training to help them develop valuable skills.

"If we are going to prosper in the world toward which we are heading, we have to reach out to every one of our young people who wants a job and don't have the training to get it," the President said.

"We don't have a person to waste," he said. "And believe you me, when we waste them, the rest of us pay. We pay in unemployment. We pay in welfare. We pay in jail costs. We pay in drug costs."

As the only industrial nation without a comprehensive program helping young people make the transition from school to work, the United States stands to lose ground to its economic competitors, the President said. He added that too many American young people flounder from one low-paying job to another throughout their 20s because they do not have the skills

care reform, efforts to improve government efficiency, new crime legislation and open trade with Mexico and Canada.

"But none of them will work unless we maintain a steadfast determination to educate and train our people at world-class standards," he said.

Programs like Skyway are one key to keeping the "American Dream" alive for young people, Clinton said. Such programs will prepare the nation's youth for "a world of instant communication, supersonic transportation, worldwide technologies in global markets and a veritable explosion of knowledge and invention."

Skyway is one of a small but growing number of career-centered vocational education programs, which are designed to provide students with on-the-job

training, professional mentors and clear job prospects.

Under the President's proposal, students who complete a program would receive skill certificates to aid potential employers in assessing their abilities.

Another piece of Administration legislation making its way through Congress would create a national board to determine skill standards in various fields so that certificates would be transportable.

To cover costs of the first year of the school-to-work initiative, the Administration is expected to get \$68 million of the \$270 million it has sought to provide grants of about \$200,000 to each state to develop school-to-work programs and more sizable grants to four to six states to implement their programs, according to Administration officials.

The Administration's goal is to get \$300 million in 1995 to launch programs in 25 states and \$600 million in 1996 to help install programs in the remaining states, officials said.

Lawrence Periman, chairman of the Business Roundtable's Working Group on Workforce Training and Development, said that programs like Skyway are "exactly what America must do on a broad scale to meet the technological challenges of the future."

Other similar programs include:

- Oakland, Calif., Health and Bioscience Academy, which offers 200 students a three-year program for a wide-range of careers in labs and hospitals.

- ProTech in Boston, a four-year, work-based program starting in 11th grade, which provides students permanent placement with employers who offer tuition assistance benefits for additional postsecondary education.

- Craftsmanship 2000 of Tulsa, Okla., which combines academic, technical and work-based training in a four-year program. Graduates receive a high school diploma, an associate degree in metal-working and certification for skilled employment in the metal-working industry.

Indicating his faith in such programs, Clinton had one of the students at Skyway prepare the flight plan for his return trip to the White House.

"Three or four hours from now, if I'm wandering out over the Atlantic somewhere . . ." Clinton joked with the crowd.

But after his helicopter took off, Susan Adams, a student wearing gold airplane earrings who personally prepared the President's flight plan, said that he need not worry.

"I'm totally confident," Adams, a senior who hopes to attend the Air Force Academy after getting her pilot's license through Skyway, said. "He won't end up over the Atlantic."

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THE PRESIDENT HAS SEEN

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A4 SATURDAY, SEPTEMBER 4, 1993

THE WASHINGTON POST

Clinton Pushes Training For High School Students

Job Preparation for Those Not College-Bound

By Ruth Marcus
Washington Post Staff Writer

GEORGETOWN, Del., Sept. 3—President Clinton took time out today from working on health care, worrying about the free trade agreement and "reinventing government" to promote another administration initiative: job training programs for high school students.

Clinton traveled to the Sussex County Airport here, where a program called "Operation Skyway" helps students train for aviation careers. The trip was meant to highlight a measure introduced last month that would provide federal funding for "school-to-work" programs to prepare non-college-bound youth for the job market.

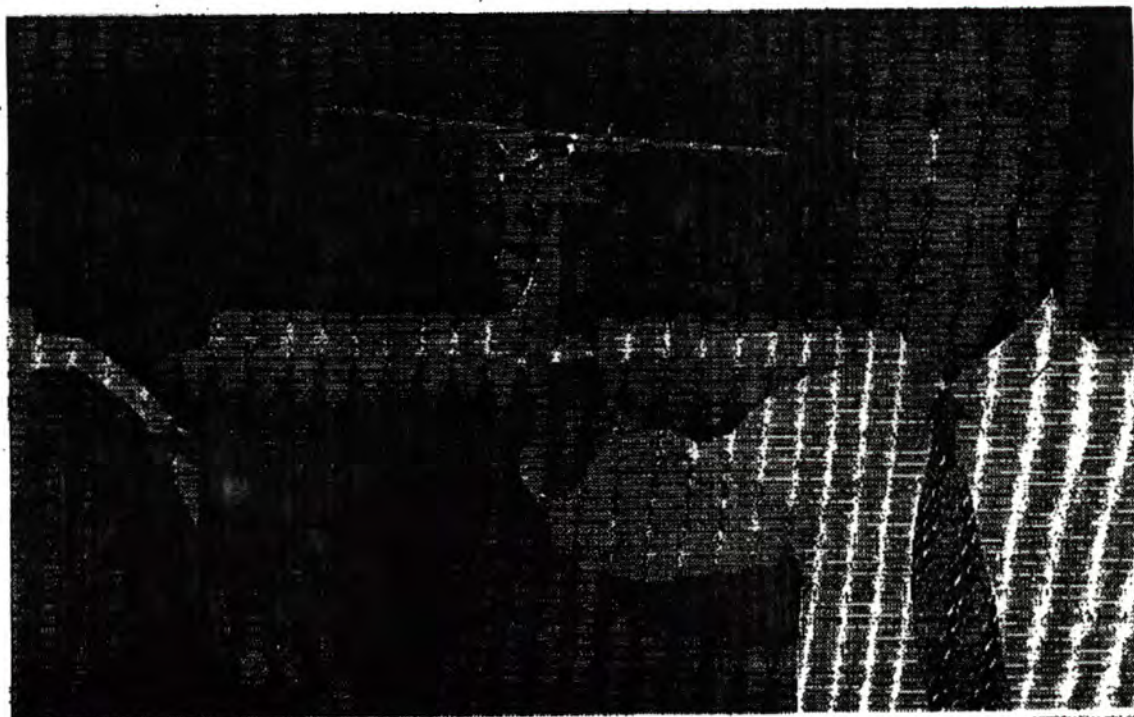
"I came here today not just to showcase these fine students, but to make the point that every student in America needs the opportunity to be in a program like this," Clinton said.

He said that although the next

few months will be focused on initiatives such as government reform, the free trade agreement, the president's health care package and a new crime bill, "none of them will work unless we maintain a steadfast determination to educate and train our people at world-class standards."

The Operation Skyway program, Clinton said, "is an example of what America has to do to adapt to change. We can no longer afford to be the only advanced nation in the world without a system for providing this kind of training and education to everybody who doesn't go on and get a four-year college degree."

According to federal figures, 50 percent of high school graduates do not go on to college, and 75 percent do not earn a college degree. During the presidential campaign, Clinton emphasized the importance of apprenticeship programs for high school students to equip them for high-skill high-wage jobs.



President Clinton shows off a model airplane that was presented to him by Frances Orphe, left, of Mitchellville, Md.

The School-to-Work Opportunities Act of 1993, introduced last month, would provide money to states and communities to develop and implement training programs and establish national standards for such programs.

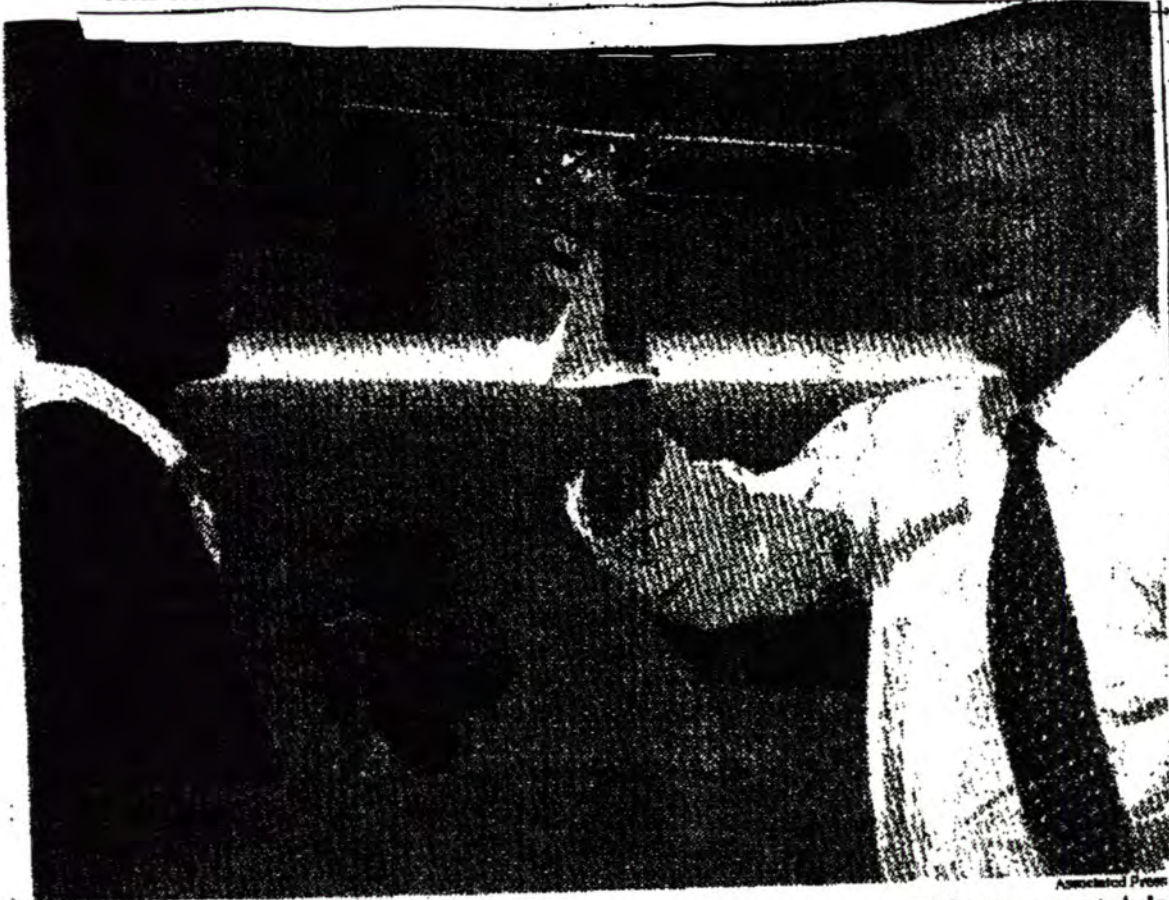
The administration asked for

\$270 million in fiscal year 1994 under existing statutes, but the House has so far provided for only \$67 million and administration officials said yesterday they expect to receive less than \$100 million.

Clinton received an airplane model from one of the students in the

Skyway program, and said the flight plan for his helicopter trip back to Washington had been mapped by the students.

"Three or four hours from now, if I'm wandering out over the Atlantic somewhere, I'll know I wasn't very persuasive today," Clinton said.



President Clinton holding a model of a Cessna 172 he received while visiting an aviation school in Georgetown, Del., to push a bill that would provide

grants for states to create training programs to help students make the transition from school to the workplace. At left was Frances Orphe, a student.

Clinton Pushes 'Practical' Job-Training for Youth

By MAUREEN DOWD

Special to The New York Times

GEORGETOWN, Del., Sept. 3 — President Clinton came to an airport hangar here today to sell a program designed to develop better ways of offering job training to young people uninspired by traditional academic programs.

Addressing several hundred people at an aviation school here that he considers a model of "practical" learning, the President said: "The truth is there's a lot of very serious academic research which indicates that significant numbers of our people actually learn better in practical circumstances than they do in classroom settings. It's different for different people."

Mr. Clinton said he would like the nation to reclaim what has been called "the forgotten half" of American youth — high school graduates and dropouts who drift from one dead-end job to another through their 20's without ever acquiring the skills necessary for well-paid, promising careers.

\$300 Million Program Urged

This was the President's first push for his "School-to-Work Opportunities Act," a bill that would provide development grants for states to create training programs to help students make a more successful transition from school

The Administration sent the bill to Congress last month, proposing the spending of \$300 million a year beginning in the fiscal year 1995. The chief sponsors of the bill, which has attracted bipartisan support in Congress and praise from labor and business groups, are Senators Paul Simon of Illinois and Edward M. Kennedy of Massachusetts, both Democrats.

The President suggested that unlike other industrialized nations, the United States had failed to forge strong links between schools and the marketplace that could start students on vocational training before they leave high school.

High school guidance counselors, geared toward placing students in college, have historically paid less attention to students who do not want to continue their education.

Mr. Clinton said that from 1975 to 1989 the salaries of high school graduates under 25 dropped about 40 percent, and the wages of high school dropouts dropped even more.

Labor Department statistics suggest that by the age of 30 only one-third of the nation's working adults have been in their jobs for more than a year. And a 1991 Louis Harris survey indicated that less than a third of American employers believe that recent high school graduates are prepared to hold jobs in their businesses.

The President was accompanied to Delaware today by Labor Secretary Robert B. Reich, Education Secretary Richard W. Riley, and Senator Joseph R. Biden Jr., Democrat of Delaware.

Lauding "Opportunity Skyway," the Delaware program based at Sussex County Airport that trains young people for jobs in the aviation field, the President said, "What we don't see here today is that 50 percent of the high school graduates in this country do not go on to college, 75 percent of the high school graduates in this country don't finish college, and nowhere near all of them are in programs like this, which should start when they are in high school."

Chrissy Thomas, a junior at Kent County Polytech High School who is getting her pilot's license at Opportunity Skyway, spoke before Mr. Clinton, telling the audience that "book work and boring lectures" were not as much fun as "hands-on experience."

At the close of his remarks, Mr. Clinton noted that he would return to Washington on the Presidential helicopter, Marine One, using a flight plan prepared by the students of Opportunity Skyway.

"Three or four hours from now, if I'm wandering out over the Atlantic somewhere," he said, "I'll know I wasn't persuasive today."

THE PRESIDENT HAS SEEN 9/7

A22 MONDAY, SEPTEMBER 6, 1993

The Washington Post

Where Schools and Jobs Meet

THE BIG debates in education aren't always about the most important things. The corollary is that some of the most important innovations in education don't get a lot of attention because they're not controversial.

That's the story with the growing interest among politicians and educators in programs aimed at creating job opportunities for high school students not headed to college. This is a large group of Americans: Only a quarter of high school graduates actually complete college; half never go to college at all, while the rest attend but don't graduate. In a world in which there is an increasingly close relationship between earnings and education levels, these figures point to a large problem: How will the students who never get to college find the skills to maintain a decent living standard?

This problem is the focus of a modest but potentially important program that President Clinton touted last Friday. His "school-to-work" proposal is designed to promote high school programs linking academic training with on-the-job experience. At the completion of such programs, students emerge with not only a high school degree but also with a certification in particular skills—and most important, either a first job on a career ladder or access to further training. Among the advantages of such programs is that they bring teachers and employers together in partnerships that ought to benefit students. Mr. Clinton's inspiration is the success of apprenticeship programs in Western Europe, especially in Germany. The underlying assumption is that conventional vocational training is neither reaching enough students nor doing a

good enough job at preparing them for work situations that will require a mix of technical, analytical and academic skills.

Mr. Clinton's "school-to-work" program reflects, among other things, the limitations under which he has to govern. His bill provides mainly seed money to help states and local school systems set up the programs. The administration had hoped to get \$270 million in the program's first year. In the budget wrangling so far, the administration has salvaged \$67 million and hopes to get these programs running in four or five states. For 1995 the administration is looking for \$300 million to cover programs in about half the states. If all goes well, it would like to double that figure and cover all states by 1996.

These are small sums, but then the United States has long seen education as primarily a state and local responsibility. Mr. Clinton is hoping his program will nudge those who run school systems in the right direction and create models that many systems will want to emulate. Many states, in any event, are already encouraging programs along these lines.

In job training, as in other areas such as community banking, Mr. Clinton is emerging as a president who speaks in large terms about large problems but often has to settle for small, experimental programs. This is a price he is paying for the country's fiscal mess and the public's doubts about government's efficacy. Still, experimentation is not always the worst thing, and Mr. Clinton is usually talking about the right problems. In this case, he surely is.

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HARD TRUTHS / TOUGH CHOICES

An Agenda for State and Local Reform

THE FIRST REPORT
OF THE NATIONAL COMMISSION
ON THE STATE AND LOCAL PUBLIC SERVICE

Deforming Congress

Why Those Capitol Hill Budget Reforms Could Cost You Plenty

By Richard Munson

A CRUCIAL battle is about to erupt on Capitol Hill that has nothing to do with the conflict between Democrats and Republicans, liberals and conservatives—and few outside Congress even know it's brewing. But the outcome is sure to affect billions of dollars in federal spending.

This tenacious tangle isn't over any program in particular, but over proposed reforms in the way Congress decides what programs to fund and by how much. This month, the bipartisan Joint Committee on the Organization of Congress will release its reform recommendations. If a faction of that committee gets its way, we can be sure to see not a smartly streamlined congressional appropriations process, but a new funding system that is likely to bring more undisciplined spending and higher deficits.

Leading these reformers are legislators like Sen. Nancy Kassebaum (R-Kan.) and Reps. Robert Walker (R-Pa.) and Tillie Fowler (R-Fla.). This coalition of frustrated and turf-conscious "reformers" is attempting to curb the authority of the appropriations committees by folding them into the authorizing committees. In fact, some on the reform panel have even endorsed a measure proposed by a large group of Republican freshmen who seek to eliminate the powerful appropriations committees altogether.

Of course, a key to curbing federal spending is political willpower. Unless committees of lawmakers (such as the appropriations committees) are in place and empowered to restrain other members from uncontrolled spending, serious attempts at deficit reduction will remain no more than rhetoric.

Here's how the reform battle shapes up: Federal lawmakers have long been divided into two basic

Richard Munson, executive director of the Northeast-Midwest Institute, is the author of "The Cardinals of Capitol Hill" (Grove/Atlantic Press).

camp—the authorizers, who set policy, and the appropriators, who spend money. The difference between authorizers and appropriators can be compared with who does the shopping. The authorizing committees prepare the grocery lists, but appropriators decide what will actually be bought—if it will be two or three sewer systems and whether those systems will cost \$50 million or \$100 million each.

Tension between congressional authorizers and appropriators is nothing new. Conflict between the two groups can be traced back to the 1950s and early 1960s, when appropriators annually reviewed almost 80 percent of federal spending. House Appropriations Committee Chairman Clarence Cannon, who considered himself a strict guardian of the Treasury, was determined to cut spending rather than start new programs. "You may think my business is to make appropriations," Cannon once said, "but it is not. It is to prevent their being made." It's no coincidence that either budgets were balanced or deficits were small during Cannon's tenure.

When Cannon retired in 1964, his successors were forced to accede to the demands of lawmakers for more social spending. Authorizers, circumventing the appropriations committees, created scores of entitlement programs, helping to raise mandatory spending from some 20 percent of the budget in the 1960s to almost 70 percent today.

In the early 1970s, Congress's authorizers placed entitlements, such as Medicare and veterans' pensions, on ever-rising autopilot, indexing their spending to the rate of inflation or to skyrocketing health care costs. More than 300 entitlement accounts now exist—including such little-known initiatives as a sports fish restoration fund and nutrition assistance for Puerto Rico. Some \$770 billion of federal spending is not reviewed annually by lawmakers or forced to compete with other budget priorities.

In the meantime, even though the clout of the authorizers has grown,

appropriators still hold enormous power: They oversee all discretionary spending—more than \$500 billion this fiscal year—and can determine the fate of government projects. No doubt the concentration of power has led to abuses. Many Americans feel that Sen. Robert Byrd (D-W.Va.) has unfairly used his authority as chairman of the Senate appropriations panel to direct more than \$1 billion of federal projects to his home state. Budget analysts also rightly criticize appropriators for resorting to accounting gimmicks—such as moving a federal pay day from one fiscal year to the next—in order to free money for their favorite initiatives. Appropriations is even guilty of unabashed arrogance on occasion. For instance, last year the House voted 250-104 to strip \$94.5 million in pork-barrel projects from one spending bill. Three weeks later, appropriators inserted the very same projects into other legislation, cannily shielding them from further cutting.

It was in this climate that Congress, a year ago, moved to reform the funding process—which has since led to the anti-appropriators movement.

But these are weak excuses to attack the committees. Appropriators have numerous, unique attributes that serve Congress and the nation well. For one, the committees are virtually the only groups on Capitol Hill that live within budgets. Since 1974, appropriators have spent \$72 billion less than the presidents requested. Since 1945, congressional appropriations have been \$200 billion below White House requests. Many authorizers, in contrast, are unrealistic proponents of their programs, refusing to make tough choices between priorities, unable to both promote a program and economize on its operations. A recent housing act, for instance, authorized \$4 billion more than had been appropriated, far more than would realistically be spent. Paradoxically, the appropriations committees thus gained more power by being forced to decide among competing interests.

Second, unlike most authorizing panels, the appropriations committees also critique federal agencies regularly. House Minority Leader Robert Michel (R-Ill.) states flatly, "The only oversight on many of these programs is what the annual review in the appropriations process gives you, because the legislative committees generally fail to do their job."

Third, appropriators, although not supposed to set policy within their spending bills, have seized more responsibility for legislating as authorizers have failed to resolve tough issues. Appropriations panels have defined what "obscene" art federal funds couldn't support, moderated a

dispute between environmentalists and Pacific Northwest loggers over cutting trees inhabited by threatened spotted owls and reformed reporting requirements for lobbyists and consultants.

Rather than eliminate the appropriations committees and decimate Congress's only remaining procedural control on spending, lawmakers need a more systematic procedure to annually review entitlement funding. Placing entitlements under the purview of appropriators is one option, but it would face enormous opposition from authorizers and lobbyists who fear the annual competition for funds would trim their favorite programs. At the least, authorizers who control

entitlements should be forced to produce yearly or biennial legislation that conforms to strict spending caps, the same requirements appropriators now face for other programs.

For some 40 years, lawmakers consciously have diluted the controls on the federal budget and accountability for it. The public now demands congressional reform. Rather than further disperse budgetary power across Capitol Hill, the reform committee should reverse these trends by making a limited number of lawmakers budget "enforcers," empowered to impose tough spending decisions—and then hold those politicians responsible for keeping deficit reduction on track.

THE PRESIDENT HAS SEEN

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THE PRESIDENT HAS SEEN 9/7

Military Conversion Jump Starts Electric Car

Special to The New York Times

BOSTON, Sept. 4 — The end of the cold war means that James Worden will finally get to crash-test one of his electric cars.

Mr. Worden, whose story combines elements of Thomas A. Edison and Henry Ford, was a high school sophomore when he built his first electric car, in his parents' living room in suburban Arlington. A few years later, as a student at the Massachusetts Institute of Technology, he created the nation's first solar-car race team.

Now Mr. Worden, 26, heads an electric car company, the Solectria Corporation, and in July he received a

\$550,000 grant from a Defense Department research agency that has a mandate to finance fewer military projects and more commercial ones.

Mr. Worden remembered his M.I.T. days, which he spent riding around Cambridge in his first electric car, a small, nearly triangular aluminum vehicle. "It caused a bang-up once," he said. "People were looking at it instead of at where they should be going."

He has that car — which has 1,800 miles on its odometer — in a corner of Solectria's headquarters that he calls "the electric car museum." It is beside a Renault that was electrified by a battery company in the 50's.

Every day Mr. Worden commutes to work in one of his company's cars.

"I hate going to gas stations," he said. "I hate breathing the gas. I like going home and sticking a little cord into my car." Each night he plugs in his car to recharge its battery.

Ever since 1990, when California passed a law requiring that 2 percent of every auto company's sales in that state be "zero emission vehicles" by the 1998 model year, the development of electric cars has become a priority. And although the big car companies are working on electric vehicles, like General Motors' Impact and Chrysler's Tevan, small companies like So-

lectria are playing an important role in creating the new technology.

"Most of our certifications have been to cars from small companies," said Jerry Martin, a spokesman for the California Air Resource Board, which certifies cars that meet the 1998 standards. "These companies have really advanced these vehicles to the state they are in now."

The Solectria factory, in Wilmington, about 15 miles north of here, does not sound like an average auto shop. On a recent visit, the radio was blasting an interview with Julia Child on National Public Radio. The workers were building what are known as conversion cars. They ripped the gasoline engines out of Geo Metros and replaced them with electric motors and batteries.

The finished product, called a Force, is priced according to how far it can

travel without having its batteries recharged. The cheapest model costs \$19,995 and can travel 55 miles between charges with a maximum speed of 55 miles an hour. The most expensive one, at \$59,350, can run for 120 miles with a top speed of 75 miles per hour.

45 Cars So Far

Solectria is a small company, with only 10 employees and three interns. But for the last four years its cars have won first place in the Tour de Sol, an annual solar and electric car endurance race.

Although Solectria is primarily a research and development company, it has sold 45 Forces, which are made to order, in the last two years.

But conversion cars are expensive to make, which is where the Pentagon grant comes in. From it, \$400,000 will

pay for the design of an electric car from the ground up. A fund of \$150,000 has been established so Solectria will be able to crash test the model it creates, to meet Federal safety guidelines. The Boston Edison Company, the electric utility, will match both amounts.

Solectria's Federal grant is just a small part of a \$23.5 million Government package for electric car research and development around the country.

Still, building electric cars is only the start. Persuading Americans to trade in their beloved gas-burners for vehicles that some people may equate with golf carts is another matter.

But Arvind A. Rajan, who is in charge of marketing for Solectria, says he has one message for such doubters: "Electric cars have no more in common with golf carts than a lawn mower does with your car."

Buy

THE PRESIDENT HAS SEEN 9/7

COLUMN RIGHT/
JEANE KIRKPATRICK

Clinton Lags on the Lessons of History

■ His positions on Bosnia
parallel Munich, Vietnam.

Is it impossible for people to learn from the experience of others, for one generation to learn from those who came before? Have the leaders of the Western world already forgotten the famous lessons of the century—of Munich and of Vietnam?

There are no perfect historical analogies. But personality types and patterns of behavior recur, and this makes the lessons of one period relevant and useful to the problems of the next: as the experience of Munich relates to Bosnia, for example.

The deal cut by Britain and France on Sept. 28, 1938, and forced by them on a reluctant Czechoslovakia, which led directly to Hitler's further aggression, is not exactly like the deal worked out by Lord David Owen and Thorvald Stoltenberg and urged on unwilling Bosnians. Serbia is not Germany, and Slobodan Milosevic lacks some of Hitler's political skills.

Still, there is much in common between these events. The dismemberment of Czechoslovakia was done by honorable, well-intentioned men who longed to preserve a semblance of peace in Central Europe and believed that territorial concessions would appease the appetites of the expansionist Nazi government and a leader notable for extremism, chauvinism, religious intolerance and violence.

Now, once again there are Western diplomats ready to recognize borders changed by force and to coerce victims of aggression into accepting their country's dismemberment. And once again the Western negotiators offer guarantees, as Britain and France offered guarantees to a truncated Czech state, that the new borders will be respected more than the old.

Now, will the appeasement of Milosevic prove not only dishonorable, but also as unsuccessful as Munich in pacifying a nationalist? Will Western guarantees of indefensible Bosnian borders prove no more reliable than Western guarantees of defense of a truncated Czechoslovakia? Yes.

Will the experience of appeasement demoralize France, Britain and the European Community as surrender to Hitler's demands demoralized Western governments in 1938 and 1939? Will it undermine their credibility and encourage further aggression, as happened in 1939? Yes.

Does Bill Clinton, a man of a different generation, understand the lessons of Munich? What would he do if he were to act on the basis of those lessons?

We would not speak or act as if neutral between aggressors and their victims. We would not acquiesce in the acquisition of territory by force or reward ethnic cleansing or enforce boundaries established by ethnic cleansing and force.

We would use U.S. or NATO air power and, acting under the U.N. Charter, break the sieges and end the devastation imposed on Muslims by Serbian forces. We would block the flow of weapons, ammunition, fuel and foodstuff from Serbia into Bosnia.

We would not send thousands of U.S. ground troops to enforce an unjust settlement. Such open-ended deployment of forces in an enterprise with ambiguous goals, and which is opposed by the indigenous population, is extremely imprudent.

That brings me to the second great learning experience for the United States in this century: Vietnam.

Clinton's commitment of U.S. troops to Somalia and his promise of 20,000 ground forces in Bosnia raise serious questions about whether he has studied the lessons of his generation's war.

The Vietnam War, too, was born of honorable motives and dedicated to serving principles of nonaggression. But before it was over, Americans had learned that it was a terrible mistake to try to remake a culturally and geographically remote country, to rid it of a leader not to our liking and to install a different one. And before that long, frustrating, inconclusive war had ended, the American military had learned that minimum force and proportionate response do not work and cannot win at what, for Americans, are acceptable costs. The clearest lesson of Vietnam was that decisive force should be present in any future conflict to which American troops are committed.

Somalia is not Vietnam. Gen. Aidid is not President Diem. There is no outside power ready to provide a steady flow of arms. But nation-building in an unfamiliar society is still an impossible task.

Arnold Toynbee wrote that the tragedy of Prime Minister Neville Chamberlain and his colleagues in 1938 was that "it fell to them to act . . . in a jungle world that was irreconcilable with the civilized world in which they had been brought up. They were in their element in domestic social reform. . . . They were horrified by the brutal world which had now suddenly and unexpectedly closed in round them."

Being a nice man committed to domestic social reform is still no guarantee of success in international politics. President Clinton should be very careful or he will flunk the test on the lessons of history.

Former U.N. Ambassador Jeane Kirkpatrick writes a column in Washington.

Los Angeles Times

SUNDAY, SEPTEMBER 5, 1993

Japan's Low-Gear Drive to Deregulate

New Prime Minister Finds Little Zeal for Plans Among Bureaucrats

By Paul Blustein
Washington Post Foreign Service

TOKYO—When Japanese Prime Minister Morihiro Hosokawa took office last month, high on his list of priorities was slashing the nation's burdensome regulations, freeing up the economy and reducing the power of the elite bureaucrats who exert major influence over economic matters large and small.

But Hosokawa's plan is going to take a while, because the bureaucrats are not eager to help. Indeed, they responded last week with notable lack of enthusiasm to the prime minister's demand for a list of regulations that ought to be eased or eliminated.

Hosokawa, Japan's first prime minister in 38 years to come from outside the Liberal Democratic Party, has been a critic of the bureaucracy ever since his days as governor of a southwestern prefecture, when he had to ask Tokyo for permission to move a bus stop. Deregulation is the centerpiece of his campaign to make the economic system more responsive to consumers and less protective of certain industries.

But for all his rhetoric attacking the system that keeps Japanese prices high and living standards low, Hosokawa is not about to revolutionize the country overnight.

His call for reducing bureaucratic rules has met an underwhelming response from those who depend on the rules for their authority and status. The 60-odd proposals that the

ministries came up with are largely picayune changes that barely scratch the surface of Japan's regulatory thicket.

The Finance Ministry, for instance, said it is willing to drop the requirement that liquor industry associations must report when a new director is appointed or an old one resigns.

In another less-than-breathtaking offer, the ministry said it might no longer require liquor companies to seek approval for their bottles and cans. Simply reporting where the bottles and cans are made should suffice.

Similarly, the Ministry of International Trade and Industry suggested that it might no longer insist that export associations submit their business plans for ministry inspection.

The list of deregulation proposals, to be sure, included some more substantial and potentially controversial items, such as allowing taxi companies to set their own fares, extending business hours for large retailers and allowing small breweries to open.

But proposals were all but nonexistent in areas that the United States and other countries have long complained of, such as strict controls on insurance that limit the products available and make it extremely difficult for foreign insurers to compete.

"It's a small step in the right direction," said Richard Koo, an economist at the Nomura Research Institute. "That's the least harmful comment I can think of."

In an editorial Thursday, Yomiuri Shimbun, the nation's

See JAPAN, H3, Col. 1

JAPAN, From H1

largest daily, questioned Hosokawa's leadership in the matter and urged him to look somewhere besides the bureaucracy for ideas. "The government should not carry out deregulation in small doses," it said.

Hosokawa himself exhorted ministries to go further and produce "measures that are truly meaningful to the public." A U.S. diplomat said that, while he had not seen anything on the list that impressed him, Washington is avoiding criticism for now lest it choke off the best hope for meaningful change in decades.

The episode has intensified speculation that for the bureaucracy, Hosokawa's bark may prove worse than his bite.

The prime minister already has delighted the Finance Ministry by embracing its stance against an income-tax cut. Clinton administration officials and many private economists are urging Tokyo to cut taxes so that Japan's hard-pressed consumers will start spending again, lift the economy out of its slump and buy more products from abroad.

But the Finance Ministry opposes such a move because it would put government accounts into the red, although the ministry and the Hosokawa

cabinet appear to be leaving the door open to a compromise in which income taxes would be cut now in exchange for a future rise in the consumption tax.

"I have been asked how we are adjusting to Hosokawa, and I say, Hosokawa must adjust to us—and he's doing very well," chortled one high-level Finance Ministry bureaucrat. "He's quite sensible."

Deregulation, the bureaucrat added, will not do much to help consumers or spur imports. "A few small beer breweries open up in Japan—so what?" he said. "That isn't going to do anything." What is worrisome, he said, is that the Clinton administration's hopes for radi-

cal moves from the Hosokawa government to increase Japanese purchases of foreign goods are likely to be dashed.

Few doubt Hosokawa's genuine determination to curtail regulatory excesses. When he delivered his first major speech to the nation last month, he stunned top bureaucrats by refusing to permit them to participate in the drafting.

Even before Hosokawa's coalition government came to power, Japan was taking steps to limit the bureaucracy's power.

Perhaps most important, an administrative reform bill that was backed by the previous government, and that

narrowly missed enactment during the last session of parliament, would have stopped the practice in which bureaucrats give oral instructions, or "administrative guidance," to regulate business behavior.

Foreign companies here often complain that such guidance is delivered in secret to Japanese companies, so foreigners are left in the dark about what industry rules are. Under the new legislation, such guidance would have to be put in writing and published for all to see.

The measure is likely to be resurrected and voted into law.

The Hosokawa government this week named a blue-ribbon panel to

study long-term changes in the economic system, chaired by Gaishi Hiraiwa, a business leader who has advocated some major shifts in the regulatory structure and the behavior of Japanese corporations.

But it is far from clear that the panel will advocate anything very dramatic, at least when it comes to the bureaucracy. Among its 15 members are two former vice ministers of finance, a former vice minister of trade and industry, a former agriculture vice minister and two other ex-civil servants.

"We are highly disappointed to see the excessive number of ex-bureaucrats among the panel membership," the Nihon Keizai Shimbun, Japan's leading financial daily, editorialized Friday. "Isn't it too early for the result to be decided?"

THE PRESIDENT HAS SEEN 9/1

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A18 TUESDAY, SEPTEMBER 7, 1993

THE WASHINGTON POST

Croats Said to Torture Muslim Prisoners

U.N. Report Says 2,000, Including Boys, Held—Some in Tunnels With No Water, Little Food

By David B. Ottaway
Washington Post Foreign Service

SARAJEVO, Sept. 6—Bosnian Croat forces are holding several thousand Muslim men and boys from Mostar in hangars and underground tunnels where they are being starved, tortured and are forced to drink their own urine to stay alive, according to recently released prisoners interviewed last weekend by a U.N. human rights official.

The reports—gathered by Kirsten Young, an officer of the U.N. High Commissioner for Refugees in Jablanica, southwest of here—say

the prisoners are beaten regularly, deprived of almost all water and given just enough food to survive. Observers here said that if the reports were accurate it appeared the Bosnian Croats were mistreating their Muslim prisoners as badly or worse than had the Bosnian Serbs last year in their detention camps in northern Bosnia. Reports from those Serb camps caused international outrage and provoked charges of Serb genocide against the Muslims.

During most of the 17-month-old war among Bosnia's three main ethnic groups, the Croats and Muslims maintained a tactical alliance

against the better-armed Serbs. But last spring, when an international peace plan for Bosnia was scuttled, Muslim-led forces seized Croat villages in central Bosnia and the alliance collapsed. Muslims and Croats continue to fight in central Bosnia and around Mostar.

In her report, read to reporters today by a U.N. official here, Young said the 100 former detainees she had interviewed were all "physically and psychologically exhausted" and either "extremely thin" or emaciated. "The utter despair and humiliation of the men was extremely depressing to witness," Young wrote.

The interviewees were among 450 released Aug. 31 from the two camps apparently because their captors believe them were so weakened that they would not be able to take part in fighting in the foreseeable future. They said that, as they were being released at the last Croat checkpoint outside Mostar on the road to Jablanica, their guards opened fire, killing four of them and sending the others running for their lives with bullets whizzing over their heads.

The ex-detainees told Young that there were still 2,000 to 2,500 prisoners being held at two camps, one

at Dretelj and the other at Gabela, about 18 miles southwest of Mostar. Those forced into the two underground ammunition tunnels were "stacked up so much they couldn't even lie down to sleep," Young's report said.

A number of the prisoners are 12- and 13-year-old children, at least one of whom had been held for two months, the former detainees told Young. The prisoners are allowed no exercise and the doors of the two tunnels are opened only once a day, when food is brought, they said. The prisoners have no access to toilets or showers and most are obliged to defecate on the floor, the men said. They said they had gone unwashed throughout their detention.

UNHCR spokesman Ray Wilkinson, who read Young's report to reporters, said he did not know how long the prisoners had been held.

The Croats and Muslims have been fighting in Mostar since early May.

Most of the interviews Young conducted were with those held at Dretelj, where conditions appeared to have been the worst.

Young interviewed a man in Jablanica's hospital who had broken ribs and lumps on his back that he said his Croat jailers had forced his 16-year-old son to inflict upon him.

Another hospitalized former prisoner had suffered injuries including "penetration of the anus by some blunt object," Young reported.

The former prisoners said 30 prisoners were wounded by gunfire inside one of the hangars once when drunk Croat guards opened fire at the wall. The former Dretelj prisoners told Young that conditions had improved last month following efforts by the International Committee of the Red Cross to visit the prisoners.

Bush to Get \$100,000 for Amway Convention Speech

By Ruth Marcus
Washington Post Staff Writer

Last year, George Bush probably made the equivalent of a speech a day and received \$200,000 for his trouble.

Today, Bush is to receive half that, \$100,000, for a single speech to a convention of Amway distributors in Atlanta, according to a report in the Atlanta Journal and Constitution.

Bush's reported fee—his office and Amway representatives declined to comment—appears to be something of a record for ex-presidents in the largest-fee-for-a-single-speech category.

Ronald Reagan received about \$2 million from Fuhisankei Corp. for his trip to Japan in

October 1989, but he delivered two 20-minute speeches and made other appearances during his week-long visit.

Pete Zeph, an account executive at Capital Speakers Inc., said he did not know of another fee that large for a single speech. "There's been a few people—say, sports celebrities—that may get \$100,000, but it's for four speeches and showing up at a sports-type clinic," he said. "It's more than just a speech."

In contrast, he said, the going rate for ex-president Reagan is about \$60,000 per speech, about the same as former British prime minister Margaret Thatcher. Donald Trump gets about \$50,000 and Sam Donaldson \$30,000, Zeph said, while Barbara Bush takes in between \$40,000 and \$60,000. Former vice president Dan Quayle is getting

\$12,500 for a speech at Old Dominion University in April.

Of Bush's fee, Zeph said, "You might think it cheapens his title . . . but why not, if he has something valuable to say? It's supply and demand."

In speaking to the Amway distributors, Bush follows a distinguished list of those he has worked with in government, including Reagan, Quayle and retired Gen. H. Norman Schwarzkopf.

Bush—whose most recent financial disclosure report showed a net worth of about \$3.7 million—told the Boston Globe last April that he just wanted to "be left alone, be a good citizen and do what's right." He said at that time that he would devote much of his time to his library and would make some speeches for pay.

Texas Senator Subpoenaed in Investigation

Reuter

AUSTIN, Tex., Sept. 3—Sen. Kay Bailey Hutchison (R-Tex.) was subpoenaed today to testify next week before a grand jury investigating how she ran the state treasury.

Hutchison, elected to fill Lloyd Bentsen's Senate seat after he was appointed treasury secretary by President Clinton, was ordered to appear before a Travis County grand jury Thursday, a court official said.

The grand jury probe began five days after Hutchison won a landslide victory in June over interim Sen. Bob Krueger (D).

The investigation centers on possible misuse of state employees and equipment for personal and political tasks, Travis County District Attorney Ronald Earle said.

Hutchison also is being investigated for allegedly violating the Texas Open Records Act and obstruction of justice when she was state treasurer January 1991 through the Senate election.

Hutchison called the investigation a political witch hunt by Democrats upset at her victory.

House Banking Chief Criticizes BNL Plea Deal

Los Angeles Times

The chairman of the House Banking, Finance and Urban Affairs Committee yesterday criticized a Justice Department plea agreement with an ex-banker who loaned \$5 billion to Iraq, charging that the deal amounted to "a whitewash."

"It's the same old stuff and it smells," Rep. Henry B. Gonzalez (D-Tex.), whose committee has spent three years investigating the Iraqi loan case, said in an interview.

Attorney General Janet Reno on Thursday approved a plea bargain with Christopher P. Drogoul, the

former manager of the Atlanta office of Italy's Banca Nazionale del Lavoro. Drogoul, accused in a 70-count indictment of conspiracy, fraud, money laundering and tax evasion, admitted guilt to three technical charges.

Justice Department spokesman said Drogoul's plea does not end the investigation. But Reno said a week ago that she does not believe the case was mishandled by Bush administration appointees at the Justice Department.

Drogoul, 44, has maintained that his superiors in Rome and U.S. intelligence officials were aware of his loans to Iraq. U.S. District Judge Marylin H. Shoop in Atlanta said last month that Drogoul and other employees of BNL's Atlanta office were "pawns and bit players" in a secret effort by the United States and Italy to arm Iraq.

Handwritten: BNL Plea Deal
Fig. B

THE PRESIDENT HAS SEEN 9/7

The Good Word in Trade Is 'Services'

By DANIEL J. CONNORS Jr.
and DOUGLAS S. HELLER

IT'S the Information Age, but some people haven't heard.

Each time the American trade statistics are reported, one hears the dismal news: a deficit again. But many don't look beyond the usual numbers, and so they assume all of them are bad.

But they aren't. When the United States incurred a \$96 billion trade deficit in goods in 1992, for instance, it was sharply offset by a \$56 billion trade surplus in services. Such services — the hallmark of the Information Age — include telecommunications, education, financial services and a host of other intangibles.

These and other services did not have just one good year. Around the globe, service companies are expanding rapidly, ringing up sales at a fast pace. Indeed, worldwide, services now account for

Last year's \$96 billion trade deficit in goods was offset by a \$56 billion surplus in services.

\$600 billion in international trade.

Why is this signal development so unnoticed? Primarily because many of us — journalists, economists, public officials — are acting on the facts of an earlier era, when trade meant apples, steel, sneakers and the like — tangible merchandise and nothing more. Many don't know a new day has dawned — one in which advertising exports can mean as much as auto exports.

Take the Department of Commerce, which collects American trade data. The department tracks trade on more than 10,000 different kinds of tangible goods. What about services? Well, the agency does track some trade data for services, but they cover only a few categories. Services excluded from Commerce data, or addressed only partly, include such significant ones as public relations, management consulting, legal services and many financial and information-related services. While estimates are difficult, some believe that exports of services would be 70 percent higher if Commerce had more-inclusive data.

Also, even the few services that Commerce does track are not reported currently in the goods-only monthly trade figures — the most widely reported of the Commerce Department numbers.

TO his credit, Commerce Secretary Ronald H. Brown is paying increased attention to services. The department recently began including services in its quarterly trade data, and it will do the same with monthly numbers. But the latter will not happen for many months and, anyway, the numbers will still exclude many services.

What's the harm of underplaying services? It misleads the public about their emerging importance, and it induces public officials to fashion policy on mistaken premises. But, worst of all, the growth of services can be stunted.

Consider tariffs. Tariffs are clearly the most important barrier to trade in goods. For services, however, nontariff obstacles — discriminatory licensing and certification rules, for instance, and bans on the use of internationally known company names — can also be critical. But "merchandise



bias" means tariffs often remain the center of trade talks, and the nontariff barriers to services growth get short shrift.

How can the great potential of services be realized faster and better? Here are two ways:

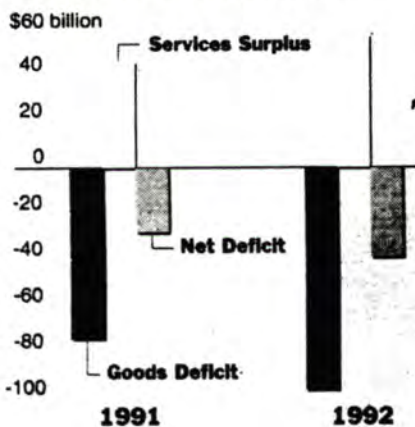
Services companies must take some long-run responsibility for their future. While in many countries they have formed coalitions for lobbying purposes, they must do much more than lobby. They must aggressively address the many commercial, communication, educational, cultural and other issues faced by their young industries. They will gain, so they must make the effort.

Second, treaty negotiators must do all they can to promote services trade. There has been much progress. The Bush Administration fashioned about 20 bilateral treaties that include services trade, and the North American Free Trade Agreement covers most services as well. But the General Agreement on Tariffs and Trade talks have been long and arduous. Such delays surely harm goods trade — but the harm to young and growing services industries will be greater.

In sum, we all must reject the bias toward goods. The sooner we do, the sooner we can enjoy the great fruits of the Information Age.

U.S. Trade Balance

The trade deficit shrinks greatly when trade in services is included.



Source: U.S. Department of Commerce

The New York Times

Brown

PERSONAL FINANCE / KATHY M. KRISTOF

Big Tax Breaks for Small-Business Investors

President Clinton's newly passed tax law could prove to be very generous for some investors, experts say.

It provides two new tax breaks for those who pour money into certain small businesses. It also turns an on-again, off-again tax shelter on permanently. It retools an abused government-sponsored investment program to better gear it to the serious investors who could profit from it. And it makes certain tax-favored investments, such as municipal bonds, variable annuities and 401(k) plans, even more attractive for well-heeled investors.

"These things are very, very important," says Steven Shaul, president of Smash by O.G., a Los Angeles-based manufacturer so enthralled by the small-business tax breaks that it put up billboard-size thanks to President Clinton in a sign off the 710 Freeway. Shaul believes his small company will have a better chance of attracting investors thanks to the new law.

On the flip side, the law also creates several land mines for the unwary.

For example, if you want the tax breaks, you can't invest in just any small business, notes Gregg Ritchie, partner in the financial planning group of KPMG Peat Marwick. Only certain types of small businesses qualify—and the businesses that qualify are arguably among the most risky for investors.

The tax law also eliminates a practice called conversion that allowed savvy investors to report capital gains instead of ordinary income by entering into complicated agreements.

"Nobody can do investment planning anymore without an Internal Revenue Code on their laps," says Philip J. Holthouse, partner at Holthouse Carlin & Van Trigt in Los Angeles.

Nonetheless, those who know the rules can reap substantial benefits from the newly passed law.

The most generous breaks are for investors in small businesses, and they come in two varieties.

The first allows those who buy and hold shares in manufacturing businesses with less than \$50 million in gross assets to shelter 50% of their capital gains from taxation. In other words, if you had a

\$100,000 capital gain, you'd normally owe \$28,000 in federal tax. But now, if you meet the requirements of the new law, you would only pay \$14,000 in tax.

The caveats: You can't get the breaks when you invest in a service firm or financial institution. They're only for companies that use "at least 80% of their assets in a qualified trade or business"—essentially a manufacturing firm, says Harvey Gettleson, partner at Ernst & Young in Los Angeles.

You've got to hold the investment for at least five years. And the tax exclusion is also limited to the lesser of 10 times your investment in the stock or \$10 million.

The second break for investors in small businesses works something like residential real estate rollover rules. If you sell stock in an exchange-listed company at a gain, you can defer paying tax on the profit by rolling the proceeds from the sale into a "specialized small business investment company."

Consider someone who bought 1,000 shares in XYZ company several years ago for \$10 a share. The shares are now worth \$30 and the investor wants to sell. But that \$20,000 profit would trigger a \$5,600 tax bill, so he decides to roll the proceeds into a specialized small business investment company—a particular type of investment company that's licensed by the Small Business Administration.

(SSBICs are somewhat similar to Real Estate Investment Trusts, or REITs, which pool investor assets to buy income-producing properties. However, in this case, the investor funds finance "disadvantaged" small businesses.)

This investor doesn't have to pay tax on his XYZ gain until he sells the shares in the SSBIC. But he can't defer more than \$50,000 in gains annually or more than \$500,000 in his lifetime.

There's one other catch: He's got to roll all of the sale proceeds into the SSBIC, not just his gain. If he doesn't want to invest a full \$30,000 in an SSBIC, he'll pay tax on the amount that wasn't rolled over. He also must roll over his gain within 60 days.

Real estate investors also get two breaks to choose from.

First, there's low-income housing tax credits. These credits have been around for several years. However, until now, the low-income program was seemingly always threatened with extinction. Indeed, it expired several times only to be renewed at the last hour—or even retroactively—for relatively brief periods. Clinton's plan makes the low-income program permanent.

The tax breaks can be generous. The downside is that the industry has a spotty track record. While some of these deals may prove to be good investments, some investment organizers have abused the

program by setting up the deals through limited partnerships that allow the organizers and salespeople to take out big fees—up to 35% of your investment.

Then they tie up your principal for a decade or more, with no guarantee you'll get your principal back. If you duck out early, the tax breaks are shot.

The second break allows high-income individuals who spend more than half their time and at least 750 hours a year in the real estate business to deduct losses from their real estate rental properties against ordinary income. Most wealthy people—those who earn upward of \$100,000 annually—can deduct these losses only against so-called passive income from other activities, such as real estate partnerships, for which they are not actively engaged.

Meanwhile, there's good news and bad news for people who have invested in Federal Communications Commission airwave lotteries. If your lottery application was accepted before July 26, the FCC will hold a lottery for that market and product.

But after these lotteries are through, airwave lotteries are probably gone forever. The bill allows the FCC to auction off airwaves rather than raffle them, and government officials believe that from now on, that's what will be done.

Since there were a few lotteries already in progress, they will be completed. There will be a drawing Sept. 15, for example, for nine interactive-TV franchises.

Note to seniors: Because of tremendous confusion about the new Social Security tax, Kathy Kristof has prepared a booklet and work sheet that helps seniors determine whether the new tax will affect them and what they can do about it.

For a copy, please send a written request with your name, address and a check or money order for \$2.95, payable to the Los Angeles Times. (The price includes postage, handling and sales tax.) Mail requests to Retirees' Tax Tips, P.O. Box 60395, Los Angeles, Calif. 90052. Please allow two to three weeks for delivery.

Los Angeles Times

SUNDAY, SEPTEMBER 5, 1993

America's Vanishing Majority

■ The militant middle, inspired by Perot, may have fractured the two-party system. For Clinton and Congress, it's tougher to piece together a winning margin.

By DAVID LAUTER and RONALD BROWNSTEIN
TIMES STAFF WRITERS

WASHINGTON—Seven months after President Clinton won office with one of the smallest pluralities in this century, the American electorate remains extraordinarily fractured and fractious. The two party coalitions that monopolized politics for the last 60 years have unraveled, but no new majority has arisen to replace them.

Instead, American politics resembles a complex game of three-dimensional chess in which Democrats and Republicans compete not only with each other but with a new, militant center rallied by—although not necessarily beholden to—Ross Perot.

According to an extensive Los Angeles Times Poll conducted earlier this month, neither Clinton, the GOP nor Perot comes close to attracting support from a majority of Americans.

"The 1992 election was a shattering election, but not necessarily a realigning one," says Stanley B. Greenberg, Clinton's pollster. "The public is extremely rootless now... I don't think we've seen a period like this."

This instability in public opinion is the foundation for much of the recent political turmoil in Congress. Without a public mandate, Clinton has found it virtually impossible to cement a stable majority on Capitol Hill, even though his own party controls both chambers. On many issues—particularly taxes, spending and the role of government—Clinton has been unable to strike a balance that satisfies hard-core Democratic partisans while still reaching out to moderates, both in the country and Congress.

Without a coalition that can reach 50%, "it's just hard to put

FIRST OF THREE PARTS

together the votes for anything big," laments Clinton adviser George Stephanopoulos.

Throughout recent history, presidents have similarly struggled with the opposition party for the loyalty of swing voters, both in the country and the Congress. But now both Clinton and the GOP face a new complication. With Perot providing a focus for millions of Americans who self-consciously choose not to identify with either the Democrats or the Republicans, the nation may be in for an unusual period in which both parties find themselves losing ground at once.

"At this point," says Democratic strategist Tad Devine, "no one has a governing coalition."

One of Clinton's strongest arguments as a candidate was that his "third way" agenda would build a new majority of progressives in

Please see POLITICS, A6

Continued from A1

both parties. Instead, in office, a combination of his own mistakes, the relentless opposition of Perot and the GOP, and the inherent tensions of a three-way political struggle have produced an extraordinary degree of political polarization.

Clinton's public approval rating has dropped faster than any President in modern times. In Congress, voting in the first few months of Clinton's Administration has been substantially more polarized by party than any time since 1946, according to Congressional Quarterly.

Clinton aides, and some Republican strategists, believe the President may yet be able to forge a new majority if he can improve the economy and set a course that attracts greater support from moderate Republicans and conservative Democrats. If he cannot construct such a majority, many analysts believe the trend toward three-way polarization will accelerate—fundamentally undermining the two-party system.

□

In the competition to build a majority, the Democrats do hold a substantial head start. Clinton drew the largest response among those asked by The Times Poll to place themselves in a group of "people who basically support" the President or "supporters of the Republican Party" or those who "think that Ross Perot offers the best ideas" or none of the above.

In the poll, Clinton attracted 37% of those surveyed, the Republicans 19%, Perot 16% and unaffiliated 26%. Among those Americans who say they are registered to vote, the margins were virtually the same—Clinton 38%, Republicans 22%, Perot followers 15% and unaffiliated 23%.

The poll, supervised by Los Angeles Times Poll director John Brennan, was conducted June 12 through 14 and surveyed 1,474 adult Americans. The results have a margin of error of plus or minus 3 percentage points.

The Republican part of the question refers to a party rather than an individual. That may have held down the response slightly, although it reflects the fact that the GOP has no single, nationally recognized leader.

But while the Clinton supporters have the largest share, Clinton and his advisers have painfully learned that having the biggest plurality falls far short of what a President needs to govern. And hopes of gaining a working majority are diminished by the fact that some of the views held by Clinton backers—particularly on the usefulness of government—sharply separate them from the rest of the electorate.

Of course, American government has always had to contend with shifting coalitions and comparatively weak parties. But for most of the years since the Great Depression, the battles over national policy have largely been fought within the framework of the two-party system.

First the Democrats, from Franklin D. Roosevelt through the mid-1960s, and the Republicans, from Richard Nixon through Ronald Reagan, constructed coalitions that allowed them to regularly win the presidency and shape national

Search for Majority

First in a series on the three-way competition among President Clinton, the Republican Party and Ross Perot to build a majority coalition in American politics

■ **PART ONE:** An examination of the differing priorities and attitudes of the three major blocks in the electorate

■ **PART TWO:** A look at the key issue dividing Americans: What is government's role in society and the economy?

■ **PART THREE:** How President Clinton's efforts to build a legislative majority on Capitol Hill have exacerbated—and been complicated by—his lack of majority support in the country.

policy. But in the 1992 election, neither party came close to a majority and Clinton now struggles to govern without a clear mandate.

Third-party movements, although they erupted periodically, rarely survived long enough to affect the balance. Perot's supporters are defying that pattern in part because Perot has the funds to keep himself so visible through television appearances. In addition, his supporters' fundamentally anti-Establishment attitudes make them difficult for either party to assimilate.

Perot is also riding a much larger wave of public discontent with Washington and the established parties that may not have crested. Increasingly, "people are refusing to identify with either party," says Republican pollster Bill McInturff.

Other analysts do not go as far as McInturff, who believes the number of independent voters has grown dramatically in the past decade. But nearly all agree that the nature of "independence" has changed.

In the past, most so-called "independents" more accurately could be described as disengaged—relatively less likely than other Americans to register or vote, relatively uninterested in public affairs and prone to pay little attention to government or politics.

That group still exists. The 26% who called themselves unaffiliated in the poll are a fairly amorphous amalgamation who, in comparison with other Americans, tend to have less education and are less likely to be registered to vote.

But Perot has drawn millions into a new militant independence,

How the Poll Was Conducted

The Times Poll interviewed 1,474 adults nationwide by telephone June 12-14. Telephone numbers were chosen from a list of all exchanges in the country. Random-digit dialing techniques were used to ensure that listed and unlisted numbers could be contacted. Results were weighted slightly to conform with census figures for sex, race, age, education and household size. The margin of error for the total sample is plus or minus 3 percentage points. For certain subgroups, the error margin is somewhat higher. Poll results can also be affected by other factors, such as question wording and order.

pulling roughly equally from both major parties, Times Poll director Brennan says.

"With Perot becoming part of a permanent opposition... I think they will be a more cohesive force," says Martin Wattenberg, a political scientist at UC Irvine who has written extensively on the decline of the major parties. "They needed a mobilizing force and here is a guy who through appearances on television can really sway their opinions."

For years, political scientists have argued that the two major parties were non-ideological groupings that overlapped more than they differed. But now three polarized coalitions—people who identify themselves with either Clinton, the Republicans or Perot—dominate the political landscape.

The members of the Clinton and Republican coalitions are mirror images—opposites on ethnicity, religion, occupation and perhaps most important, fundamental beliefs about government and society.

And while Democrats and Republicans group themselves at opposite ends of a single axis in defining these beliefs, the Perot group is defined by a completely different set of concerns.

Nearly one-third of the Clinton coalition is made up of blacks, Latinos and other minorities. The Republican coalition is 92% Anglo, with small numbers of Latinos, Jews, union members and liberals all tend strongly to be Clinton backers; the Republican coalition generally includes none of these groups.

Three-fourths of Republicans are married while almost 4 in 10 Clinton supporters are single. Among whites, Republicans are more likely than Clinton supporters to describe religion as very important in their lives and the Bible as the literal word of God.

Members of the Clinton coalition widely support the idea that government should help business create jobs and compete productively. The Republicans believe government should leave the economy to the private sector. Clinton people say the nation's bigger problem comes from rich people not paying their fair share, the Republicans say it's that poor people receive undeserved welfare benefits.

Clinton supporters tend strongly to agree with his decision to allow gays to serve in the military. Republicans are strongly opposed.

Clinton backers, by 50% to 32%, pointed to the bad economy as the greater threat to American families, while Republicans chose a poor moral climate, 62% to 25%.

By contrast, no single issue—not even the deficit—defines the Perot group, a sharp difference from most recent third-force movements. Instead of ideology, they are defined by attitudes—lack of trust in government, pessimism about the future, and economic nationalism, seen in their strong opposition to the proposed North American Free Trade Agreement.

Perot's supporters find themselves on both sides of the culture wars that divide Republicans from Clinton's backers—generally favoring abortion rights but opposing gays in the military, for example. But those cultural issues define them far less than economic matters.

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THE PRESIDENT HAS SEEN 9/7

When Workfare Is Just Make-Work

By Betsy Gotbaum

As usual, Washington is a few steps behind New York City. Federal lawmakers have been making a lot of noise about the need for "workfare" programs that would require able-bodied welfare recipients to work as a condition for receiving benefits. In New York, we have

tried such a program and know it doesn't work.

At the Parks Department, about 800 welfare recipients currently help clean parks as part of the citywide Work Experience Program, started in 1987. Participants work 35 hours every other week, and can only stay at the Parks Department for nine months.

After that, they have to find a job in the private sector or with another city agency. The time restriction ex-

The city parks agency changes its approach.

ists to encourage the workers to think of the program as a steppingstone, not a career.

For taxpayers determined to get a return for their investment, this arrangement does achieve a kind of rough economic justice: Welfare recipients are punching a time clock in the public service. But if the goal is to get people off public assistance then the program falls short.

As it is set up now, the Work Experience Program offers little encouragement to participants because hard work won't earn them a promotion or even a permanent job with the city. For the agencies involved, there is no point in training the workers, because they will be gone in nine months. This is a shame: many of them lack skills as basic as the ability to drive a car.

It is a semi-enlightened type of chain gang. Because of the lack of incentives and training, the productivity of the workers is usually low.

Some turn out to be enthusiastic workers anyway, and in better economic times city agencies have hired them as full-time employees.

As part of the Work Projects Administration during the Great Depression, Robert Moses put as many as 80,000 unemployed people to work in New York City parks. In 1936 alone, Moses opened 11 of the mammoth outdoor swimming pools that are still keeping New York's children cool.

In November, the Parks Department will begin a new program that is not as ambitious but that suggests a new direction for welfare reform in the 90's. With about \$1.1 million in public and private funds, the Parks Career Training program will employ 250 welfare recipients for a year and train them in a range of job skills, from driving tractors to computer processing to tending gardens.

This will cost \$4,400 a worker in public and private funds. The Parks Department is now surveying workers taking part in the current program to find recruits, and we will not exclude those with criminal records or a history of drug abuse.

At the end of the on-the-job training, participants will be guided into full-time unionized jobs at the Parks Department, other municipal agencies, civic organizations and private companies through a partnership with America Works, a private, for-profit organization that finds jobs for welfare recipients.

The participants will be actively at work maintaining parks around the city. This is not job creation (as was the case with the Work Projects Administration) but an investment in reducing the welfare rolls while gaining much-needed extra hands. Participants won't be taking jobs away from anyone because they will be working at tasks that simply cannot

be performed with the current staff.

The motives behind the program are based solely on self-interest: the Parks Department has lost 1,000 employees over the last two years because of budget cuts, yet park acreage — 26,000 acres — has not diminished, nor has the use of parks, pools, ballfields or playgrounds.

In New York City, the Work Experience Program currently costs \$8,700 per person every year, and provides little hope or incentive for

participants to leave the welfare system. By investing just \$4,400 more for each participant than the Work Experience Program, we hope to be running an on-the-job training program that offers a permanent exit from the system.

Betsy Gotbaum is Commissioner of New York City Parks and Recreation.

Crasso

Immigrants: A Cost or a Benefit?

A Growing Burden

By Donald L. Huddle

HOUSTON

In 1992, two major studies reported that immigrants used up a lot more public money — for education, medical care, welfare and other social benefits — than they paid in taxes that year.

In a Los Angeles County govern-

ment report, the gap for 2.3 million immigrants, both legal and illegal, was \$808 million in county costs. A study of San Diego by the Auditor General of California found that the net cost of state and county services for 200,000 illegals was \$145.9 million.

Both studies emphasized that while the county governments were bearing a large share of these costs, the Federal Government collected the lion's share of immigrants' tax revenues and returned little to the counties. State governments may be in a similar position. Last month, Gov. Pete Wilson of California said that illegal immigrants and their U.S.-born children (who are citizens) were

costing the state \$2.9 billion a year for only four services: welfare, education, health care and — if it can be called a service — incarceration.

A study I conducted for the Carrying Capacity Network, a nonprofit educational organization, was the first comprehensive assessment of the costs of immigration at the Federal, state and county levels. Do immigrants as a group contribute enough in Federal taxes to cancel out the burden they pose at the county and state levels? Or does government spending on immigrants outweigh their tax revenues? The answers have obvious implications for immigration policy.

Our nationwide study assessed the net costs to taxpayers of immigrants who have arrived since 1970 and projected spending on those expected to arrive from 1993 to 2002. It examined 23 categories of Federal, state and local assistance, including county health and welfare services.

In three previous field studies, I found that for every 100 unskilled immigrants who were working, 25 or more unskilled native-born Americans were displaced or unable to get jobs.

The Carrying Capacity Network study calculated the costs of public assistance for 2.1 million American workers displaced by immigrants, using the 25 percent displacement rate.

According to 1990 Census data, the poverty rate of immigrants is 42.8 percent higher than that of the native-born. On average, immigrant households receive 44.2 percent more public assistance dollars than do native households.

Public assistance costs in 1992 at the county, state and national levels were \$42.5 billion for the 19.3 million legal and illegal immigrants who

have settled in the U.S. since 1970. These are net costs, after deducting the \$20.2 billion in taxes paid by immigrants and including the \$11.9 billion for public assistance for the 2.1 million displaced U.S.-born workers. The biggest expense was for primary and secondary public education, followed by Medicaid.

And these costs are projected to rise, assuming that laws and their enforcement don't change. Our estimate is that 11.1 million immigrants, legal and illegal, will enter the country in the next decade. The bill for supporting all immigrants and the American workers they displace for those 10 years will total \$951.7 billion. We estimated that the immigrants will pay \$283.2 billion in taxes.

Thus there will be a net cost to U.S. taxpayers of \$668.5 billion over the decade. Legal immigrants will account for almost three-quarters of the total cost; illegal aliens will account for \$186.4 billion.

The costs over the next decade may increase if, as some project, the number of immigrants rises above the 11.1 million our study estimates. And the number may rise even more because spending is being increased for programs such as the earned-income tax credit and other services that act as magnets for potential immigrants.

The Clinton Administration's anticipated plan for universal health coverage would significantly raise medical costs for immigrants, a larger percentage of whom tend to be uninsured. Indeed, access to public health care alone might be enough to attract new immigrants, particularly those with difficult medical conditions.

How can the U.S. reduce this growing burden? It should not single out

A \$42.5 billion bill in 1992.

legal immigrants for cuts in entitlements because that would be discriminatory. But it should tighten financial responsibility requirements for families and other sponsors of immigrants.

A better way of cutting the costs would be to reduce immigration and select entrants more carefully.

Current law incorporates a preference for family reunification and for political asylum seekers and refugees. Aliens who received amnesty under the 1986 immigration act are becoming eligible to bring in their families. World events could encourage an even greater number of refugees, most of whom will be low-skilled and dependent.

If the policies were changed, however, to accept only skilled or professional legal immigrants — 38 percent of the current flow — we would avoid a projected cost of \$171.8 billion, while netting a modest revenue gain of \$13.7 billion by 2002.

Curbing illegal immigration could save \$186 billion by 2002. Stricter control of the border, enforcement of sanctions against employers who hire illegals and better programs to screen immigrant welfare applications could help stem the flow.

Donald L. Huddle is professor emeritus of economics at Rice University.

Enrollment Diminishes At Blue Cross

Empire's Losses Total Half-Million Customers

By MARTIN GOTTlieb

Buffeted by criticism and management turmoil, New York State's largest health insurer, Empire Blue Cross and Blue Shield, lost half a million of the 7.6 million people it was insuring at the beginning of the year.

Empire executives attributed the loss to a variety of causes, ranging from rate increases to its customers' smaller work forces to a year of internal disruption and an erosion in consumer confidence. For the company, which has always prided itself on being the nation's largest Blue Cross plan, the loss is humbling, but its financial effects are unclear.

Indeed, in filings with the State Insurance Department, which show how dramatically Empire's business has changed, the company is predicting its first annual profit in years. In January, when it was granted rate increases of as much as 27 percent, it projected a loss of \$92 million.

Claims Lower Than Expected

Company officials said the unexpected profit was largely a result of a health-industry-wide phenomenon in which the size of claims for virtually every type of medical service, including hospital and doctor care and drugs, has been running far lower than anticipated. They said the development may serve to hold down future rate requests, and the company's new chief executive officer said that it had not determined what action it might take regarding increases already approved.

Salvatore R. Curiale, the State Superintendent of Insurance, has described the prospect of further large increases by Empire as "nauseating." In addition to the rate increases that more than 100,000 of Empire's 7.1 million customers already face this year is the potential for a further increase of 35 percent now being pondered by the company. The increase would be for those who pay for major medical coverage directly, rather than as members of groups and who in many cases are among the

Continued on Page 25

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THE PRESIDENT HAS SEEN

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Empire Blue Cross Loses Half a Million Subscribers in Wake of Upheaval

pany any more. Based on everything I know, there is not a risk of this company going out of business. But the perception on the street is it's very shaky."

According to company figures, 80,000 of 685,000 people who maintained individual policies with Empire dropped their coverage this year. According to what Mr. Morchower described as the study of a small sample, "about 25 percent left us and went uninsured."

Mr. O'Brien said Empire's sales force had difficulty in particular in acquiring new accounts in light of newspaper reports that cited the executive salaries and perquisites and questionable business decisions that led to Mr. Cardone's ouster and the company's own admission that it submitted false business figures to the state.

losses this year while the "community-rated" accounts, after six years in which they sustained losses of \$600 million, are showing a projected profit of more than \$30 million.

Donald L. Morchower, Empire's chief operating officer, said Empire would continue to bid for other types of A.T.&T. business and would make a bid for the indemnity insurance as part of a consortium of several Blue Cross plans.

Mr. O'Brien and Mr. Morchower cited several reasons for the significant decline in business at Empire, including ever-increasing rates and substantial employee reductions at many companies it insures, like I.B.M. But, a significant factor for many, Mr. O'Brien said, was "the adverse publicity."

"They don't have faith in the com-

small groups in what are called its community-rated pool since the legislation took effect.

Mr. O'Brien also said that in light of continuing losses involving its business with large national companies — losses which the company estimates as topping \$10 million this year — it had decided not to rebid for the indemnity contracts it currently holds with A.T.&T., which cover several hundred thousand people and which will expire next year. Under Mr. Cardone, Empire had actively sought such large national accounts, ostensibly to provide profits that would subsidize losses it incurred as the insurer of last resort for hundreds of thousands of New Yorkers.

According to company figures, however, the national accounts appear to be the only ones showing

For example, Empire's new chief executive, G. Robert O'Brien, questioned the strategy of seeking landmark insurance legislation, which the company had lobbied for tenaciously for years and which took effect last April. The regulation requires any insurance company writing coverage for smaller employers and groups to provide coverage to all applicants, something that Empire and other nonprofit companies alone had to do previously.

Accounts Lost

One result of that legislation, Mr. O'Brien said, was a raiding of Empire accounts by brokers who received commissions from for-profit companies, which Empire is barred from paying by state regulation. The company said it lost 7,000 of the 41,000

Continued From Page 21

oldest and sickest residents in the state — people no other company will insure.

The changes in Empire's financial projections are contained within a quarterly filing the company made with the state on its performance through March 31. Surprised by its prediction of profitability, State Insurance Department officials asked the company for a clarification, and in replies, as well as in interviews yesterday, several of Empire's top executives indicated how sweepingly the company's profile and its strategies have changed since its longtime leader, Albert A. Cardone, was forced to leave the company last spring.

Study of Immigration in L.A. County Challenges Government View of Costs

Urban Institute Factors In Contributions of Long-Term Residents

By Barbara Vobejda
Washington Post Staff Writer

Immigrants do not pose nearly the burden on government services that has been described in several studies and cited frequently in proposals to stem illegal immigration, according to an Urban Institute report released this week.

Authors of the new study, based on the population of Los Angeles County, argue that immigrants make significant financial contributions where they live.

"It's wrong to give the impression that immigrants are being paid for by the natives," said Jeffrey Passel, a coauthor of the report. "The natives also are costing the county money."

The debate over the relative costs and benefits created by the nation's mammoth wave of immigration has become particularly volatile in California recently as political races heat up and candidates look for ways to cut costs by controlling illegal immigration.

Gov. Pete Wilson (R) last month proposed a constitutional amendment to deny citizenship to children born to illegal immigrants in this country. State Treasurer Kathleen Brown (D), a likely gubernatorial candidate, has proposed sending illegal immigrants convicted of crimes back to Mexico to serve sentences. And other political leaders in the state have called for beefed-up border patrols.

Such proposals are bolstered by an often-cited study released last year by Los Angeles County that found the net cost to the county of providing services to recent immigrants was \$947 million in 1991-92, or 31 percent of total net county costs. Estimated revenue generated by the immigrant groups studied was \$4.3 billion, or about 9 percent of county revenues, the study showed.

But the Urban Institute study said that the Los Angeles County study underestimated revenue from recent immigrants. And the county study looked only at recent legal immigrants, those legalized through amnesty, undocumented immi-

grants and the citizen children of undocumented persons.

The institute's study, written by demographer Rebecca Clark along with Passel, found that long-term and recent immigrants together contributed \$10.6 billion of the

"It's wrong to give the impression that immigrants are being paid for by the natives."

—Jeffrey Passel,
coauthor of new report

\$38.3 billion collected from county residents in five types of taxes.

Clark and Passel argued that the costs and financial contributions of long-term immigrants should be considered with those of recent immigrants, to give a full picture of the impact of immigration. Immigrants who entered this country before 1980, for example, make up 15 percent of the county population but contribute more than their

share, or 18 percent, of revenue from the five taxes considered in the study.

Ignoring the long-term immigrants, said Passel, is "as if these areas are saying we'll take these people after they've been in the county 10 years."

While most of the political proposals have focused on illegal immigration, the Urban Institute study does not differentiate between legal and illegal persons.

Manuel Moreno-Evans, who directed the Los Angeles County report, said the Urban Institute's methodology produced different numbers, but that the two studies did not conflict in their overall findings.

Earlier this year, the Carrying Capacity Network, a nonprofit group that looks at environmental, population and resource issues, reported that immigrants cost U.S. taxpayers \$45 billion more a year than they contribute in taxes.

Monique Miller, executive director of the organization, said while the Urban Institute study may have arrived at different estimates than other studies, "it's still an incredibly large number" in net costs posed by immigrants.

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THE PRESIDENT HAS SEEN 9/7

TIME OF RECEIPT

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PRECEDENCE: IMMEDIATE
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MESSAGE NO. 03 CLASSIFICATION Unclassified PAGES 5 + cover

FROM Paul Richard 202-456-2702 Gnd Flr/ WW
(NAME) (PHONE NUMBER) (ROOM NO.)

MESSAGE DESCRIPTION Memo from the Vice President re: Community
Enterprise Board.

TO (AGENCY) DELIVER TO DEPT/ROOM NO. PHONE NUMBER

WH Bruce Lindsey (For the President)

REMARKS: Bruce:

The Vice President asked that the President look at this today. Please advise as to the President's decision.

THE WHITE HOUSE

WASHINGTON

September 4, 1993

SEP 6 P1:23

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT
CAROL RASCO
BOB RUBIN

RE: PROPOSED PRESIDENTIAL MEMORANDUM ESTABLISHING
THE COMMUNITY ENTERPRISE BOARD

Attached is a proposed Presidential Memorandum establishing an intergovernmental "Community Enterprise Board" to coordinate your Administration's community empowerment strategy. The Community Enterprise Board will be chaired by the Vice President, with Carol Rasco and Bob Rubin serving as Vice-Chairs. The Board will be comprised of the Secretaries of HUD, Agriculture, Treasury, Commerce, HHS, Interior, Education, Transportation, and Labor; the Attorney General; the Administrator of EPA; the Director of the Office of National Drug Control Policy; the Administrator of SBA; the Director of OMB; and the Chair of the Council of Economic Advisors.

The Board will serve as a forum for (1) the development of selection criteria for the designation of empowerment zones and enterprise communities, (2) the discussion of proposed exemptions from legislative and regulatory mandates requested by communities, and (3) the coordination of existing programs that promote community empowerment. Its first task will be to assist Secretaries Cisneros and Espy in the successful implementation of your empowerment zone legislation, which was signed into law as part of the Omnibus Budget Reconciliation Act.

In addition to establishing the Community Enterprise Board, the proposed Memorandum also requires the Secretaries of HUD, Agriculture, and HHS to develop (by November 1, 1993) regulations regarding the dispensation of the \$1 billion in Title XX grants provided for in the empowerment zone legislation. The directive also requires the participating agencies to identify (within 15 days of the issuance of the Memorandum) existing programs for the use in empowerment zones and enterprise communities.

We hope you will be able to issue this Memorandum on Wednesday, September 9, 1993, as part of the community development event in Cleveland.

Please indicate your decision: ☒ Approve ☐ Discuss Further

Thank you.

DRAFT

September 9, 1993

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF THE TREASURY
THE ATTORNEY GENERAL
THE SECRETARY OF THE INTERIOR
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HEALTH AND HUMAN SERVICES
THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY OF TRANSPORTATION
THE SECRETARY OF EDUCATION
THE ADMINISTRATOR OF THE ENVIRONMENTAL PROTECTION
AGENCY
THE DIRECTOR OF THE OFFICE OF NATIONAL DRUG
CONTROL POLICY
THE ADMINISTRATOR OF THE SMALL BUSINESS
ADMINISTRATION
THE ASSISTANT TO THE PRESIDENT FOR DOMESTIC POLICY
THE ASSISTANT TO THE PRESIDENT FOR ECONOMIC POLICY
THE CHAIR OF THE COUNCIL OF ECONOMIC ADVISORS
THE DIRECTOR OF THE OFFICE ON MANAGEMENT AND
BUDGET

The Vice President and I strongly believe that the best way to serve distressed communities in urban and rural America is through a comprehensive, coordinated, and integrated approach that combines bottom-up initiatives and private sector innovations with responsive Federal-State support. Today, I direct the Federal agencies to work cooperatively to implement this approach in a way that reflects the principles of the Vice President's National Performance Review -- i.e., meeting the needs of local communities through a performance-measured, customer-driven philosophy and a cross-agency approach. I also hereby establish the President's Community Enterprise Board ("Board") to advise and assist me in coordinating across agencies the various Federal programs available (or potentially available) to distressed communities and in developing further policies related to the successful implementation of our community empowerment efforts.

The Vice President has agreed to chair this Board, and the Assistant to the President for Domestic Policy and the Assistant to the President for Economic Policy have agreed to serve as Vice-Chairs of the Board. I request the following Administration officials to serve on this Board: the Secretary of the Treasury, the Attorney General, the Secretary of Interior, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Secretary of Health and Human Services, the Secretary of Housing and Urban Development, the Secretary of Transportation, the Secretary of Education, the Administrator of the Environmental Protection Agency, the Director of the Office of National Drug Control Policy, the Administrator of the Small Business Administration, the Director of the Office of Management and Budget, and the Chair of the Council of Economic Advisors.

The first task of the Board is to assist in the successful implementation of the Administration's empowerment zone legislation, Subchapter C of Title XIII of the Omnibus Budget Reconciliation Act of 1993, Pub. L. No. 103-66, reprinted at 139 Cong. Rec. H5851 (daily ed. Aug. 4, 1993) ("Empowerment Zones, Enterprise Communities, and Rural Development Investment Areas"). This Act authorizes the Secretaries of HUD and Agriculture to designate certain localities as empowerment zones and enterprise communities, thus enabling them to receive certain federal funds and other benefits from the Federal Government.

Other programs, old and new, are similarly beneficial to local communities. These programs, however, form an overly complex, categorical, unworkable, and ineffective response to the needs of distressed communities. I hereby direct the Board to review these programs in order to ascertain how we can make the entire Federal effort more responsive to the needs of distressed communities. In addition, with respect to the empowerment zones and enterprise communities, I direct the Secretary of the Treasury, the Attorney General, the Secretary of the Interior, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Secretary of Health and Human Services, the Secretary of Housing and Urban Development, the Secretary of Transportation, the Secretary of Education, the Administrator of the Environmental Protection Agency, the Director of the Office of National Drug Control Policy, and the Administrator of the Small Business Administration to (1) identify, within 15 days of this directive, existing programs that further the goals and objectives set forth in this memorandum and the Act and (2) make available, to the extent permitted by law, funds from those programs for use in implementing the strategic plans of the designated empowerment zones and community enterprises.

In order to advise and assist me regarding issues that relate to community development and empowerment, I request that each Board member --

(a) Provide me with recommendations, consistent with Section 13301 of the Omnibus Budget Reconciliation Act of 1993 ("OBRA" or "the Act"), on the criteria to be used for selection and designation of empowerment zones and enterprise communities, as set forth in Section 13301 of the Act;

(b) Identify additional legislative mandates that further the goals and objectives set forth in this memorandum and the Act and, where appropriate, develop for my consideration recommendations for further action;

(c) Identify legislative mandates that may be impeding State, local, and tribal governments from meeting the goals and objectives set forth in this memorandum and the Act, and, where appropriate, develop for my consideration recommendations for further action; and

(d) Consult with the Board regarding exemptions from regulatory mandates for which the member agency has jurisdiction and inform his or her decisions regarding any such exemptions with the recommendations of the Board.

In addition, I direct each of the agencies to cooperate fully with the Chair, the Vice Chairs, and the Secretaries of HUD and Agriculture in assisting designated zones and enterprise communities in successfully implementing their strategic plans under Section 13301 of the Act. This inter-agency effort shall, among other things, coordinate federal assistance and support within each empowerment zone and enterprise community.

In order to meet the goals and objectives set forth above, I also request the Secretary of HUD and the Secretary of Agriculture to consult with the Board regarding (1) the designation, under Section 13301 of the Act, of empowerment zones and enterprise communities and (2) possible revocation of designations, as set forth in Section 13301 of the Act.

Finally, I direct the Secretaries of HUD, Agriculture, and HHS (in consultation with the Board) to take, by November 1, 1993, the appropriate regulatory measures to ensure that the use of all Title XX grants awarded under the Act meets the criteria of Section 13761 of the Act, including, specifically, that portion of Subsection C that requires, among other things, localities to

use Title XX grants (1) in accordance with the strategic plans approved by the Secretaries of HUD and Agriculture, (2) for activities that directly benefit the residents within the designated empowerment zones and enterprise communities, and (3) to promote economic independence for low-income families and individuals.

* * *

With the Board members' commitment to achieving community empowerment and to providing our local communities with a single Federal forum, we will be able to assist distressed communities and American families all across urban and rural America in obtaining economic self-sufficiency.

Thank you.

Bruce Lindsey —

Do I get a second
chance for this appointment?

Thursday, September 2, 1993

***** COPYRIGHT NOTIFICATION *****
Redistributing AG a.m. outside USDA violates copyright on the source material.

FmHA FINANCIAL RISK CITED (W.Times) -- A "red alert" issued by Citizens Against Government Waste cites soaring delinquencies in FmHA's loan program as one of the government's top ten high-risk areas of financial management. Poyen

0/92 ACTION AND POSSIBILITIES (FWN-9/1) -- FWN says there were long lines at some Midwestern ASCS offices as farmers checked out the 0/92 program. A USDA source said it was unlikely there would be a solid figure for 0/92 acreage before the end of the month. FWN says sources claim consideration is being given to allow producers who signed up, but didn't destroy their crop yet, a chance to back out of the program later and harvest their crop.

CHANGE IN CBOT HOURS SOUGHT (Reuter-9/1) -- Some members of the Chicago Board of Trade want the trading hours reconsidered. They claim the earlier opening time has not generated new business, and want to shorten the session. The article examines some thoughts on changing the times and notes it will be considered at the CBOT directors' meeting October 19.

INSTITUTING LOW-FAT SCHOOL LUNCHES (W.Post) -- The article outlines efforts by the District of Columbia school system to serve more healthful, low-fat foods that the students will eat. Part of the effort is a computer system to plan appetizing school menus with less fat, sodium and sugar.

EASING CHEMICALS OUT OF FOOD (LA Times-9/1) -- An editorial notes the good reasons why some growers are shifting away from chemicals to aid their production, and says grocers can help deal with consumer resistance to higher prices, shorter shelf life and "imperfect" appearance of the produce through education provided by good signs.

WHITE HOUSE AG ADVISER RESIGNS (FWN-9/1) -- The assistant to the president for agricultural and rural affairs announced his resignation effective Sept. 17. He said he recommended to the White House that the job be eliminated.

SPECULATION ON CHANGES IN FS LEADERSHIP (AP-9/1) -- AP says they obtained a Forest Service electronic memo saying Asst. Sec. Lyons formally approached FS biologist Jack Ward Thomas to be the next chief of the agency. The article notes some of the controversy surrounding the current chief and outlines Thomas's work on the spotted owl/old growth issue.

FmHA ADMINISTRATOR NOMINATED (Reuter-8/31) -- President Clinton nominated Michael Dunn to be administrator of FmHA. Dunn has been vice president for government affairs at the National Farmers Union since 1988.

WEATHER'S IMPACT ON INCOMES (Wires-9/1) -- A report by the Commerce Dept. notes that the crop-killing floods in the Midwest and drought in the Southeast pushed down the overall income of Americans in July. Commerce said it could not separate out the weather's impact, but it estimated crop damages were running at a \$24-billion annual rate.

EFFORTS TO MOVE FROM TIMBER ECONOMY (NY Times) -- The article outlines efforts of communities in Washington state to use the new federal aid program for retraining loggers and moving away from a timber-based economy toward other industries.

SOME THINK APPLE EXPORTS TO JAPAN ARE DOUBTFUL (JOC) -- Japanese embassy

PODESTA NOTES
SENT 9/6/93



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

03 0020 P4:03

August 20, 1993

MEMORANDUM FOR JOHN PODESTA
CHRISTINE VARNEY

FROM: *FR* Frank Reeder

SUBJECT: Organization for Economic Cooperation and
Development (OECD) Centers of Government program

As the U.S. representative to OECD's Public Management Committee (PUMA), I am in receipt of an invitation to a meeting of "Senior Officials from Centres of Government." The meeting is in Lisbon in November. A copy of the material they sent me is attached.

As you will see from the program, the list of those who attended previous sessions and those invited to this one, if the U.S. is to attend, it makes more sense to send someone who is engaged in managing the Clinton Presidency, as opposed to those of us concerned with executive branch public management issues. On the other hand, we are under no obligation to send anyone. I need your advice as to whether we should send someone, whether either of you is the right person, or your suggestions as to who would be.

To anticipate the obvious next question: No there is no money lying about to finance this stuff. It would have to come out of your travel funds.

Please let me know what you advise so I can get back to the OECD. Thank you.

Attachment

Frank
I can't do this this year.
I think Christine may be
interested.
John Podesta

THE WHITE HOUSE
WASHINGTON

DATE: September 6,

TO: Trey Schroeder

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

Isn't it BPW Area?

True
Isn't it BPW Area?

JDP

THE WHITE HOUSE
WASHINGTON

September 2, 1993

The Honorable Tim Wirth
Counselor
Department of State
2201 C Street, N.W.
Washington, D.C. 20520

Dear Tim:

Thank you for the wonderful photograph of the Buffalo Peaks Wilderness that you presented me on behalf of Colorado environmentalists.

I appreciate all you did to help get the bill through. Thanks.

Sincerely,

THE WHITE HOUSE
WASHINGTON

August 30, 1993
8:35

TO: JOHN PODESTA
FROM: DAN BURKHARDT
THROUGH: MARSHA SCOTT
SUBJECT: HONORARY CHAIR AND EVENT
ATTENDANCE REQUEST

Please review the attached requests,
make your recommendations, and return
to me in rm. 94 EOB by Tuesday,
September 7, 1993.

Thank you.

Return to
Dan Burkhardt

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: August 30, 1993

Date of Request: 8/10/1993
Request for: POTUS
Type of Request: Honorary Committee Member
Requestor Name: Ms. Valerie Gleason
Title: AB&C Public Relations
Organization: Operation: Clean Air

Contact Tel. #: 302/655-1552

Event Date:

Event Description:

Notes:

Operation: Clean Air is an educational supplement geared toward grades kindergarten through five which focuses on air pollution and transportation. The program was developed by the Delaware Department of Transportation.

Recommendations:

MW _____

RN _____

JP NO

MH _____

THE WHITE HOUSE
WASHINGTON

8/31/93

33 AUG 31 P7:22

JOHN:

Re: Russ Canan's Commission

FYI-President appointed Canan on 8/9/93 and the commission was couriered to State (not an Art. III judge) for sealing and counter-signature on 8/10/93.

State normally dispatches to appropriate offices after sealing, but I'll check tomorrow a.m. to find out precisely where the commission is and let you know.

S.
Sara

sent to Russ Klein

THE WHITE HOUSE
WASHINGTON

DATE: 9/4

TO: *Tom Kaine*

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

tyi



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

AUG 20 1993 03 AUG 20 P5:27

MEMORANDUM FOR DISTRIBUTION

FROM: Sally Katzen *SK*
Administrator
Office of Information
and Regulatory Affairs

SUBJECT: Information Dissemination and the
Sustainable Development Initiative

The Bauman Foundation has written to me recommending that the Information Infrastructure Task Force (IITF) work with the President's Council on Sustainable Development and the private sector to use emerging electronic information dissemination technologies to support sustainable development. (Copy attached.) The proposal is a plan of work to ensure that information related to sustainable development is gathered and disseminated in a coordinated manner.

The letter suggests three steps:

1. The Bauman Foundation would coordinate a series of meetings, either under the aegis of the IITF Information Policy Committee or independently, to develop a list of government information that can be widely disseminated.
2. A high-level meeting of policy officials, members of the President's Council on Sustainable development, and members of the public, would review the results of the first step and make recommendations for specific project initiatives.
3. Three task forces, mirroring the structure of the IITF, would be convened to develop recommendations in areas where policy changes may be required: telecommunications policy, applications, and information policy.

Recommended Approach:

I think the proposal has merit, but hesitate to create three additional task forces. I recommend the following approach:

- o Establish a core working group of ten people -- one information resources management person and one sustainable development person from each agency on the President's Council on Sustainable Development: EPA, Agriculture, Commerce, Interior and Energy.



THE BAUMAN FOUNDATION

FAX COVER SHEET

TO

Name:

Organization:

Fax #:

John Podesta

456-2883

FROM

Name:

Patricia Bauman

Re:

Attached letter to Sally Katzen about Foundation/government information access activities.

Date:

7/26/93

Time:

No. of Pages:

19

MESSAGE:

Dear John - As you can see from the attached, we continue to press for public access - this time in a friendly climate. I hope we can work together on this.

Patricia

IF YOU DO NOT RECEIVE ALL PAGES, OR HAVE ANY OTHER PROBLEMS WITH THIS TRANSMISSION PLEASE CALL 202-234-8547.

THANK YOU.

Katie McGinty
Greg Simon
Re attached
What do you
think?
Joit Pavan

John - I think there is a lot of noise in what the parents are asking me to keep it in mind & possibly disallow it.

THE WHITE HOUSE

WASHINGTON

August 23, 1993

13 AUG 30 AM : 49

MEMORANDUM FOR CLIFF SLOAN AND TODD STERN

FROM: PATSY L. THOMASSON *P. Thomasson*
OFFICE OF MANAGEMENT AND ADMINISTRATION

RE: CALL FROM CONGRESSMAN WOLFE'S OFFICE

On Friday, August 20, 1993, Barbara Comstock (202-225-5136) of Congressman's Wolfe's Office called regarding the Catherine Cornelius report on the Travel Office which is mentioned in the Travel Office Report. They (Congressman Wolfe's Office) want a copy of the report.

I told them that one of you would call her back regarding such. No information was given relative to whether this in fact a report or not.

Cliff Sloan —

Are you handling

Todd

THE PRESIDENT HAS SEEN ^{9/7}

TIME OF TRANSMISSION

TIME OF RECEIPT

**WHITE HOUSE
SITUATION ROOM**

PRECEDENCE: IMMEDIATE
PRIORITY
ROUTINE

RELEASER: *Elk*

DTG: *061730Z Sep 93*

MESSAGE NO. *02* CLASSIFICATION UNCLASSIFIED PAGES *7*

FROM THE VICE PRESIDENT
(NAME) (PHONE NUMBER) (ROOM NO.)

MESSAGE DESCRIPTION TIME MAGAZINE ARTICLE

TO (AGENCY)	DELIVER TO	DEPT/ROOM NO.	PHONE NUMBER
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AIR FORCE ONE	THE PRESIDENT		

REMARKS:

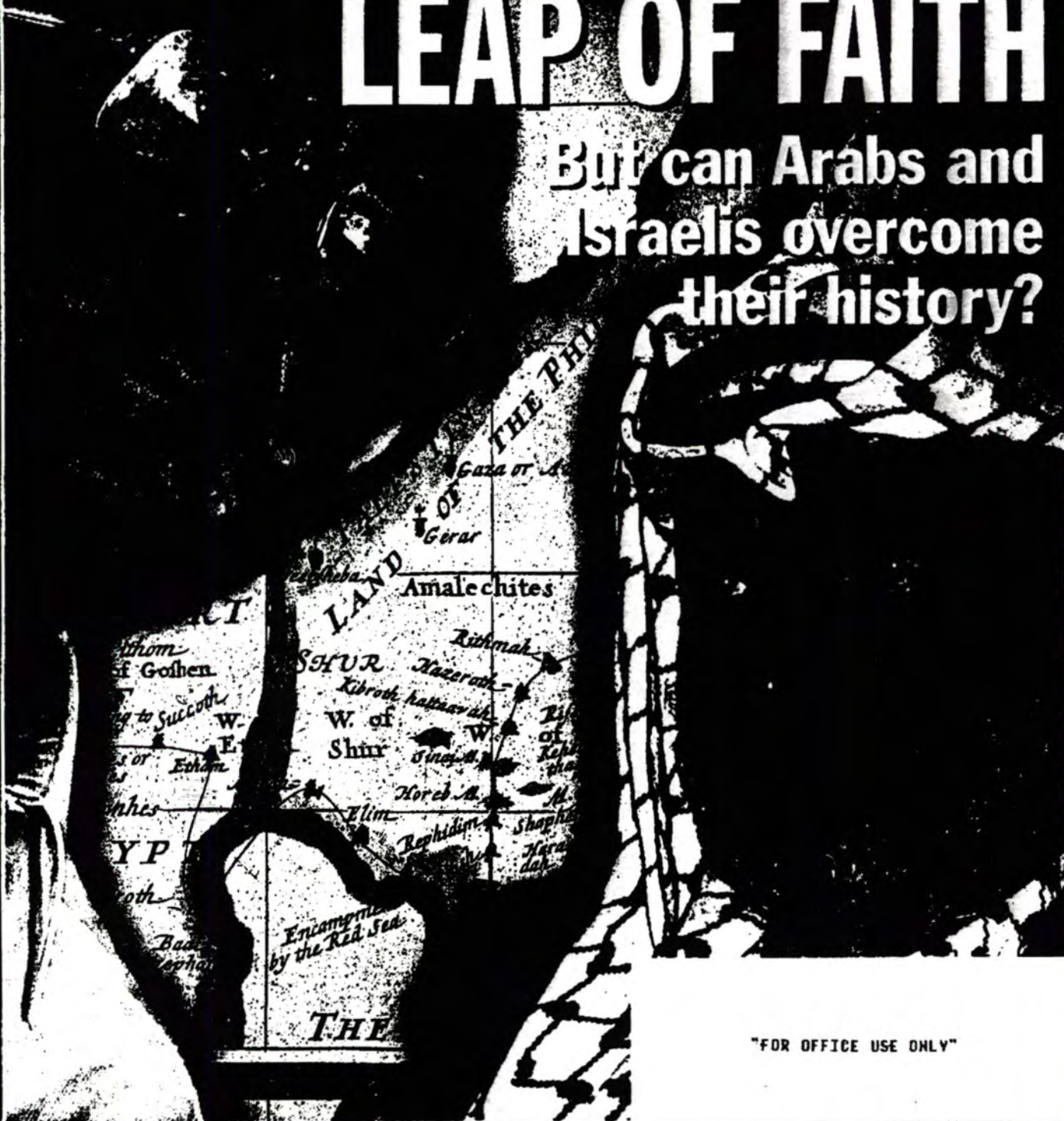
Great men

I/lands
Kingdom
Land

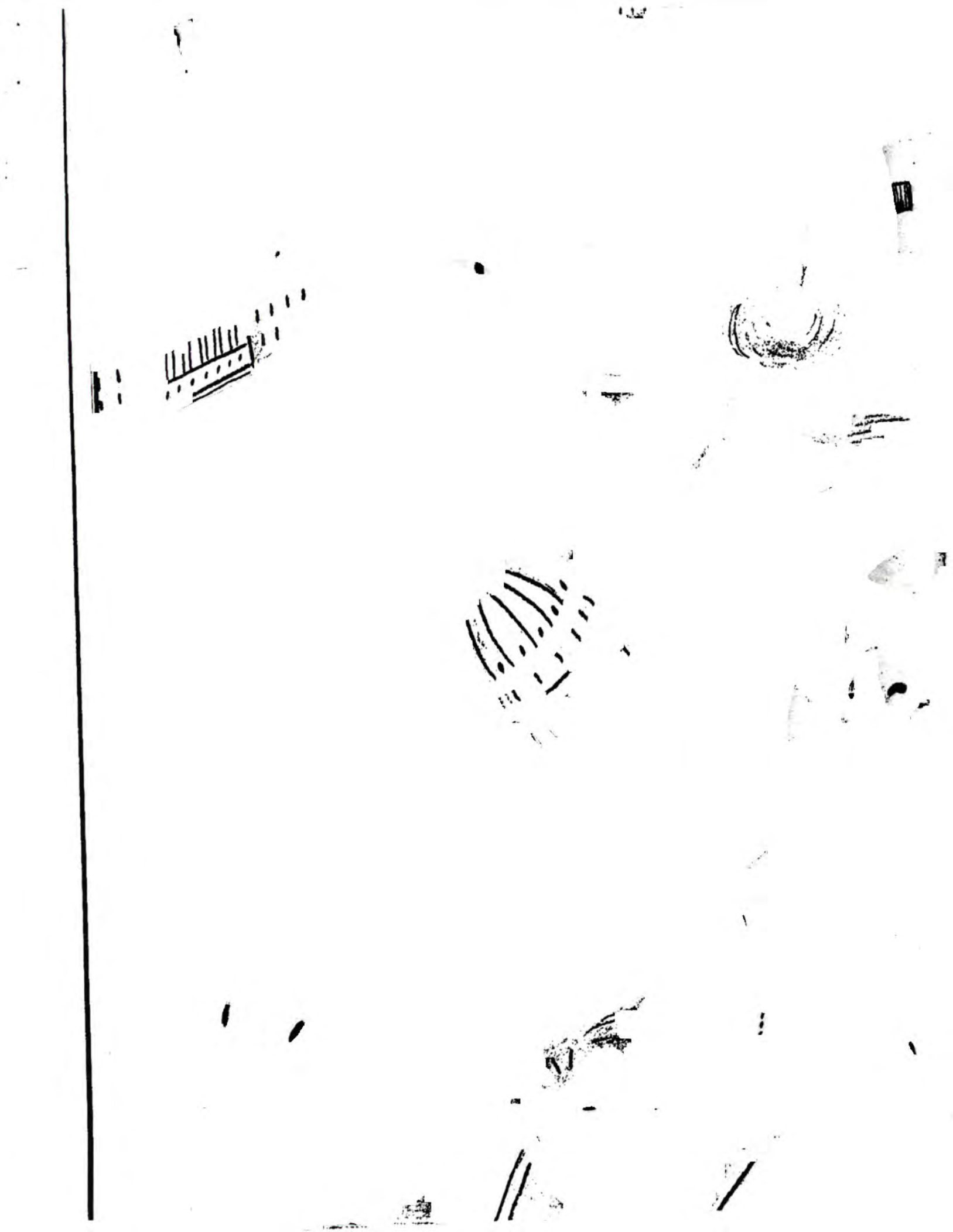
AL GORE
TAKES ON THE SYSTEM

LEAP OF FAITH

But can Arabs and
Israelis overcome
their history?



"FOR OFFICE USE ONLY"



GOREZILLA ZAPS THE SYSTEM

Al Gore seeks to "reinvent government," but beware the bureaucracy's seasoned heel draggers

By **GEORGE J. CHURCH**

THE BIGGEST LIE IN AMERICA, OTHER than "The check is in the mail," is "I'm from the government, and I'm here to help you."

The Pentagon calls its new weapon the Civil Servant. Reason: it won't work and can't be fired.

Did you hear the one about the clerk who needed a full week to fill out all the papers to comply with the requirements of the government's latest initiative, the Paperwork Reduction Act?

Jokes about the inefficiencies and convolutions of government bureaucracy are as American as, well, a crust-enclosed desert filled with the fruit of deciduous Eurasian plants known as apple trees. The first two are gags that were probably old when Vice President Al Gore's father Albert Sr. was first elected to the Senate in 1952. Their antiquity indicates how deeply entrenched are the habits of bureaucratic bumbling, and the immense force of inertia that sustains them. The paperwork story was presented as fact by a Treasury Department worker sounding off at one of the "town-hall" meetings the Vice President has been holding with federal employees. It points to the failure of previous attempts to carry out the job President Clinton has given Gore: streamlining the bloated federal bureaucracy, loosening the straitjacket of its rigid rules and making it less maddening for citizens to deal with.

Nonetheless, Gore's task force this week will release a report, formally labeled the *National Performance Review*, that aims at nothing less than "reinventing government"—the title of a best-selling 1992 book that the Vice President has adopted as his slogan. Gore's report will recommend sweeping changes in the way the federal bureaucracy draws up its budgets, organizes its departments and agencies, buys its equipment and supplies, even in its procedures for hiring, promoting and (gasp!) firing employees.

Then what? Well... not all that much,

if one is to judge from the precedents set by the two Hoover commissions under Truman and Eisenhower, Jimmy Carter's zero-based budgeting plan, and the Grace Commission, which reported to Ronald Reagan. Some of these efforts did produce worthwhile reforms. But all were frustrated by the realities of the Washington power game. The savvy and iron-bottomed persistence of bureaucrats in protecting their turf is nothing short of awe inspiring. So is the jealousy with which Congress guards its power to spell out for government agencies, in the most niggling detail, what they may and may not do.

The White House, however, is at least giving Gore's report a splashier send-off than any of the previous overhaul efforts. Following Gore's press conference on Tuesday, Bill Clinton himself will hit the road to whoop up Gore's plans, with likely stops in Cleveland, Ohio, and Houston. The Administration plans some kind of publicity event on five of the six days after the conference, each probably featuring a horror story of inefficiency. Gore has compiled an extensive list, headed by the 10 pages of specifications for ashtrays—or, as they are known to the government, "ash receivers, tobacco (desk type)."

The White House has reason to keep stoking up the pressure too. Clinton will trumpet the claim that Gore's recommended package will save \$70 billion to \$100 billion over five years, and will double to 200,000 the President's earlier projections on reducing the federal work force. That may be overoptimistic, but even considerably smaller savings might enable Clinton to hack his way out of a political tangle. The President has solemnly vowed to slice deeper into the federal deficit—but how? The hairbreadth margins of his July budget victory indicate that further tax increases and deeper cuts in spending programs are politically undoable. Savings from streamlining the bureaucracy offer a feasible "third option"—and there does not seem to be a fourth. Anyway, Clinton sold himself to the voters as a man who could make government work again.



As for the Vice President, this is his big chance to become more than "the other guy on the platform" at Clinton's speeches, as one of his aides puts it. To that end, Gore in the past six months has held 16 town-hall meetings around the country to hear federal employees bewail the silly rules they work under and the money they fritter away. Gore has recruited a full-time staff of 200 mostly young aides (supplemented by about 800 part-timers from inside and outside government), who have torn into their job with remarkable zest. The atmosphere last week in their workshop, a second-story suite above a McDonald's restaurant, was reminiscent of a campaign headquarters days before election: young aides sat on the floor surrounded by piles of paper while phones rang constantly.

IF NOTHING ELSE, THE GORE TEAM HAS produced the most readable, at times almost breezily written, federal document in memory. Sample prose: "It is almost as if federal programs were designed not to work. In truth, few are 'designed' at all; the legislative process simply churns them out, one after another, year after year." Which leads into a penetrating analysis—confirmed and supplemented by many other experts—of just what is wrong with the government:

PARKINSONISM The tendency of government bureaucracies to grow inexorably larger led C. Northcote Parkinson to formulate his famous law: "Work expands so as to fill the time available for its completion." In the U.S. this tendency takes the form of an amoeba-like multiplication of departments and agencies. Is a department or agency obsolete (some are still operating under directives signed by President Theodore Roosevelt)? Create a new one to do some of the same jobs. Does a new problem arise? Set up another new agency. Says Robert Stone, the project director for Gore: "As a rule, virtually any task being done by government is being done by 20 or more agencies."

Which makes antipoverty efforts, by government standards, exceptionally efficient: only 11 different federal agencies and departments have a hand in administering 340-odd separate programs to aid families and children. Even so, a pregnant teenager who has a juvenile-offender record and is on welfare may have to deal with six caseworkers, each representing a different agency and no one able to deal with all her problems. Worse, they may operate under conflicting rules. A family receiving food stamps must not own a car

BUREAUCRATIC HORROR SHOW

EVERYONE GETS INTO THE ACT

How many government workers does it take to change a light bulb? Forty-three, according to a safety procedure proposed last year at the Rocky Flats nuclear-weapons plant in Colorado. Al Gore's report credits the *Denver Post* for disclosing the 33-step process that a plant staff member wanted to adopt for replacing the light bulb that warns workers of nuclear accidents. The proposed guidelines would require an estimated 1,087 worker hours

to complete, compared to 60 hours currently.

DOING IT BY THE (BIG) BOOK

No wonder the government seldom hands out a pink slip. The federal personnel manual, which spells out the rules for hiring and firing, totals 10,000 pages. There are 900 pages alone on how to fill in Standard Form 50 ("Notification of Personnel Action"). Government personnel director Jim King wants to replace the manual with slimmed-down regulations tailored to specific agencies.

INSTANT ANTIQUES

Bureaucrats who want to keep up with technology are bedeviled by the General Service Administration, which is responsible for buying \$10 billion of computer equipment annually. The GSA approval process for ordering a computer takes as long as three years. By that time, the equipment is technologically obsolete, and in some cases is no longer even manufactured.

WELCOME TO THE JUNGLE

The five district rangers at Ochoco National Forest in Oregon spend as much time hacking through red tape as they do overseeing the 1 million acres of timber. They have to juggle 53 separate budgets, includ-



Flying fiasco

ing one for fence construction and another for fence maintenance, divided into 577 management codes and 1,769 accounting lines. Each ranger spends about 30 workdays a year just tracking the spending in the various accounts.

A TURKEY OF A TRANSPORT

The Air Force's C-17 transport plane is a prime example of cost overruns and faulty supervision. Even after 10 years of development, the early models suffer from fuel leaks, faulty wings and an inability to cross the Atlantic unrefueled with a full load of cargo. The program deserves to be scrapped, but the Air Force urgently needs replacements for its aging cargo fleet. The original order for 120 jets (price each: \$380 million) may have to be cut in half because of skyrocketing costs.

THEY STILL MAKE HOUSE CALLS

Who says you can't get good service anymore? The Agriculture Department operates hundreds of extension offices throughout the U.S., some of which offer a high degree of personal attention: the office in Georgia's Douglas County, for example, serves only 17 farmers. Tom Clonts, one of the two agricultural agents who staff the federal office, gives free advice on everything from building a barn to canning peaches to controlling pond slime. The cost to the government of operating the extension office, which is largely supported by Georgia state and local taxes, is about \$85,000 a year.

—By Wendy Cole

Red-tape forest



Costly burnout



Outdated tech



Free soil testing



worth more than \$4,500 in market (that is, resale) value. But there is an exemption if the car is used for work or for training or transporting a disabled person. The same family, however, can qualify for cash help under the Aid to Families with Dependent Children program only if the car is worth no more than \$1,500—equity, not market, value, and no exemptions. Medicaid has a third set of rules, under which the value of the car a family is allowed varies widely according to which particular category of assistance the family fits into.

RED TAPE In a misguided effort to head off waste, fraud and abuse, Congress and the Executive Branch enmesh operating personnel in endless spider webs of rules. Line-item budgets allow no flexibility in shifting money from one use to another. Two areas of one military base boasted well-maintained sidewalks, while in another area, personnel walked in mud because the base commander's budget contained



adherents of the party in power, it filled them with timeservers—or at least that is a prominent view. Because of rigid rules for hiring, promotion, raises and dismissals, says Susanne Tompkins, vice president of the Massachusetts Taxpayers Foundation, the system in effect sets as its standard "mediocrity rather than merit."

Gore and many others insist that the vast majority of civil servants are competent and willing workers who are endlessly frustrated by the system. By making raises and promotions dependent almost entirely on seniority, the system rewards those who timidly follow the rules and gives no incentive to creativity. Managers have no way to reward outstanding work: a brilliant chemist, for example, who has reached the top of the pay scale in her classification can be given a further raise only if she is promoted to a supervisory position—and that would take her away from her test tubes and retorts. A civil servant usually can be

out of a fiscal year's budget. At present, if an agency spends less than its budget allows, it must return the money saved to the Treasury, and its appropriation for the following year will be reduced. Result: each September, federal departments and agencies scramble to spend every last penny of their budgets before a new fiscal year begins Oct. 1, a process that undoubtedly wastes billions.

Gore will also present ideas for cutting red tape. There is, for instance, talk of issuing a government credit card that managers and employees could use to purchase laptop computers, airline trips or whatever locally, without going through the General Services Administration. Finally, the *National Performance Review* will urge personnel reforms. Among them: allow more raises and promotions within a job classification; and, yes, simplify and accelerate the firing process.

All well and good—but will anything in fact be done? Some of the reforms can be accomplished by presidential directive or by departments and agencies acting on their own—though it will take insistent prodding

"Virtually any task being done by government is being done by 20 or more agencies."

money only for repairing sidewalks, not for building any. Government employees who need to travel must get approvals from many superiors and superiors' superiors, and then often have to deal with a single airline under contract to their agency; they cannot snap up a cut-fare offer from a competing line.

PURCHASE OF THE \$200 BILLION OF goods and services the feds buy every year is governed by rules that generally require centralized buying, in bulk, and after many approvals (an average of 23 signatures on each government printing order, by one calculation). That system may have had some advantages in the 1940s, but it is out of tune with modern markets. Buying a computer, for example, takes about a year for a desktop model, up to three years for a mainframe. Employees at Internal Revenue Service headquarters in Atlanta and many other government offices complain that their computers are usually obsolete by the time they are finally delivered. The government does not even do a good job of keeping track of what it has already purchased. In the Washington area alone, Secretary of Agriculture Mike Espy found \$1 million worth of telephone jacks to which no telephones were connected. His department apparently had ordered and then forgotten them.

REWARDS FOR MEDIOCRITY The civil service system, set up in 1883, is a classic case of a reform that wiped out one evil only to replace it with another. Instead of filling government offices with political

fired only for the grossest incompetence or insubordination, and the process takes about a year. Many a manager grits his teeth and suffers a goof-off in silence.

What to do? For one thing, Gore will recommend, and Clinton will no doubt order, that some government departments try to measure how well they do their jobs. That so screamingly obvious a step should have to be commanded from the Oval Office in itself speaks volumes about the federal mind-set. But it is a fact that many Executive agencies are so obsessed with following the rules and staying within their budget that they never try to measure how well—or if—they serve the public. Gore and Clinton will insist that they commit themselves to specific performance standards and will suggest some—for instance, that the Postal Service guarantee overnight delivery of all first-class local mail. Good idea—but how to make sure such goals are met?

Gore's crew is likely to recommend consolidation of many agencies—though the first such idea to leak, blending the FBI and the Drug Enforcement Administration, got a cold reception from both. Budget reforms are a major focus: the *National Performance Review* will recommend that Congress draw up budgets for two years at a time, that it give federal managers more authority to shift money from one account to another, and that it allow agencies to keep at least half of any money they save



to get them to move. The most important recommendations, however, especially budgeting and civil service reforms, can be enacted only by Congress. And Congress, to put it mildly, will not relish the idea of diluting its power to dictate how every cent of federal money is spent or its ability to micromanage Executive-agency operations. Unions are far more powerful in the government than in the private economy; they represent only 16% of all civilian workers but 60% of federal employees. Their leaders express willingness to consider changes in hiring, promotion and firing rules but will resist any layoffs.

On the other hand, the pressures for reform are stronger than ever. Gore's team cites polls showing that only 20% of Americans trust the Federal Government to do the right thing most of the time, vs. 76% three decades ago, and that the average American today believes 48¢ of every tax dollar is wasted.

No one expects Gore or Clinton to reinvent government overnight. Virtually all experts think the Vice President's presentation this week will be, at best, the opening gun in a war that must be prosecuted relentlessly for many years to show any substantial success. And even over the long run, it is always risky to bet against the forces of inertia and obstructionism especially when they are led by some of the world's most accomplished heel draggers. But perhaps Gore can shorten the odds a bit.

—Reported by Bruce van Voorst/Washington, with other bureaus



WHERE'S AL?

Pretty much in the middle of things, forging a role as reformer, legislative arm twister and adviser in chief

By MARGARET CARLSON WASHINGTON

AL GORE IS STANDING TALL THIS week in his role as chief bureaucracy buster. Only three months ago, however, he was falling back on the self-deprecating humor that has seen many a Vice President through the insecurities of office. Early on the Saturday morning when David Gergen came on board, Gore was sitting in front of a computer trying to write a press release that would explain exactly what Gergen would be doing. The Vice President began to type: "We are delighted to have David Gergen joining us as Counsellor to the President. In addition to taking on the responsibilities of senior adviser for policy, he will be assuming the duties of the Vice President."

Each Vice President copes in his own way with playing second fiddle in an orchestra where first fiddle not only is the conductor but owns the concert hall. Gore

employs humor (last month he gave Clinton a cardboard cutout of himself to take on vacation) and his innate best-student-in-the-class properties to make the most of his No. 2 role. As a result, Gore is rising above the usual stature of the office. Even Bill Kristol, Dan Quayle's former chief of staff, thinks Gore has "done pretty well. Maybe Democratic Vice Presidents get more clout, maybe because they're more egalitarian," he notes with a touch of irony. "And Gore is Clinton's generation."

Gore seemed relaxed in his role last week as he sat in his office, sipping tea while he assessed for TIME reporters his first eight months in office. His biggest surprise, he said, is the "unrelenting intensity of decision making. A typical CEO of a FORTUNE 500 company will have two to three gut-wrenching decisions a week to make. The President and Vice President will have six to eight such decisions every day," he said. "But there is no time in between for a sigh of relief."

The Vice President mingled with a crowd of visiting children earlier this summer

As one would expect by dint of interest, Gore has been influential on environmental and technology issues. But he was also put in charge of the National Performance Review, often called "reinventing government," or "ReGo" for short. Any project with that many names was bound to be viewed initially as the domestic equivalent of being sent to a funeral in Thailand, but it has emerged as a strong leg in Clinton's economic tripod, along with health-care reform and the North American Free Trade Agreement. ReGo gained importance when Clinton cited its money-saving potential to members of Congress who were complaining about insufficient spending cuts in the budget package.

It is Gore's roving mandate, however, that differentiates him from past Vice Presidents. While Clinton may exaggerate in calling Gore "a full partner," the President often looks to him first and to greatest effect. (Initially, the press anointed the First Lady as a kind of co-President, but her involvement in health-care reform has kept her more narrowly focused than Gore.) Clinton often ends a meeting by turning to Gore and asking him what he thinks, giving him the opportunity to deliver the closing argument. Then they often walk out of the room together, heads nearly touching, giving Gore that all-important

hallway time that is private and frank. It may help that at 45, Gore, who has served in Washington for almost 17 years, is a grownup in a house of tyros. "Any understanding of Al Gore has to come from the fact that he is the President's most senior adviser," says George Stephanopoulos, who has some titular claim to that status as the President's senior adviser for policy and strategy.

Unlike many previous Presidents and Vice Presidents who campaigned separately, Clinton and Gore bonded on the tour bus, creating a chemistry that seems to endure. Says Democratic political consultant

Bob Squier: "They got to know each other so well that they came to talk in a shorthand only they could understand. You had to listen very closely to follow." Clinton even integrated his staff with Gore's to prevent White House infighting. Says Roy Neel, who served Gore before becoming a deputy chief of staff to Clinton: "The tension between the presidential and vice-presidential protectors, which has destroyed many a Vice President, never had soil in which to grow here."

So far, Gore's track record is decidedly mixed. He was able to get an international biodiversity treaty and to preserve funding for the space station. He worked out respectable compromises on the controversial timber and wetlands policies. In a fierce debate that lasted until two hours before the President was to deliver his Earth Day speech, Gore persuaded Clinton to include several tough proposals, among them a pledge to reduce greenhouse gases to 1990 levels by the year 2000.

But there have been major setbacks too. The high-tech investments in Clinton's economic-stimulus package "had Gore's fingerprints all over them," says an Administration aide, but the package did not survive. And Gore's influence was not enough to save the BTU tax from sniping by Senators and from Treasury Secretary Lloyd Bentsen's willingness to carve out exceptions to it until there was nothing left. Budget Director Leon Panetta recalls, "When it was dropped in committee, there was a moment when I followed the Vice President into his office. He said it was a sad day."

Although the Vice President was never part of the Capitol Hill backslapping club, he was respected by most, and retains his power of persuasion there. One morning

just as legislative director Howard Paster had got a difficult House Democrat on the line for the President, Gore walked in, took the phone and softened up the Congressman by reminding him of a fund raiser Gore had for him in 1988. Oftimes when congressional leaders call the Oval Office, Clinton uses the speakerphone and puts Gore on. In a walk-up to the first budget vote, Gore spent only five minutes to bag a Southern Senator that no one else had been able to move. The President joked that Gore was the person who, after others had tried, always managed to get the top off a jar.



In the TIME interview, Gore talked of floor wax and his work load

“ [We] have six to eight [major] decisions every day. There is no time for a sigh of relief. ”

Gore is often perceived as Cosmic Al, and indeed his office is a memorial to planet Earth, with one huge picture of the sphere hanging where the grip-and-grin photos usually are. But Gore has tethered himself to the ground: on top of his desk is a foot-high stack of three-ring binders filled with the obscure yet costly rules and regulations that he hopes to bring under control. At the moment, no aspect of procurement escapes Gore's memory. While some politicians speak in sound bites and some in windy paragraphs, Gore speaks at book length whenever possible. One of his favorite gigs—Mop & Glo for short—is an extended riff on the insanely complex specifications for a federal purchase.

"Let me read you this one thing about floor wax," he said during his TIME interview last week.

We already have this, a reporter replies.

"Do you have the aluminum-foil part?" Yes.

"Listen to this requirement for the testing of 'finish, floor, nonbuffing.' Cut a two-and-one-half-inch square of aluminum foil of three millimeters thickness minimum, having one side mirror bright. Wash the square with alcohol and air dry. The mirror-bright side should give a spectrum that differs less than 2% transmittance from the standard front-surface test used in the specular reflectants accessory." A reporter interjects, "Why don't we do this later?" Gore says, "This will just take a second."

Five minutes later, after descriptions of eyedroppers and spectral photometers, there is hardly a wide eye in the room. This love of minutiae is an affection Gore shares with Clinton, but the President and Vice President cut different impressions. Clinton is a loose and easy presence; Gore jokes that he knows he is alive "because I hear myself creak every so often." Gore is the latent cutup who late at night during the campaign would plant his large wing tips on a plastic tray and surf from first to economy class during the takeoff of his plane, tossing out a chorus of James Brown's *I Feel Good*. He deals with the inevitable Wooden Al jokes by repeating them. "At a health-care meeting of 800 doctors," he says, rubbing his hands Jay Leno-like in his wing chair, "600 declared me dead."

While Clinton is a night owl, Gore goes to bed before *Nightline* and rises early. Communications director Mark Gearan, who oversaw the vice-presidential selection process, said Gore's face went into free fall when Gearan told him that his meeting with then Governor Clinton about joining the ticket would begin at the Capital Hilton at 11:30 p.m., a good hour after Gore's bedtime. The Vice President says he has persuaded Clinton "to get more sleep."

In recent weeks, Gore is not seen so often standing zombie-like behind Clinton. But to launch what may be one of the projects by which this Administration is defined, Butch Cassidy and the Sundance Kid will once again ride off together. Back on the bus, Clinton and Gore plan tentatively to go this week to Ohio, California and Texas, carrying tales of red tape and floor wax to people yearning to breathe free of bureaucracy.

—With reporting by James Carney/Washington