

THE WHITE HOUSE
WASHINGTON

DATE: 9/24

NOTE FOR:

Bob Rubin

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

September 20, 1993

SEP 23 12:47

MEMORANDUM FOR THE PRESIDENT

THE PRESIDENT
9/24/93 db

FROM: ROBERT E. RUBIN

SUBJECT: **Prestowitz Article**

The attached is a letter responding to your request for a draft thank you note to Clyde Prestowitz.

To keep Prestowitz's independence unquestioned, we thought a note commenting on his article in the Sunday Washington Post might be more appropriate than a note of thanks. (See attached.)

See NM PS

Be on the lookout

for this letter

THE WHITE HOUSE
WASHINGTON

September 23, 1993

Clyde Prestowitz
President
Economic Strategy Institute
Suite 1300
1100 Connecticut Avenue, N.W.
Washington, DC 20036

Dear Clyde:

I read your Washington Post piece on NAFTA and wanted to let you know I found it both thoughtful and well done. You presented the underpinnings of the jobs argument with clarity, and I feel the piece is a real contribution to the facts of the debate.

Sincerely,

Bill

I would like to know
more about your problems
with GATT which I thought
would clearly weaken trade
and US manufacturing jobs —
Please send me a letter outlining
your problems with it. Thank
Bill

Prestowitz Shifts to Support of Nafta, Reconsiders Predictions of Job Losses

By BOB DAVIS

Staff Reporter of THE WALL STREET JOURNAL
WASHINGTON — Clyde Prestowitz, whose prominent trade think tank was one of the few predicting a big job loss from the North American Free Trade Agreement, now says those numbers may be wrong and the pact should be ratified.

Late last fall, Mr. Prestowitz's Economic Strategy Institute, predicted that Nafta would lead to a loss of between 32,000 and 220,000 jobs by the year 2002. In addition, the think tank calculated that Nafta would worsen the U.S. trade balance by between \$1.3 billion and \$8.8 billion.

Now, Mr. Prestowitz said, "I think in the long-run, [Nafta] will be a plus." The reason for the reversal: He figures that more U.S. companies will shut down branches in Mexico and return home. If U.S. companies can export to Mexico without tariffs, he reasons, one rationale for locating there disappears. Mr. Prestowitz also thinks some will move their Asian manufacturing facilities to Mexico, making it more likely that they would import components from the U.S. In either case, the result would be more U.S. jobs.

In addition, he said in an interview, various Nafta rules encouraging North American production would prompt U.S., rather than Asian, investment in Mexico. "The Mexican connection will let us better compete with Asians," by helping U.S. companies reduce costs and increase exports, he said.

A Counter to Ross Perot

The politics of Nafta are so polarized that Mr. Prestowitz's re-evaluation, by itself, isn't likely to prompt any lawmaker to vote for the pact. But he has a strong reputation as a proponent of tough U.S. trade positions and has ties to many Nafta opponents. The administration and Nafta supporters are bound to use Mr. Prestowitz's comments to try to marginalize Ross Perot and portray as intellectually suspect the Texas billionaire's prediction that Nafta would put 5.8 million U.S. jobs "at risk." The debate over the trade pact in Congress will be fought in large measure over the question of whether Nafta would cost the U.S. jobs.

The administration "will probably say, 'Look, Clyde Prestowitz changed his mind,'" as part of their pro-Nafta campaign, said Jeff Faux, president of Economic Policy Institute, a Washington research group that predicts a 550,000-job loss from Nafta.

Mr. Prestowitz said that he isn't under any pressure by the administration or his think tank's financial backers to endorse Nafta. The Economic Strategy Institute's supporters include such Nafta proponents as Chrysler Corp. and Nafta opponents as Milliken & Co., the big textile maker.

In its study last fall, the Economic Strategy Institute predicted gains for the U.S. economy and an increase in jobs from Nafta in the year 1998 as Mexico imported more U.S.-made capital goods. But those surpluses would turn to deficits in 2002, the think tank predicted, as new Mexican plants churned out exports destined for north of the border.

Divert Attention From Japan

The study, which came out when Mr. Prestowitz was being considered by the Clinton transition team for the job of U.S. trade representative, grudgingly said the pact should be ratified. But it urged the

new administration negotiate changes in Nafta concerning the auto and energy sectors — neither of which the administration did.

"I don't want to disclaim our study," Mr. Prestowitz said. "But having talked to a lot of people in industry, our feeling is that there may be a substantial job movement to the U.S." as companies close old, inefficient plants in Mexico.

Moreover, Mr. Prestowitz, who made his reputation as a critic of Japanese trade practices, said the protracted Nafta fight draws attention from Asia, which is running huge trade surpluses with the U.S. "That's a sucking roar," he said, alluding to Mr. Perot's comment that Nafta would produce a "giant sucking sound" of jobs heading to Mexico. "We're so used to it that it's deafened us," Mr. Prestowitz said.

New Tax Rate To Push Profits Below Forecasts

Accounting Rule to Force Firms to Set Up Reserve For the Third Quarter

By LEE BERTON

Staff Reporter of THE WALL STREET JOURNAL

The recent increase in the corporate tax rate will take a bigger-than-expected bite out of third-quarter earnings, but not because of Congress or President Clinton.

The reason is a new accounting rule. Issued early last year by the Financial Accounting Standards Board, the rule essentially forces U.S. companies to set up a one-time reserve whenever corporate taxes go up. Because the new deficit-reduction law, which raised the corporate tax rate to 35% from 34%, was passed in August, companies must take the reserve in the third quarter.

The hits will push third-quarter earnings for many companies below most analysts' estimates, as the accompanying table shows. In a worst-case scenario, the decline could range from as little as 5% for United Technologies Corp. to about 380% for Georgia-Pacific Corp., according to the Accounting Observer newsletter published by R.G. Associates in Baltimore. (Georgia-Pacific is expected to post a loss of about 28 cents a share as opposed to a profit of about 10 cents a share, the newsletter estimates.)

Of course, the tax rise itself will shave corporate profits from now on. But many analysts and investors were unaware of the added one-time penalty that the new accounting rule imposes. Previously, tax liabilities simply built up on corporate balance sheets, and a change in tax rates didn't require a profit-pinching increase in company reserves. But the FASB felt that companies should account on their balance sheets for future taxes they must pay. So the rule-makers decided that whenever the tax rates go up, companies must make a one-time catch-up deduction for profits figured at previous tax rates.

"Some companies accumulated such big deferred-tax liabilities on their balance sheets that when corporate taxes were reduced from 46% to 34% a few years ago, they complained that the balance sheet didn't reflect reality," says Kevin Mead, a project manager for the FASB, the chief rule-making body for accountants. So the FASB issued the rule on deferred taxes early in 1992, effective for fiscal years beginning after last Dec. 15.

Robert Willens, an accounting analyst for American Express Co.'s Lehman Brothers, said the accounting rule will have the biggest impact on capital-intensive companies, such as those in autos, steel and oil. Other companies heavily affected, he said, will be those that have made acquisitions using so-called purchase accounting. Such takeovers can lead

Taking a Hit

Here's how an accounting rule may shave third-quarter profits, one accounting newsletter says.

COMPANY/ANALYST CONSENSUS FOR QUARTER	RULE'S WORST- CASE REDUCTION	PERCENT DROP
Alcoa	\$0.43	\$0.12 - 27.9%
AlliedSignal	1.17	0.13 - 11.1
Chewron	1.37	0.32 - 23.4
CSX	1.35	0.54 - 40.0
Georgia-Pac.	0.10	0.38 -380.0
Int'l Paper	0.63	0.32 - 50.8
Philip Morris	1.18	0.07 - 5.9
Santa Fe Pac.	0.21	0.11 - 52.4
Tenneco	0.47	0.23 - 48.9
Texaco	1.01	0.17 - 16.8
United Tech.	1.03	0.05 - 4.9
Weyerhaeuser	0.50	0.13 - 26.0

NOTE: Consensus as week began from Zacks Investment Research Inc.

Source: R.G. Associates' Accounting Observer

to deferred-tax liabilities on the balance sheet and can penalize profits. The reason is that accountants want to show that the assets acquired, even though booked at their original cost, could probably be sold for more later on.

For example, Coca-Cola Co. this week noted that the effects of the deferred-tax accounting rule would reduce its annual profit only \$19 million, or one cent a share. But its 44%-owned subsidiary, Coca-Cola Enterprises Inc., which has been acquiring a lot of bottling operations, previously indicated the accounting rule will penalize 1993 profit \$40 million, or 31 cents a share.

Mr. Willens said that when the FASB issued its rule in early 1992, investors weren't made aware by most analysts that if there is a future tax boost, the profits of the companies in which they invest will take an immediate hit.

"Now the other shoe has dropped," he said, though it's too early to compute the combined effect of the tax boost and accounting rule on most companies.

Jack Ciesielski, publisher of R.G. Associates' Accounting Observer newsletter, doesn't think Wall Street is properly assessing the impact of the accounting rule.

"Stock analysts seem to be ignoring the catch-up amount required by the rule," he said. "Investors who put their money down based on analysts' current estimates for third-quarter profits are going to be mightily disappointed. And after quarterly profits are released in October, they're going to go back and shoot some of their favorite stocks."

Janet Pegg, an accounting analyst for Bear, Stearns & Co., agreed. Companies, she said, are discovering that the new tax act is having "a more immediate impact on their reported earnings, and some analysts may be caught unaware by these adjustments."

1. *gained 20 points + 1 win*

I should do thanks to him

17.93

Article in outlook was great.

BR/GS/54

THE WALL STREET JOURNAL FRIDAY, SEPTEMBER 17, 1993

NAFTA: Why We Hafta

How I Overcame My Doubts And Learned to Like the Pact

By Clyde V. Prestowitz

AS A PROPONENT of a tough-minded, results-oriented trade policy, I have supported the principle of the North American Free Trade Agreement but have been concerned about its specific provisions. Nevertheless, I believe the time has now come for Congress to ratify NAFTA. Here's why.

The agreement is admittedly not flawless, and because passage is very uncertain, the administration should press for accelerated removal of trade barriers, as provided for in the treaty—as well as for a commitment from the Mexicans linking increased productivity to increased wages for Mexican workers. But even with its imperfections, NAFTA will leave America better off than before. Moreover, its passage will help us to deal better with the much more important—but much more obscure—issues of the Uruguay Round of world trade talks, and the framework negotiations with Japan that are currently being obscured by the NAFTA uproar.

Those who are rightly concerned about jobs should remember that the United States has a \$5.4 billion trade surplus with Mexico, while its trade deficit with Asia is over \$75 billion. This means the United States is gaining jobs as a result of trade with Mexico while losing nearly 2 million jobs in its trade with Asia. There is indeed, as Ross Perot has said, a "giant sucking sound" threatening U.S. workers, but it doesn't emanate from south of the border. For 30 years the giant sucking sound has been coming from the East, and it represents a much bigger trade and jobs policy challenge than NAFTA.

Unfortunately, the Uruguay Round is proceeding toward a planned finish on Dec. 15 with a draft agreement on the table that, if enacted, would eviscerate U.S. trade laws, making it extremely difficult to respond to the persistent dumping and subsidization that have devastated such U.S. industries as consumer electronics, steel, semiconductors and aircraft.

By comparison, NAFTA should improve our short-to-medium-term situation and may enable us to compete better with Asia in the longer term. To grasp this, it is important to understand one of the great fallacies of the NAFTA discussion—the notion that the United States is sweeping away barriers to exports from Mexico to America. Thus (it is claimed) the agreement will encourage U.S. firms to move south in search of cheap labor.

In fact, the agreement doesn't change the situation along the border that much. The United States currently has only a 4 percent average tariff rate and very few other restrictions on Mexican imports. Under the terms of NAFTA, we are giving away very little. The barriers that are being removed are mostly on the Mexican side. Ironically their removal may actually reduce incentives for U.S. firms to move south.

Take the minivan, the fastest growing segment of the vehicle market. Because of Mexican regulations, no minivans are sold south of the border. But with the Mexican auto market booming, there is demand for minivans. Under the present Mexican auto decree, to

See NAFTA, C4, Col. 1

Clyde Prestowitz is president of the Economic Strategy Institute.

NAFTA: Why We Hafta

NAFTA, From C1

supply this market would require U.S. producers to build a plant in Mexico. But since that Mexican market is too small at the moment to absorb all the production of a world-class-size plant, and because of Mexican requirements that producers export large percentages of their production, the logical way for U.S. automakers to meet demand in Mexico at present is to build plants there and send the excess production to the U.S. market where tariffs on autos are only 2.5 percent.

NAFTA would change the calculations of a U.S. automaker because it makes exporting from the United States to Mexico a real possibility. Under NAFTA, a U.S. producer would probably not build a plant in Mexico, but export minivans from the United States instead. This would require less investment than a new plant in Mexico and would increase the economies of scale at U.S. factories. It would also avoid the need for hiring and training a whole new work force in Mexico.

The truth is that as far as imports from Mexico are concerned, we already have free trade. NAFTA will only make it more of a two-way proposition—as corporate behavior is already demonstrating. Raychem, a rapidly growing U.S. semiconductor and electronics firm, is moving three plants from Mexico back to the United States, and General Motors is likewise moving production that until now had to be done in Mexico back to more efficient facilities north of the border.

Beyond this, NAFTA will create an immediate jump in U.S. exports to Mexico to meet the demand for U.S. goods that has long been pent-up by Mexican barriers. And even NAFTA opponents agree that because U.S. barriers are already so low, there will be no reciprocal surge of exports from Mexico.

NAFTA opponents sometimes argue that a poor country like Mexico cannot afford to buy very much from the United States. Yet, although half of Mexico's 80-million population does indeed live in poverty, one-quarter to one-third of Mexicans have relatively high incomes, creating a market nearly the size of Canada's for U.S. goods. Mexicans already buy more per capita from the United States than Japanese or Europeans. We should not forget that Japan is getting rich in part by running trade surpluses with the small, developing countries in Asia with average income levels far below its own.

Because Mexico's barriers will only be reduced for U.S. and Canadian producers and not for Asian or European suppliers, most of the benefits of the larger market will go to U.S. companies. Japanese companies have

U.S. firms a lock on a market of their own with which to fight back.

Another potential plus of NAFTA will be the displacement of Asian production by Mexican production. Over the years the Asian countries have drawn such activities as television production, semiconductor assembly and the sewing of apparel out of the United States. In the past month, I have spoken to officials of several U.S. companies who say they may move some of this activity back from Asia to Mexico. Zenith has already announced a move of television set production from Taiwan to Mexico and some semiconductor makers are considering similar shifts from Southeast Asia. The reason: Control, servicing and quick response are easier when the plant is an hour away than when it is 21 hours and 14 time zones away. And factories in Mexico are much more likely to use U.S. parts, service personnel, designers and engineers than factories in Southeast Asia—a plus for Americans.

A final potential benefit of NAFTA will be tied to the structure of new investment in Mexico. It is here that I and many other observers have had our greatest concerns. If new investment in Mexico were to be largely Japanese or European, the equipment going into the new plants, the construction companies building them, the parts and the intermediate materials used in production would probably come from Asia or Europe as well. Thus, Mexico would be turned into a foreign export platform aimed at the United States. The initial Bush administration negotiating strategy would have placed few conditions on investors in Mexico, and there was a real danger of this scenario becoming reality.

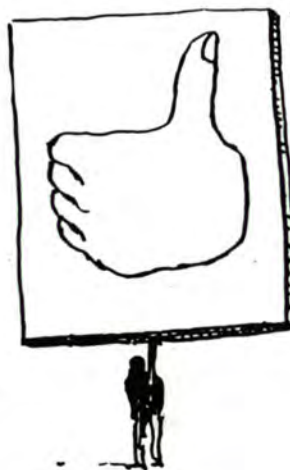
In a 1991 study of possible outcomes, the Economic Strategy Institute estimated that this foreign dominated export-platform scenario could result in substantial long-term U.S. job loss. But we found that if investors in Mexico are largely American, and the parts, capital equipment and engineering are supplied from the United States, long-term as well as short-term net U.S. job gains would result. We thus recommended crafting NAFTA to ensure that new investors in Mexico would continue to obtain parts, equipment, and other supplies and services largely from the United States.

As it now stands, NAFTA includes many of these measures. For example, steel will not qualify for duty-free treatment under NAFTA unless it is melted and poured in North America. Autos will not qualify unless 62.5 percent of their parts and components are made in North America. Textiles will not qualify unless they are made from North American fiber and yarn. Television sets will not qualify unless the picture tube is made in North America, and so forth. These measures will tend to lock in the present situation

come from the United States. Thus as Mexico's industry expands, it should provide a continuously growing market for U.S. goods as well.

Beyond this there is the potential for the United States to do in Mexico what Japan has done in Thailand. There, Japanese companies have invested and assembled components shipped from Japan into products for export to the world. Japan thereby runs a trade surplus with Thailand, while both their production and exports increase. Under NAFTA, U.S. firms should be able to do the same in Mexico, turning Mexico into the same kind of export platform that Thailand provides to Japan.

It is important to correct two major fallacies that have arisen in the NAFTA debate. The first is the notion that the choice is between keeping jobs in the United States or moving them to Mexico. In fact, in many instances jobs have already moved or will move to Asia if they don't go to Mexico.



BY JANUSZ KAPUSTA/USA

the rest of Latin America are engaged in an historic realignment away from dictatorship and state intervention in the economy toward democracy and the free market. They are asking for our help. It is not in our interest to have an impoverished and embittered nation with a rapidly growing population on our southern border. If the Israelis can shake hands with the PLO, surely the United States can take the outstretched hand of Mexico that, after all, has been more sinned against than sinning in the history of our mutual relations.

If NAFTA is to pass, the White House and big business will have to do much more than they have done to date. Tariffs will remain higher on the Mexican than on the U.S. side of the border for several years after NAFTA's enactment even in industries such as glass, steel and chemicals in which Mexican competitors are already world-class producers. Moreover, Mexican industrial decrees and re-export requirements will be phased out slowly, thus damaging the potential for U.S. exports for several years after ratification. The agreement permits acceleration of the removal of trade barriers, and the Clinton administration ought to insist on it in key industries.

At the same time, it should be made clear to Mexico that U.S. implementation of the deal will be contingent on rapid democratization in Mexico and particularly on guarantees for the rights of labor to organize and bargain collectively.

Finally, American business, which stands to gain much from NAFTA, must assert some leadership. So far the airwaves have been dominated by opponents offering simplistic and misleading aphorisms about what business will and won't do. Where are the captains of industry at the Business Round Table, the National Association of Manufacturers and the Chamber of Commerce? They must get on "Larry King" and "Meet the Press" too. And when they do, they should recognize that some of the opposition to NAFTA is based not on the exact terms of the treaty but on a more amorphous but understandable feeling among American workers that neither big government nor big business has been vigilant enough in defending and advancing their interests.

When industry leaders campaign for NAFTA, they should be prepared to talk straight and to make some commitments to the American public. A formal pledge, like the Sullivan Principles that guided business in South Africa, might be appropriate. Such principles might include a pledge to pay the U.S. minimum wage at Mexican operations; to provide for reassignment and retraining of any displaced workers; and to maintain a company-wide trade surplus with Mexico. Such commitments would go a long way to calm the fear of losing more American jobs. It is clear that this fear must be counteracted if NAFTA is to have a chance of passage.

to move, Mexico is preferable to Asia as a destination.

The second fallacy is the notion that companies make investment decisions primarily on the basis of labor costs. The truth is that it is overall costs, not labor costs, that determine investment locations. BMW recently made a major decision to locate its first plant outside of Germany. It did not choose low-labor-cost Mexico. Rather, it chose South Carolina. The reason is that despite Mexico's cheap labor, according to the Office of Technology Assessment, it costs only \$8,777 to build a car in the United States versus \$9,180 in Mexico. Mexico's high shipping, parts and inventory costs more than offset its low labor costs. Thus it is unlikely that there will be a major emigration of U.S. manufacturing to Mexico. More likely, and much more desirable, is a combination of Mexican and U.S. operations to make both more competitive with Asian and European enterprises.

Beyond the economic considerations, there are fundamental reasons of national security for going ahead with NAFTA. Mexico and

From the Office of the Chief of Staff

Phone: 202/456-6797

Fax: 202/456-1121

Date: 9-24-93 Response needed by: _____

COS Office Contact: Bill Burton

	Action	FYI		Action	FYI
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Remarks:

CS. 10/2/93

Response:

Maggie Williams

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Congress of the United States

House of Representatives

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TO:

Thomas P. McLarty III

FAX # 456-1121

FROM:

KEVIN M. SABO
REPUBLICAN GENERAL COUNSEL
COMMITTEE ON GOVERNMENT OPERATIONS
Business: 202-225-5074 FAX: 202-225-3974

DATE:

September 23, 1993

There will be a total of 2 pages, including cover.XX

For Your Information

IMMEDIATE ATTENTION REQUESTED

As Requested

Please Call to Confirm Receipt of Transmission

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Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT OPERATIONS

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September 23, 1993

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MAJORITY—(203) 225-6061
MINORITY—(203) 225-6074

Honorable John Conyers, Jr.
Chairman
Committee on Government Operations
2157 Rayburn Office Building
Washington, D.C. 20515

Dear Mr. Chairman: *John*

This letter follows my letter of June 1, 1993, requesting that the Committee on Government Operations convene hearings to examine facts surrounding the so-called White House Travel Office affair, and my later request to depose White House staff responsible for the preparation of the White House Travel Office Management Review.

I am aware that our staffs have worked closely with the General Accounting Office (GAO) in the conduct of their Congressionally-mandated investigation of this affair. GAO has indicated that they plan to conduct a very thorough review of all activities surrounding this issue. I appreciate your staff's close cooperation in support of their investigation.

In light of GAO's ongoing review, and their success to date, I am temporarily withdrawing my request for a hearing and deposition of White House staff. It will be my intention, however, to renew this request if GAO reports that their investigation has been impeded in any manner by the White House or Justice Department, or if significant questions remain following the release of their report.

Again, I appreciate your cooperation in this ongoing matter.

Sincerely,

Bill

William F. Clinger, Jr.
Ranking Republican
Committee on Government Operations

cc: T.F. McLarty

9/24/93

NOTE FOR JIM DORSKIND

FROM

FRAN WESSEL 

*Jim, Todd had to rush out of here for out of town, but he wanted me to put the attached in your hands. A nice reply should be prepared, autopenned and sent out **TODAY**.*

Thanks.

cc: Paul Richard

OFFICE OF POLICY DEVELOPMENT

PUBLIC LIAISON AND
INTERGOVERNMENTAL AFFAIRS

SEP 24 AM 11:54



TO: Todd Stern
OFFICE: White House Deputy Staff Secretary
FAX NO: 456-2215 PHONE _____
FROM: GAIL HOFFMAN
NUMBER OF PAGES (INCLUDING COVER SHEET) 3
PHONE: 514-3465 FAX NO: 514-2504

COMMENTS:

Thanks for anything you can do
on this. Let me know if you have questions.
Gail

TO: TODD STERN
WHITE HOUSE DEPUTY STAFF SECRETARY
FROM: GAIL HOFFMAN
DATE: SEPTEMBER 24, 1993
RE: NOTE FROM THE PRESIDENT

Paul Richard asked me to get this to you, and said that he would be talking with you about this shortly. My sister's house burned down the other night, and I am hoping the President might write a short note to my two nieces (ages 5 and 7).

I have attached a draft note, in case it would be helpful to you. As I told Paul, I am leaving tomorrow morning for Boston and am hoping to be able to hand-deliver the note to them.

In the event any details are needed, they are as follows:

My sister, Rosalyn Feldberg, and her husband, Warren Feldberg, have two children. They are Alexandra (Allie) who is age 7, and Julia who is age 5.

Roz and Warren had the house built for them in Concord, Massachusetts, and moved in only a month or so ago.

The 3-alarm fire occurred Monday night when my brother-in-law was out of town on business. The two kids were asleep when Roz discovered the fire at about 8:00 PM. She ran to their rooms, and carried Allie and Julia out to the car and called the fire department from the car phone. She kept the kids calm as she drove away from the house.

It appears that the family lost everything in the house, and because they were carried out in pajamas, Allie and Julia were left without any clothes, shoes or toys.

I am sure that insurance will cover their losses, and they are not financially disadvantaged. However, the event was very traumatic for the entire family, and it will take time and energy to rebuild their lives.

The family is temporarily staying with Warren's aunt and uncle, Mary and Sam Rosenfield, 45 Robinwood Road, Belmont, MA 02181. The phone number is (617) 484-7330.

Dear Allie and Julia:

I was so sorry to hear about the fire in your house, but it's great that everyone is safe and well. I have heard about how brave you have been over the last few days.

I want to wish you and your family the very best of health.

THE WHITE HOUSE

WASHINGTON

September 22, 1993

The Honorable David N. Dinkins
Mayor of New York
New York, New York 10007

Dear David:

I want to thank you for sending me a copy of your plan, Strong Economy, Strong City: Jobs for New Yorkers. I'm impressed. I think your plan is right on target: it's innovative and private-sector oriented -- geared to fueling the real engine of economic growth.

The issues you are focusing on -- such as defense conversion, increasing small business growth, and improving export opportunities for your local industries -- are fundamental necessities in renewing our economy and revitalizing our cities.

Once again, you have taken on the problems of urban America in a creative and constructive way. Your leadership is bringing the forces of the private and public sectors together to create jobs and strengthen the economy of New York City.

I have asked my economic team to review the plan in detail and advise me on existing federal programs and other initiatives under development that may be of assistance in carrying out your plan, as well as those issues you mention in your letter.

I congratulate you and those who have worked with you to develop this plan, and commend you for your leadership of the City of New York and cities across the country. We look forward to working with you on this effort.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bill Clinton", with a stylized, cursive script.

Political Memo

California Guarantees Warm Primary Season

By RICHARD L. BERKE
Special to The New York Times

WASHINGTON, Sept. 22 — Forget the images of Presidential candidates trudging through the snows of Iowa and New Hampshire as they search for votes. Instead, picture the White House aspirants spending the dead of winter campaigning on the beaches of California.

It may be three years before the next Presidential election, but the political landscape for the opening of the 1996 campaign is about to change from snow to sand, a development that could play a big role in determining who becomes the next President.

Within the next two weeks, Gov. Pete Wilson of California plans to sign into law a bill passed this month by the state's Legislature that would push forward the date of California's Presidential primary to one of the first in the nation from one of the last, to the fourth Tuesday in March from the first Tuesday in June.

"If this were an earthquake, this would be the big one," said Steven A. Merksamer, a Republican strategist in Sacramento, Calif. "It's got tremendous implications for both parties. If someone loses New Hampshire, loses Iowa and comes in second or third on Super Tuesday but wins California, they're right back as the front-runner."

Cash Cow for Candidates

Though California is the most populous and delegate-rich state, with close to 20 percent of the delegates needed for nomination as President, the state's only real significance in the Presidential primaries in the last 20 years had been as the top stop for candidates trolling for contributions. But the new date could thrust California into the role of kingmaker for the nomination.

Or, the earlier primary could serve to weed out candidates who lack the celebrity or money needed to make themselves known in California. It would also force candidates to address issues that are most important to California voters, like immigration, environmental and military matters, laying out positions that could shape the national campaign.

And the revised calendar would diminish the importance of primaries in big states like New York, Illinois and Michigan, though the California voting would come two weeks after "Super Tuesday," when several Southern states hold primaries.

So as candidates are still toying with whether to run, the speculation over winners and losers in California is already widespread. Since the only way to reach all the state's voters is through television, not door-to-door campaigning, contenders who are best on television and have at least \$5 million to keep themselves on the air would benefit from the California's new political importance.

Advantage for Kemp

On the Republican side, former Housing Secretary Jack F. Kemp would probably be helped the most, not only because of his presence on television but also because he has roots in the state. He was born in Los Angeles, educated in California and played professional football for the San Diego Chargers before going on to the Buffalo Bills.

If Ross Perot decides to run as a Republican, he might also do well, since he was perhaps the ultimate sound bite candidate last year and won 20.6 percent of the vote in California last November, better than his national average.

The premium on television could also help "celebrity candidates" like Gen. Colin L. Powell, the Chairman of the Joint Chiefs of Staff, who is retiring soon, should he decide to make a run for office.

"California's the type of state that would go for a Colin Powell," said former Representative Tony Coelho, a California Democrat. "If I were the Powell folks, I'd put money on it."

Obscure or less telegenic candidates might have a harder time catching on. In addition, Governor Wilson, a Republican, could emerge as a viable candidate if he recovers from his low popularity ratings and is re-elected next year.

Opportunity for Clinton

For President Clinton, an early primary could give him an opportunity to knock out a rival. But if the President's popularity continues to sink — the California Poll last month found

that only 27 percent in the state rated his job performance as excellent or good — he could find himself facing a messy fight.

A challenger, perhaps, could be former Gov. Edmund G. Brown Jr. of California, who opposed Mr. Clinton in the primaries last year. Mr. Brown still has a semblance of an organization in California, and he is more liberal than the President, which is helpful there.

The scenario clearly intrigues Mr. Brown, who said his candidacy was "certainly a possibility — if there were opposition to Clinton, California could be a focal point."

But the implications are particularly significant for Republicans because their party's primary in California is "winner take all," meaning that the Republican victor would capture all the delegates. Democratic candidates, by contrast, would get delegates in proportion to their vote.

New Road to Nomination

"Now there may be a different way into the nominating process," said Tad Devine, a Democratic strategist who is an authority on the delegate selection process. "Someone can make a stand outside of Iowa New Hampshire."

Another possibility is that the changed calendar could make the Iowa caucuses and the New Hampshire primary more important. The critical primaries would be so condensed that the victors in those early contests could carry their momentum to California and lock up the nomination.

Though Mr. Wilson plans to sign the bill, which could lift his own fortune as the prime mover behind the effort, State Assemblyman Jim Costa, Democrat who has been trying to change the primary date since he was first elected 15 years ago.

The Democratic National Committee had also called for the earlier California primary, but not until this year did enough California legislators overcome their fears that the change

'If this were an earthquake, this would be the big one.'

would somehow upset their political fortunes. (It does mean that the candidates running for state offices will now have to face a long and costly eight months between the primary and general elections.)

"We've become the automatic teller machine for Presidential politics," Mr. Costa said. "Candidates come to California the year before the primaries and raise substantial amounts of dollars that they take to the likes of New Hampshire, Iowa, Illinois, New York and Pennsylvania. But we played virtually no real role in the selection process."

Change Is Only Temporary

In winning support for the measure, Mr. Costa did accept a compromise: the date change will take effect only for the 1996 campaign. If it is viewed as successful, the lawmakers could then make the new date permanent.

So for now, the what if's and the speculation are swirling. Everyone agrees that changing the date will give California the most influence it has had in the nominating process since 1972, when George McGovern's victory gave him the margin needed to win the Democratic nomination over former Vice President Hubert H. Humphrey. The last time Republicans had a closely contested primary in California was in 1964, when Barry Goldwater defeated Nelson A. Rockefeller and won the party's nomination.

As 1996 approaches, no one knows how the change will play itself out.

"I'm certainly not smart enough to say with any degree of certainty what the effect will be," said Haley Barbour, the Republican national chairman. "This is a dynamic business, politics, and a month is a light-year. The point is, nobody's crystal ball is that sharp."

Name (B)
University
City/State
Zip

States Are Reluctant Partners In Clinton's Big New Venture

By ROBERT PEAR
Special to The New York Times

A1

THE PRESIDENT HAS SEEN 9/24

THE NEW YORK TIMES THURSDAY, SEPTEMBER 23, 1993

WASHINGTON, Sept. 22 — President Clinton's health plan creates a mind-boggling array of new duties for the 50 states, which would be responsible for carrying out Mr. Clinton's promise to guarantee insurance coverage for all Americans.

Health care experts say a handful of states, like Washington, Hawaii, Minnesota, Vermont, New York and New Jersey, have established innovative programs to control costs and expand insurance coverage.

But, they say, it is unclear whether other states have the political commitment or technical expertise to arrange insurance for all their residents by July 1997, as Mr. Clinton would require.

Under the President's plan, all Americans would be entitled to a comprehensive package of health benefits, one that states could not reduce.

'They Will Kick and Scream'

Toby S. Edelman, a lawyer at the National Senior Citizens Law Center, said: "Our experience is that states are not eager to be in the forefront of any health program that costs them money. They will kick and scream about Federal regulation, but many do not act until forced to do so by the Federal Government."

While states would take on much responsibility and be given many new

powers over medicine and business, state officials say they will not have all the authority or flexibility they need.

States could provide benefits beyond those in the standard package, but state officials say most states will stay with this package. As a result there would be much more uniformity in the nation than in the current patchwork of private health insurance and Medicaid programs, which vary widely.

James D. Bentley, senior vice president of the American Hospital Association, said today that Mr. Clinton's plan would give states enormous new authority and that hospital executives were worried about some of those new powers.

For example, he said, only state-certified health plans could care for large numbers of patients. States would set the criteria that health plans must meet to be certified, and the states would appear to have complete freedom in setting these criteria.

Under the Clinton plan, Mr. Bentley said, "there is no constraint on what a state can require" of health plans.

Stan Dorn, who has represented poor people as a lawyer at the National Health Law Program, said he feared that "under the President's plan, states may be given freedom to terminate Medicaid benefits beyond those covered in the standard package."

For example, he said, many states now cover dental care and eyeglasses for adults and would apparently not be required to continue doing so.

Specifically, the Clinton plan, as described by Administration officials and White House documents, would give states these expanded responsibilities:

To establish one or more regional health alliances, which could be state agencies or private nonprofit corporations, to buy insurance coverage for their residents. The states would have to make sure that "all eligible individuals," including homeless people, drug addicts and residents of remote areas, enroll in a regional alliance. President

Clinton does not say how states are to accomplish this.

To certify health plans, the networks of doctors, hospitals and insurance companies that care for most Americans. Only state-certified health plans would be allowed to provide insurance and benefits to members of the regional alliances. States must guarantee that at least one health plan is available in every part of every state, even where no health plan applies for this privilege.

To set and enforce financial standards for health plans to make sure they do not run out of money. If a health plan goes bankrupt, the state would take control of its assets, provide continuous coverage for consumers and pay claims with money from a state guaranty fund. The Federal Government would enforce a national budget for all health spending, but states would bear the financial risk.

To regulate private health insurance premiums "when necessary to meet budget requirements" or to guarantee the solvency of a health plan.

To pay subsidies to help poor people and small businesses buy health insurance. Federal and state money would be used for this purpose.

To collect huge amounts of data needed to measure and compare the quality of care within their borders.

To run a new program providing long-term care to people with severe disabilities. States would pay 5 percent to 25 percent of the total cost, estimated at \$68 billion over five years.

Governors say Congress will probably not grant states all the discretion

proposed by Mr. Clinton. Members of Congress responsible for health policy, like Representatives Henry A. Waxman and Pete Stark, both Democrats from California, tend to distrust the states and have, in recent years, written highly detailed Federal laws specifying what states must do to care for low-income people, nursing home residents, pregnant women and children.

Lawmakers from both parties predict that Congress will, by the end of next year, pass a scaled-down version of the plan Mr. Clinton presented tonight. But the legislation is only the first step.

Dozens of Regulations

The Federal Government will have to issue dozens of regulations translating any new law into terms that can be applied to doctors, hospitals, clinics and insurance companies. And every state will need to pass legislation filling in details of the Federal framework.

Many elements of the Clinton plan are already being tried by states. In Washington State, a new law provides that all residents shall have access to a uniform package of health benefits by 1998. Minnesota is setting statewide and regional limits on health spending.

New Jersey is requiring insurers to offer coverage to small groups. New York has been a leader in regulating insurance premiums to prohibit discrimination against people with medical problems. In Florida, a new law creates 11 community health purchasing alliances to provide coverage to small employers.

Mr. Clinton's proposal would open a new chapter in the history of Federal-state relations, placing huge new obligations upon the states to run a social welfare program that would dwarf Social Security in terms of money.

While poor people worry that their needs may be neglected, state officials, for their part, fear that the Clinton plan may duplicate a fundamental problem of Medicaid: the proliferation of Federal mandates without enough Federal money to pay for them.

Providing Flexibility

Mr. Clinton, a former Governor of Arkansas, proposes to give states a large degree of flexibility. A state could, if it chose, set uniform rates for all doctors and hospitals. Nevertheless, many governors say they fear that the health care system would be too highly centralized.

Some of the new state powers envisioned by Mr. Clinton are politically explosive. For example, states, with permission from the Federal Government, could require elderly Medicare beneficiaries to join the regional health alliances. States could tax big corporations that run their own health plans outside the alliances.

Mr. Clinton would also require states to "maintain current levels of financial support for the Medicaid program." But the Administration has not decided exactly how to define and enforce this requirement.

Even though states would get sweeping new powers under Mr. Clinton's plan, the latest version of the proposal does not explicitly require public participation in state decision-making. Mr. Bentley of the American Hospital Association said: "We want to be sure there is a public process that allows hospitals to comment as states take action. We worry that these decisions may become back-room deals."

For example, he said, states could conceivably require that health plans have a minimum enrollment, have certain types of people on their governing boards or have large financial reserves. These requirements, he said, could put some hospitals or doctors out of business.

Handwritten note: Clinton's plan is working on the

U.S. Offers a Trade to Help Japan Build Missile Defense

By DAVID E. SANGER
Special to The New York Times

TOKYO, Sept. 22 — In a novel initiative to correct the imbalance in its technological trade with Japan, the Clinton Administration proposed today to aid Tokyo in building a missile defense system in exchange for access to advanced commercial technologies that could help American industry.

The unusual proposal, described by Japanese officials here today by a senior Pentagon official, appears to represent the first time that the United States has offered to trade the fruits of its military research and development projects for technology that would be used primarily in non-military fields.

"This is part of a larger initiative," the official, John M. Deutch, who is Under Secretary of Defense for Acquisition and Technology, said today. "One of the dangers for our national security is from economic weakness. We are actively looking for ways to use defense to encourage dual-use technol-

Trying to correct the technological trade imbalance.

ogy that serves military and civilian purposes."

For years the Defense Department has been criticized for transferring vast amounts of know-how to Japan — particularly in the building of aircraft, ships and other military technology that Japan produces under license — and receiving very little in return. But it was unclear today how the Japanese Government would react to Mr. Deutch's proposal, which he called "new and adventuresome," and which he said would take some "patience" to negotiate.

Worry About North Korea

The immediate issue for the Japanese is the building of a missile-defense system able to detect and intercept a new generation of missiles being constructed by the Communist Government in North Korea. The North tested its new missile, the Rodong 1, this summer, and the Pentagon has done little to allay Japan's fears about the potential of the North Korean missile project.

"We believe that currently North Korea has some capability in tactical ballistic missiles," Mr. Deutch said today. "And the possibility that these missiles can carry nuclear, chemical or biological weapons is one of the major security dangers of the future."

But the project Mr. Deutch was dis-

JAPAN IMPORTING FEWER CHIPS

The foreign market share of the Japanese computer chip market dropped again, it was announced as U.S.-Japan trade talks concluded in Hawaii. Business Day, page D2.

cussing appeared to be quite long-term. It would involve Japan deeply in the Pentagon's plans for research, over the next five years, on a "theater missile defense" program that would protect against regional threats around the world, similar to the one posed by North Korea. Such a program has become the much-scaled down successor to the Strategic Defense Initiative.

He gave few specifics about what the United States might get in return from Japan for such technologies, but said the main negotiations would have to occur between companies in the two countries, rather than just the Governments.

"When a framework for this is established, you would have U.S. firms working with Japanese firms," he said, citing several examples of technologies that might be imported from Japan for use in either military or commercial areas. Among them are flat-panel displays of the kind used in fighter jets and notebook computers, optoelectronics and composite materials. Japan is strong or considered in the lead in each of those areas.

Japanese military contractors, he said, would be encouraged to bring in subcontractors and arrange trade in some of their technologies. The United States, in return, has invested tens of billions of dollars in anti-ballistic-missile technology, and it would take years for Japan to catch up.

Getting the initiative off the ground would require the approval of the new coalition Government here and the cooperation of several competing Japanese bureaucracies, including the Ministry of International Trade and Industry and the Defense Ministry. But the biggest objections may come from the left wing members of the coalition, including the Socialist Party, which has long objected to the 33-year-old Japan Security Treaty and any expansion of Japan's military ability.

THE NEW YORK TIMES THURSDAY, SEPTEMBER 23, 1993

VP
Authentic
No govt aggr w/s
for

New York Officials Worry About Cost of Clinton Plan

By KEVIN SACK

Special to The New York Times

ALBANY, Sept. 22 — Because New York has 2.2 million residents without health insurance, state officials applaud President Clinton's plan to provide coverage for everyone. But they are concerned that any savings for the state produced by universal coverage might be undermined by the Administration's proposal to limit the growth in Federal payments for Medicaid and Medicare.

The Clinton Administration has yet to release details about how its proposed cap on spending on programs for the poor and disabled and the elderly would affect each state. Therefore, New York officials cannot yet determine the actual impact of the plan on the state's budget.

Hospitals would receive a windfall as large numbers of the uninsured would be newly covered, at work or with the aid of Federal subsidies.

Negative Impact Is Seen

Even so, Kenneth E. Raske, the president of the Greater New York Hospital Association, which represents hospitals in New York City, said, "It looks like the impact will be negative and it looks like it will be fairly severe."

In New Jersey, Gov. Jim Florio has been a strong proponent of the Clinton health plan. His chief adviser, Brenda Bacon, said today, "I think that any plan that will insure that every New Jerseyan will have access to insurance is a good plan."

Many of the Clinton health care proposals mirror legislation already in place in New Jersey, among them the ability to transfer insurance coverage from job to job. On Tuesday, the Medical Society of New Jersey proposed creation of its own regional health alliances, one of the centerpieces of the Clinton plan.

And New Jersey officials are also concerned about potential limits on Medicare and Medicaid subsidies.

Limits in Federal plan concern New Jersey; rule changes worry Connecticut.

In Connecticut, health officials expressed concerns not only about the potential impact of the Clinton plan on the state budget but also about the whirl of regulatory changes that would be required at the state level.

The co-chairman of the General Assembly's Public Health Committee, Senator Kenneth L. Przybysz, said he was concerned that giving the states a major role in managing the new system could require fast-footed action by the Legislature next year, when the House and Senate are only scheduled to meet for a three-month session, from February to early May.

The anxiety in New York State could have a political impact in Washington because Gov. Mario M. Cuomo and other state leaders are conveying their apprehensions to the state's senior Senator, Daniel Patrick Moynihan. As chairman of the Senate Finance Committee, Mr. Moynihan will almost certainly be a crucial player in negotiations on the health care plan, and he has already criticized the financing of the Clinton proposal as "fantasy."

Mr. Cuomo and Mr. Moynihan, both Democrats, are using their concern about the Clinton plan as leverage to push for changes in the Federal Government's Medicaid reimbursement formula, which they feel is unfair to New York. Designed nearly three decades ago, the formula allows the Federal Government to reimburse New York for 50 percent of its Medicaid spending while reimbursing states con-

sidered poorer for nearly 80 percent of their costs. The remaining Medicaid costs in New York are paid by the state and local governments.

New York officials argue that the formula, which is based on the average income of workers in states, is outmoded, particularly given the state's responsibility for dealing with AIDS, homelessness, drug abuse and tuberculosis. The General Accounting Office, an investigative arm of Congress, agreed in a recent report, but the Clinton plan does not address the issue.

"We cannot afford this unfair allocation of Medicaid dollars, and my position is I will not approve of any plan

which does not do a little closer to fairness on Medicaid," Mr. Cuomo said Tuesday in Syracuse.

Deep cuts in Medicaid, in particular, could hurt New York disproportionately because the state has a large number of recipients and broad eligibility standards compared with other states.

In the 1992 Federal fiscal year, 8 percent of all Medicaid recipients lived in New York, second only to California, according to the Federal Department of Health and Human Services. But almost 17 percent of all Medicaid dollars were spent in New York, nearly double the amount spent in California.

Medicaid spending in New York, ex-

cluding spending on mental health, is projected to be \$19.6 billion in the 1993-94 state fiscal year. It is growing at 13 percent a year, placing a continuing strain on state and local budgets.

Another problem for New York may be the President's plan to distribute Federal aid for graduate medical education more equally to underserved regions and to reward medical schools that emphasize the training of primary care doctors. New York City is a major center for medical education and many of the students and residents there are training in specialized medicine.

The health insurance industry, which is heavily represented in Connecticut, is expected to experience a severe

shakeout if the Clinton proposals pass. But the larger insurance firms, many of them based in Hartford, are expected to do well.

New Jersey, as home to some of the world's largest pharmaceutical companies, is torn between support of the Federal plan to discount drugs for the Medicare program and protecting some of the state's most important businesses.

THE NEW YORK TIMES THURSDAY, SEPTEMBER 23, 1993

Handwritten note: Take rule to women rule

THE WHITE HOUSE

WASHINGTON

September 22, 1993

THE PRESIDENT HAS BEEN
9.23.93

MR. ~~PRESIDENT~~:

I shared this with the
Speechwriters.

John Podesta

To Alamy



THE SECRETARY OF VETERANS AFFAIRS

WASHINGTON

September 22, 1993

THE PRESIDENT HAS BEEN

9. 23. 93

The President
The White House
Washington, DC 20500

Dear Mr. President:

On Saturday, September 18, 1993, I had the pleasure of joining the First Lady in co-hosting a highly informative meeting for six veterans organizations to discuss Health Care Reform.

This candid meeting was highly productive, and as a result, all six of the major veterans organizations have now endorsed the broad concept of health care reform. The willingness of Mrs. Clinton to enter into an in-depth discussion, and her obvious display of interest and concern for veterans' health care, were instrumental in obtaining the endorsement of these groups. Their letters of support have been delivered to the White House, and I have taken the liberty of enclosing copies for your information.

Subsequently, I held a meeting here at VA with 14 veterans organizations. I am proud to report to you that these groups unanimously support the health care reform concept that you are recommending. A list of these organizations is also enclosed.

Mr. President, the eight million members of these organizations represent a solid core of the 27 million men and women who have served in our Nation's armed forces. So it is accurate to say that America's veterans have joined with you and Mrs. Clinton in this bold initiative to bring comprehensive health care to all Americans. You may wish to recognize this commitment in your address to the Nation before Congress this evening.

With warm personal regards.

Respectfully,


Jesse Brown

Enclosures: 8



Putting Veterans First

VETERANS ORGANIZATIONS ENDORSING HEALTH CARE REFORM

American Gold Star Mothers
The American Legion
AMVETS
American Ex-Prisoners of War
Blinded Veterans Association
Catholic War Veterans
Disabled American Veterans
Legion of Valor
Military Order of Purple Heart
Non Commissioned Officers Association
Paralyzed Veterans of America
Veterans of Foreign Wars
Vietnam Veterans of America
Polish Legion of American Veterans, USA



September 20, 1993

Mrs. Hillary Rodham Clinton
The White House
1600 Pennsylvania Ave., NW
Washington, DC 20500

Dear Mrs. Clinton:

I am writing to express AMVETS' appreciation for your personal involvement to reform the VA medical system and to make it a leading force in national health care.

The plan, as presented at our meeting with you on Saturday, September 18 accomplishes much of what AMVETS has proposed to reform the VA system. AMVETS is confident that relatively small changes will provide greater incentive for the higher income, non service-connected veteran to participate. With the addition of a plan to provide long term care in the basic benefits package, VA will become a system veterans will use increasingly and take pride in.

We urge a continuing dialogue between the administration and veterans organizations so that we may assist with the details and support the plan in Congress.

Mrs. Clinton, thank you once again for your service to America's veterans. AMVETS looks forward to working with you on this most important issue.

Sincerely,

James J. Kenney
Transition National Executive Director

JK/mb

SERVING
WITH
PRIDE



A M V E T S

NATIONAL
HEADQUARTERS
4647 Forbes Boulevard
Lanham, Maryland
20706-9961
TELEPHONE: 301-459-9600
FAX: 301-459-7924
FTS: 8-344-3552



Motto: "If I cannot speak good of my comrade, I will not speak ill of him."



DISABLED AMERICAN VETERANS

NATIONAL SERVICE and LEGISLATIVE HEADQUARTERS
807 MAINE AVENUE, S.W.
WASHINGTON, D.C. 20024
(202) 554-3501

September 20, 1993

The First Lady Hillary Rodham Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Ms. Clinton:

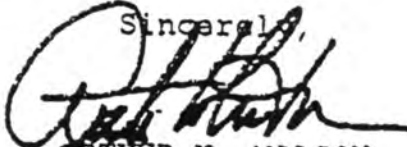
I am writing to extend the most genuine appreciation and gratitude of the Disabled American Veterans for your taking the time out of what must be a most hectic schedule to meet with the Veterans' Service Organizations this past Saturday to apprise us of the role identified for the Department of Veterans Affairs (VA) in the quest to make meaningful health care reform a reality for the citizens of our nation.

At the conclusion of the meeting, there were, I believe, three salient points that emerged. First, was the President's deep, personal feelings and commitment to the importance of maintaining and preserving an independent, quality VA health care system whose primary mission will continue to be the treatment of disabled veterans. The DAV agrees this is how it should be.

Secondly, and what we view to be the most central feature of the reform package, is the assurance that veterans now utilizing the VA for their health care needs will not experience a diminution of services. In fact, many veterans will experience an increase in the scope of benefits provided by VA.

Finally, we embrace the concept of securing reimbursement for the care provided certain veterans from Medicare. We agree with you that this is most central to the continued stability of the VA in the years to come.

In summation, Mrs. Clinton, the DAV supports and endorses the role identified for the VA in the Administration's Health Care Reform Plan.

Sincerely,

ARTHUR H. WILSON
Executive Director
Washington Headquarters

AHW:nb



OFFICE OF THE
NATIONAL COMMANDER

September 21, 1993

Mrs. Hillary Rodham Clinton
The White House
Washington, DC 20500

Dear Mrs. Clinton:

Thank you for inviting our staff to participate in the informative briefing on September 18, about how veterans will be affected by the administration's Health Security Act.

The American Legion's Veterans Planning and Coordinating Committee has been discussing this issue for more than 2 years. The recommendations of the VPCC were endorsed by the Legion's National Executive Committee in May 1992, and our plan was published late last year.

From the beginning of your deliberations on a national health care plan we were concerned not so much with what veterans could get out of any change in the delivery of health care nationally, but with the prospect that veterans might be left out of the overall mix of delivery schemes. On several occasions in the past 8 months we have shared our concerns with Secretary Jesse Brown and with you. Clearly, you and the members of the health care task force took our concerns seriously, and we are most appreciative of the efforts each of you made to ensure that veterans will be treated with equity and dignity.

While we do not know the final shape of the Health Security Act, we stand ready to fight to protect the benefits that have been described to us by you and Secretary Brown, and to use the power we have to let members of Congress know how we feel.

The American Legion will not stand by and let VA suffer from the status quo. We are well aware of the importance of the inclusion of VA health care in a national health program, if the system designed for veterans is to survive.

Sincerely,

A handwritten signature in cursive script that reads "Bruce Thiesen".
BRUCE THIESEN
National Commander



NATIONAL HEADQUARTERS
5413-B BACKLICK ROAD
SPRINGFIELD, VA 22151-3980
(703) 642-6360 (FTS-489-3863)

OFFICE OF: National Commander

September 21, 1993

Hillary Rodham Clinton
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mrs. Clinton:

It gives me a great deal of pleasure to inform you that the Military Order of the Purple Heart of the USA, an organization of combat wounded veterans, endorses the VA Participation in the National Health Plan as outlined by Secretary Brown in a recent briefing to the Veterans Service Organizations. We hope that the Secretary's plan will be adopted as part of the National Health Plan.

Sincerely,

A handwritten signature in cursive script that reads "Michael D. Tomsey".

MICHAEL D. TOMSEY
National Commander

MDT/hrc



Vietnam Veterans of America, Inc.
1224 M Street, NW
Washington, DC 20005-5183

(202) 628-2700
(202) 628-5880 fax

In Service to America

September 20, 1993

The First Lady
Honorable Hillary Rodham Clinton
Old Executive Office Building
17th and Pennsylvania Avenue, NW
Room 100
Washington, DC 20503

Dear Mrs. Clinton:

This letter is intended to express the sincere appreciation of my organization, Vietnam Veterans of America (VVA), for your inclusiveness and openness in responding to the concerns of the organized veterans community on health care issues throughout your work in crafting a comprehensive health plan for the nation. The veterans community provided you with its preferences and you delivered by sustaining VA's health operations as an independent entity within the overall national health plan.

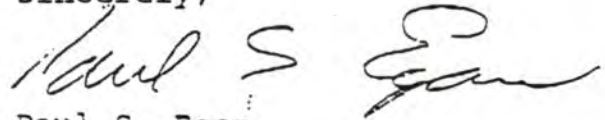
It is gratifying to note that the extraordinary hospitality you and the President have shown the veterans organizations is without parallel in recent memory. In this connection, it is hoped the demonstration of hubris by a representative of one of the veterans groups at last Saturday's meeting is not mistaken for a representation of ingratitude by all of the veterans groups.

Mrs. Clinton, even without having reviewed the important details of your plan, you may feel free to assume with considerable confidence that VVA is prepared to place the full weight of its advocacy efforts on Capitol Hill behind your plan. It may also interest you to know that unlike most of the other veterans groups, the availability of choices for VA-dependent veterans in selecting health providers, as your plan makes possible for the first time, is even more important to VVA than the maintenance alone of an independent VA health system.

Under the circumstances, our involvement in the legislative effort to achieve national health will be focused not only on VA, but instead on the overall program. This is because we are convinced that the better the program for the nation as a whole, the better the choices for veterans. The only difference we have with you on this program has more to do with assumptions than with substance. We have less confidence than perhaps you have in how successful VA will be in becoming user-friendly and therefore competitive in attracting paying subscribers to VA health facilities. What we are certain of however, is that VA health cannot survive in a national health environment absent your program for veterans.

As the battle lines begin to take shape in this titanic struggle to achieve national health, we look forward to playing a role in supporting both you and the President. It should be added here that the reach of our efforts will extend well beyond the Veterans Affairs Committees. It is indeed ironic that Vietnam veterans have never enjoyed the privilege of being able to rely on the Veterans Affairs Committees alone.

Sincerely,

A handwritten signature in cursive script, reading "Paul S. Egan". The signature is written in dark ink and is positioned above the typed name.

Paul S. Egan
Executive Director

VETERANS OF FOREIGN WARS OF THE UNITED STATES



THE COMMANDER-IN-CHIEF

September 22, 1993

Hillary Rodham Clinton
The White House
Washington, DC 20002

Dear Mrs. Clinton:

On behalf of the Veterans of Foreign Wars of the United States I would like to thank you for your efforts in working toward health care reform. We are particularly appreciative that you have solicited our views, and the views of our fellow veterans service organizations, throughout the process. We believe the health care reform concept proposed by the Administration is a good one. Further, we believe the role assigned the VA health care system under this plan is good for America and in the best interest of veterans. We are pleased to offer our support.

I would also like to commend Secretary of Veterans Affairs, Jesse Brown. On this issue, as with many others, he has encouraged veterans to become part of the process thereby ensuring our concerns are addressed and voices heard.

As the health care debate begins the VFW looks forward to continued dialogue with both the Administration and Congress. Tough and difficult battles lie ahead. We are preparing for future battles confident that we will ultimately succeed.

Sincerely,



George R. Cramer
Commander-in-Chief



PARALYZED VETERANS
OF AMERICA

Chartered by the Congress
of the United States

September 22, 1993

Mrs. Hillary Rodham Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mrs. Clinton:

On behalf of the members and officers of the Paralyzed Veterans of America (PVA), I want to thank you and commend you and all the individuals involved with the "American Health Security Act of 1993," to secure health-care reform for all Americans. As a veterans' service organization chartered by Congress with the mission of ensuring that the needs of veterans who have experienced catastrophic spinal cord injury or dysfunction are met, we applaud and support your efforts to secure appropriate, affordable health care for all Americans.

I want to extend PVA's appreciation for the time you spent this past Saturday, September 18, briefing us on the outlines of the proposal and listening to our concerns. As you advised, we are working with the Secretary of Veterans Affairs, Jesse Brown, to clarify those issues which remain a concern to our members and we have conveyed those issues to the Secretary in a separate letter.

PVA is extremely pleased that the plan, as outlined, provides for a national, independent veterans health care system. And, we support your initiative to incorporate additional resources such as Medicare funding into the income stream available for veterans' health care.

Beyond the VA initiative, your efforts in health care reform offer, for the first time a substantial new program of long term care and assistive services offering new hope for millions of Americans with disabilities. Your efforts afford new prospects for those Americans who have experienced catastrophic disability for a more dignified and cost-effective alternative to institutional care.

PVA supports the concept of your program and we look forward to working with the Administration and the Congress, to bring about this much needed change. We thank you and all involved in this endeavor.

Respectfully,

Gordon H. Mansfield
Executive Director

cc: Honorable Jesse Brown, Secretary of Veterans Affairs

THE PRESIDENT HAS SEEN

a. 23. 93

To Tony Fyl - B

From:

Stanley Sheinbaum

C2

THE NEW YORK TIMES, THURSDAY, SEPTEMBER 23, 1993

Economic Scene | Peter Passell

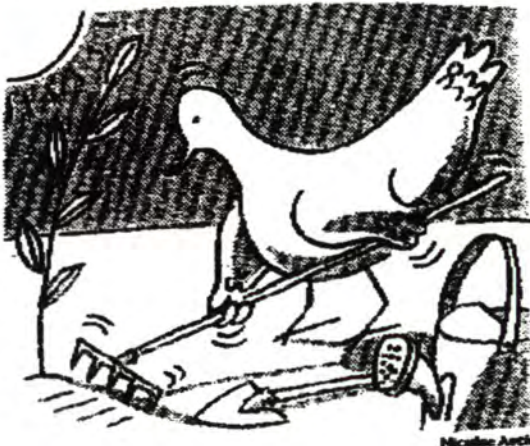
The Palestinians may now have a chance to spur their economy.

WITH peace breaking out in what some call Palestine, can prosperity be far behind? Even those inclined to optimism are apt to be shaken by the squalor of the occupied territories — the open sewers, impassable roads, rag-tag refugee camps. But the wretched state of the infrastructure masks a remarkable gain in private income during the two decades sandwiched between the 1967 war and the start of the open rebellion against Israel. More important, it ignores Palestinians' greatest, if least tangible, assets: an enterprising business culture that has proved its mettle in the Persian Gulf states and a relatively well-educated work force.

The two keys to success, argues Stanley Fischer, formerly the chief economist of the World Bank, are to keep the economy closely linked to Israel's and to prevent the encroachment of government bureaucracy.

Some would add a third: the good sense to shovel enough money into crippled Gaza to keep it politically stable, while the more viable West Bank has a chance to show its stuff. "The Palestinians need time to get their house in order," said Ann Lesch, associate director of the Center for Arabic and Islamic Studies at Villanova University.

The starkest realities about the economy of the occupied territories are how small it is and how dependent on the outside world. The World Bank estimates the territories' income at about \$3 billion in 1991, just one-twentieth that of Israel's. Roughly 20 percent of all spending power came from wages earned by commuters to Israel — mostly construction and farm workers. Another 10 percent came from exports, farm products and simple manufactures shipped (legally or illegally) to Israel. Yet an additional 30 percent came as foreign remittances — a combination of refugee aid and gifts from



Palestinians living abroad.

Ties that chafe, however, do not always bind. The opening of the border with Israel in 1967, along with the elimination of Jordanian regulations designed to protect Jordan's backward East Bank economy from West Bank competition, generated a boom in enterprise. Output per person nearly doubled in 20 years — quite a feat for a land suffering 3 percent annual population growth. All the standard measures of affluence moved in synch: infant mortality was halved, households with electricity tripled, the proportion of residents with access to safe water rose to 90 percent from 15.

This suggests that a restoration of the peace — or, at least, the order of the 1970's and 1980's — could presage an economic blossoming. A World Bank report on the territories, published earlier this month, concurs. Indeed, it offers a catalogue of strengths ranging from education (2 percent college graduates, the highest in the Mideast) to generous expatriates (\$300 million in remittances annually before the Persian Gulf war) to stable public finance (no external debt, no parasitic public sector) to the potential for religious tourism.

But even if the peace holds, economic progress is far from assured. Mr. Fischer worries that the

political temptations for the little economy to go it alone will be great. There is already talk, he notes, of spending hundreds of millions of dollars improving the port in Gaza, in spite of the existence of a deepwater port a few miles up the coast in Israel. By the same token, there is bound to be pressure to waste precious foreign assistance on a jetport, when the territories can be adequately served through Tel Aviv and Amman.

A related concern is that the territories will follow the almost universal custom of new countries to protect their industries from foreign competition, raising consumer prices and inhibiting the sort of export-led specialization critical to the success of Singapore and Hong Kong. "Economically speaking, the Palestinians simply must rely on Israel," says Eytan Sheshinski, an economist at Hebrew University in Jerusalem.

If they do succumb to protectionism, Israel is sure to retaliate. In fact, some Israelis — notably farmers and local manufacturers — are itching for the excuse because they are already unable to compete on price with West Bank enterprises. The smuggling of labor-intensive goods, such as shoes and bedding, is already an irritant in the Israeli-Palestinian relationship.

Non-radical Palestinian leaders are more or less aware of these potential pitfalls. As a practical matter, though, the problems of managing the transition may undermine their best-laid plans.

For one thing, Gaza, the least promising part of the territories' economy (but the first to be self-governing) will demand enormous infusions of cash and make-work projects as the price of cooperation with moderate Palestinian leadership. For another, the uninterrupted flow of commuter labor, which provided one job in three to the territories as recently as 1991, is critical to keeping growth on track. And even a hint of terrorism would make it difficult for the Israeli Government to allow the multitudes to cross the border each morning.

At least for the moment, though, the accent is on the positive. "The Palestinians have the smarts to pull it off," Ms. Lesch insists.

THE PRESIDENT HAS SEEN

09-23-93

THE WHITE HOUSE
WASHINGTON

03 SEP 17 P6:19

September 26, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: KATIE McGINTY

SUBJECT: FILLING THE 25TH POSITION ON THE PRESIDENT'S
COUNCIL ON SUSTAINABLE DEVELOPMENT

I am recommending that Mr. William Hoglund be appointed to fill the 25th position on the President's Council on Sustainable Development. Mr. Hoglund is an executive vice president of General Motors with responsibility for managing GM's North American operations.

The Council has already identified energy and transportation as issues that will be an area of focus. The automobile industry's economic and environmental impact make it a key sector to be represented on the Council.

Mr. Hoglund's position, experience, and interest in the relationship between economic growth and environmental protection make him an ideal candidate. Vice President Gore has expressed his support for Mr. Hoglund's appointment. Mr. Hoglund is a resident of Michigan, a state that does not register voters by party. He has, however, been an active fundraiser for Michigan Democrats.

Approve ☒

Disapprove ☐

Bruce has OK'd
JOP

THE WHITE HOUSE
WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: Dave Kusnet

Fax Number: 2239

Phone Number:

FROM: Sharon / Podesta's ofc

SUBJECT:

DATE:

NUMBER OF PAGES (including cover sheet):

MESSAGE:

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

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THE WHITE HOUSE
WASHINGTON
THE PRESIDENT WAS SEEN
9.23.93

September 21, 1993

MR. PRESIDENT:

I understand from John Hart that you wish to call Governor Cuomo to discuss medicaid and health care reform. Attached are briefing materials that John has prepared for that call. We will send an additional copy to the Oval in the morning.

TDS
Todd Stern

~~Ho~~

TZ HRC

For y. call to
Cuomo -

B.

SEPTEMBER 21, 1993

THE PRESIDENT'S OFFICE
9.23.93

MEMORANDUM FOR THE PRESIDENT

21 P6:59

FROM: JOHN HART, DEPUTY ASSISTANT TO THE PRESIDENT FOR
INTERGOVERNMENTAL AFFAIRS

SUBJECT: NEW YORK STATE MEDICAID AND HEALTH CARE
REFORM

cc: George Stephanopoulos
Carol Rasco

I. Summary

Governor Cuomo considers the issue of Medicaid to be the central issue in the health care reform debate. (The total number of people receiving Medicaid assistance in New York state exceeds the populations of 21 states.) Accordingly, the Governor has convinced Sen. Moynihan that the new health care system must address the inequities in the current Medicaid program. Although our reform proposal does not completely satisfy the Governor's concerns, the plan offers a number of financial, policy and political benefits to New York State. (These benefits are summarized in the attached talking points.)

II. Discussion

1. Consultation Process with New York State

In addition to our consultation with the NGA, we have had over a dozen private meetings with New York state health officials designated by Governor Cuomo. Consultations have focused on New York's Medicaid program and reconciliation of our health care reform plan with New York State's health care reform efforts. Governor Cuomo is aware of these consultations.

Despite our repeated overtures, the Governor has been reluctant to play a direct role in the consultative process. The Governor has declined invitations to meet with Ira or the First Lady prior to release of the plan. Governor Cuomo maintains that he does not want to take a public position before the President speaks to the nation.

2. Issues of Concern to New York State

(A) Medicaid Funding:

The Governor feels very strongly that under the current system, New York does not receive its' fair share of Federal dollars compared to other states. Accordingly, the Governor

is very apprehensive about a health care reform plan that preserves current inequities in the Federal funding scheme. (See attached Talking Points for our response.) The Governor feels that our plan will not satisfy New York's concerns and has chosen to bet on resolution of the funding issue in Congress through Senator Moynihan and the Senate Finance Committee. (Attached please find New York State specific Medicaid information, which should provide a context for Governor Cuomo's concerns.)

(B) Long-Term Care:

New York is concerned that its generous provisions for long-term care services will not be adequately compensated under the new plan. Consequently, the Governor is concerned that the state will be left to make up the balance. (See attached Talking Points for our response.)

3. Governor Cuomo's Role in the Health Care Debate

The Governor sees the President's introduction of the plan as only the first step in a long process of negotiations with Congress. Accordingly, he plans to closely align himself with Senator Moynihan, Chairman of the Senate Finance Committee, to ensure that New York's funding concerns are protected. Publicly, the Governor will be very complimentary of the President's efforts and supportive of his goals of controlling costs and providing universal access.

TALKING POINTS
BENEFITS OF HEALTH CARE REFORM TO NEW YORK STATE

I. Governor Cuomo Talking Points

Acknowledge Governor Cuomo's Leadership on Behalf of Health Care Reform in New York State

- * When talking to the Governor, it is important to recognize New York's own achievements in health care reform. New York has been on the vanguard of introducing many of the reforms we propose in our plan: controlling costs, expanding care, emphasizing preventive and primary care, increase funding for prenatal and long-term care services.

Address the Equity Issue of Concern to the Governor

- * Inform the Governor that the White House is committed to correcting the inequities once health care reforms are in place. Solicit his thoughts on the best approach to achieving full equity among the states.

Request his Counsel on the Plan and the Upcoming Debate

- * We have been informed that the Governor has read a copy of the 270 page plan and was favorably impressed by it.
- * Because of his vast experience, strong interest in health care reform, and nexus to Senator Moynihan, Governor Cuomo stands in a unique position to render advice in upcoming discussions on the Hill.

Request that the Governor Add his Voice to the Upcoming Public Debate

- * Recognize the need for the Governor to protect funding to his state and that there will be differences along the way. But underscore the importance of concentrating on the primary, shared goals that you will address tomorrow night.

II. Discuss Benefits of Health Care Reform to New York State

Medicaid

- * Our plan satisfies one of Governor Cuomo's greatest concerns regarding health care reform -- integration of the low-income population into the mainstream health care system.

Medicaid (cont.)

- * Medicaid long-term care services that get transferred to the new long-term care program are capped at the budgeted rate of growth, when fully implemented.
- Last year New York State's Medicaid spending increased over 17% from the previous year. The majority of growth was in long-term care services for the elderly and disabled.

Long-Term Care

- * The new program for Home and Community Care will provide substantial federal funds to states. States, like New York, that are now providing extensive home care services will not only get new dollars, but may experience some relief from current state spending. HHS estimates that New York stands to reap a windfall of \$4-5 million in the next few years.

Mental Health

- * Nationally, the benefit package absorbs about 45% of current state expenditures for mental health.

Increased Funding for New York State

- * The Federal government, not state employee health programs, subsidize early retirees.
- * States and localities will be able to reduce direct spending on the thousands of residents on General Assistance/General Relief medical assistance when those individuals receive universal coverage.
- * States and localities will be able to reduce direct support to hospitals and clinics that now care for the uninsured.

Cost Containment

- * The Federal government takes responsibility for enforcing caps on premium increases.
- * State Medicaid spending for the guaranteed benefits will be capped at the budgeted rate of growth, resulting in substantial savings off of projected spending.

Universal Access

- * The Federal government will provide the funding mechanism necessary to achieve universal coverage.

NEW YORK STATE MEDICAID PROGRAM

PART I State-Specific Information

General Characteristics

- o Statewide Medicaid program is funded as follows: 50 percent Federal, 25 percent State, and 25 percent County funds.
- o Total Medicaid expenses (Federal and State) currently exceed \$20 billion annually.
- o Disproportionate share hospital (DSH) payments will exceed \$1.3 billion dollars in FY 1993.
- o State legislation requires 50 percent of Medicaid eligibles to be enrolled in managed care programs by 1998. There are currently 76 contracts for managed care programs covering 210,000 enrollees.
- o The State operates 4 freedom-of-choice (managed care) Medicaid waivers and 5 home and community-based services waivers.

National Standings

- o New York has approximately one-tenth of the country's Medicaid population, and is second only to California in number of recipients.
- o New York is first in Medicaid expenditures in the United States, and accounts for about one-fifth of the country's total Medicaid expenditures.
- o New York's Medicaid expenditures are affected by the State's peculiar problems; e.g., high labor costs, a heavy reliance on hospital care, poor people who are sicker than in other parts of the country, generous benefit package, and liberal eligibility standards.

Population Covered

- o There are 2.8 million Medicaid beneficiaries in New York.
- o New York covers all mandatory eligibility groups and virtually all optional eligibility groups.

- o New York covers pregnant women and infants up to 185 percent of the Federal poverty level (which is higher than required by Federal law).
- o New York also provides Medicaid services to 300,000 individuals through the State-funded General Assistance Program.

Services Covered

- o New York has a very generous Medicaid program. The State covers all Federally-mandated services and virtually all optional services.

PART II State's Concerns About Health Care Reform

- o The State has reviewed the President's proposal and has not concluded what the impact will be on New York.
- o New York has expressed concerns about the issues outlined below:

Maintenance of Effort

- o The State and local governments (New York City and the Counties) are spending over \$11 billion per year to assure access to health care.
- o These funds cover Medicaid beneficiaries, as well as the general assistance population (those who are not Federally eligible).
- o New York wants an assurance that the maintenance of effort requirements of health care reform will be equitable among States -- and not punish States (like New York) who have had generous Medicaid programs with only a 50 percent Federal match.

Long-Term Care

- o New York has a very extensive institutional and non-institutional long-term care program.
- o New York is concerned that the health care reform plan may cover less than the State now covers. They are concerned about financing for the difference in the

Role of States in Health Care Reform

- o National Health Board will deal directly with States on some issues -- and directly with Alliances on others.
- o New York is concerned about States being left out of the decisionmaking process when the Board deals directly with the Alliances or other State entities.

THE PRESIDENT HAS SEEN
9/23/93

THE WHITE HOUSE
WASHINGTON

721 P2:10

GS/Gary
me + let's down
B.

September 21, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BERNIE NUSSBAUM AND RON KLAIN

SUBJECT: JUDICIAL SELECTION "LITMUS TEST" ISSUE

A New York Times article and editorial have questioned our handling of the abortion issue in judicial selection.

Background on the Controversy

Several District Court candidates recommended to us by Senators (or Senatorial equivalents) have previously expressed anti-choice views. We believe there are four such candidates out of the 85+ District Court candidates now being processed.

Pro-choice and women's groups have asked us to reject these candidates categorically. They have met with us and with Eldie Acheson to press this concern; these meetings have given rise to the recent press stories.

The specific candidate mentioned in the press accounts is Bill Downes of Wyoming. He was recommended by Governor Sullivan and (pro-choice) Secretary of State Kathy Karpan. Downes' qualifications are still being reviewed by the Department of Justice; he has not yet been formally interviewed.

Proposed Policy

Thus far, we have not been rejecting, per se, District Court candidates merely because they have personal anti-choice views. The difference between these judicial candidates and Supreme Court Justices is that District Court judges are sworn to apply Supreme Court and Court of Appeals precedent, and (unlike Justices of the Supreme Court) cannot make law.

Thus, in our selection process, we have focused on insuring that District Court candidates are committed to applying the law fairly and without bias, including the protection of abortion rights. This means, for example, insuring that anti-death penalty candidates could sentence a convict to death where appropriate -- and that candidates with personal anti-choice views would apply Roe v. Wade to protect women's rights and abortion-clinic access.

Of course, overall ideology is a factor in our review of District Court judges: a judicial candidate with a constitutional philosophy far different from yours might not be recommended for nomination. Likewise, a candidate whose personal views on any single issue -- including abortion -- were so strong that he or she could not fairly apply existing law (including the protection of abortion rights), would not be fit for appointment.

But what the pro-choice groups seek is an abortion "litmus test" for lower court judges: rejecting recommended candidates solely because of their personal or political views on this issue. They argue that the role of District Court judges in finding facts and in dealing with mixed questions of law-and-fact makes it essential to insure that all of our nominees are personally pro-choice.

To do so, however, would raise innumerable complications. What other issues would we "litmus test"? Gay rights? Death penalty? If we reject recommended District Court candidates solely because they have anti-choice views, we would invite confirmation scrutiny of the specific issue stands of our lower court nominees that can otherwise be fended off, on the grounds that we ourselves do not engage in such "litmus testing."

Points You Should Know

In light of the above, the following are a few points on this issue you might want to keep in mind:

- Philosophy is a factor in reviewing candidates for the lower courts, but we will not litmus test on a single issue. There is a difference between this and the Supreme Court.
- For lower court nominees, the key question is fidelity to Supreme Court precedent; our process aims at insuring that prospective judges will apply the law fairly and without bias -- this includes a commitment to protecting abortion rights under prevailing precedent.
- Contrary to some suggestions, we are not seeking out anti-choice candidates to prove that you are a "moderate." We do not seek anti-choice candidates -- but we will not reject them solely because they have expressed such personal views.
- As for Downes specifically: he is in a preliminary stage of our process -- the review of his record is not complete, and you have not received a recommendation on him from Justice.

And again, remember that the universe of allegedly anti-choice candidates is just four out of 80 (and two of those four may be rejected for other reasons).

THE WHITE HOUSE
WASHINGTON

DATE: 9/23

NOTE FOR: *George*

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

Information

☒

Action

☐

Thank you.

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

cc:

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
9-22-93

✓
MEMORANDUM TO THE PRESIDENT
FROM GEORGE STEPHANOPOULOS

Please find attached the series of articles
you requested from the LA Times by David
Shaw. They ran 09/15 - 09/17.

*Interesting
- No he never really
gave us credit for doing
anything except in a couple
of paragraphs - V. important
it's hard to learn to them*



Wednesday
September 15
1993

DAILY 75¢
EDITION OF THE LOS ANGELES TIMES

Not Even Getting a 1st Chance

■ Early coverage of the President seemed more like an autopsy. White House missteps and aggressive media pursuit never allowed Clinton the customary honeymoon.

By DAVID SHAW
TIMES STAFF WRITER

It's a videotape, only 4 minutes and 12 seconds long, but it was one of the highlights of Bill Clinton's inaugural celebration. On the tape, one political pundit after another—pundits from such news organizations as the Washington Post, Wall Street Journal, Newsweek and the New Republic—are seen confidently spouting their predictions on television talk shows during various stages of the 1992 presidential campaign.

"Clinton is not electable," says one pundit.

"He's going to get out of the race," says another.

"He won't make it," says a third.

In kaleidoscopic fashion, the doomsayers' faces and voices flash by:

"Bill Clinton is unelectable."

"In November's general election, Clinton will be clobbered by Bush."

"This guy's not going to be President."

"Bill Clinton is a loser."

Then, the rapid-fire wrap-up:

"He's dead meat."

"He's dead."

"He's dead."

"Clinton is unelectable."

As the video winds down, Bill and Hillary Rodham Clinton are seen on-screen, smiling and embracing—with Frank Sinatra's voice crescendoing in the background... singing "Who's Got the Last Laugh Now."

Guests at the Clintons' inaugural party whooped with delight when the video was shown, but in the almost eight months since that euphoric evening, neither the Clintons nor their supporters have had much opportunity for such laugh-

COVERING CLINTON
Did Media Rush to Judgment
or Merely Reflect Reality?

■ First in a three-part series

ter. Indeed, they could be forgiven if they have occasionally found themselves humming (through gritted teeth) a few other Sinatra tunes—"I'll Never Smile Again" . . . "Everything Happens to Me" . . . maybe even "You'll Get Yours."

The media battered Lyndon B. Johnson over Vietnam and savaged Richard Nixon over Watergate, but perhaps never in our nation's history—certainly not in its recent history—has a President so early in his term been subjected to a greater barrage of negative media coverage than Bill Clinton endured in his first 239 days in office.

Clinton's own mistakes, his quixotic decision-making style and his up-and-down relationship with an increasingly confrontational, increasingly competitive news media obliterated any chance for a hon-

Please see **COVERAGE, A6**

Continued from A1

eymoon—the respite, however brief, that journalists once granted new presidents.

Herblock (Herbert Block), the three-time Pulitzer Prize-winning editorial cartoonist for the Washington Post, best exemplified this traditional journalistic benevolence when Nixon was elected in 1968.

Throughout his adult life, Nixon has had a heavy beard, a perpetual 5 o'clock shadow, and Herblock had routinely accentuated that look by drawing him with a dark-jowled, sinister-looking mien.

But in the first cartoon he drew after Nixon was elected President, Herblock did not show Nixon at all; instead, he drew a barber pole, a counter filled with shaving and drawing implements—and a sign that proclaimed: "This Shop Gives to Every New President of the United States a Free Shave."

Clinton received no free shave from the nation's news media; he was nicked, cut, sliced and slashed by the barbers of the Fourth Estate—and instead of a honeymoon, he got an autopsy. As an early Washington Post story put it:

"The pundits have stuck a fork in this Administration and decided it's very nearly done."

In his first months, Clinton was described as "inept and indecisive" (the Los Angeles Times); embarked on "an error-ridden shakedown cruise" (New York magazine); beginning to "stumble with a certain farcical rhythm" (Time magazine), and someone who would "win weekly on Ted Mack's Amateur Hour" (David Brinkley on ABC).

"The President's media 'honeymoon' was over before it began," said the Center for Media and Public Affairs after studying network news coverage of Clinton during the first 10 weeks of his presidency.

Why was coverage of the Clinton presidency so negative so quickly?

There are several explanations, but any analysis of media coverage of Clinton—or of any modern President—must begin with one simple fact: Ever since a far more benign and credulous news media encountered pervasive White House duplicity over Vietnam and Watergate, reporters have become increasingly skeptical, even cynical, of virtually any word or deed emanating from the Oval Office.

"There's a kind of sediment of cynicism that's been building up for 30 years," says Hendrik Hertzberg, executive editor of the New Yorker. "The layers of cynical sediment are higher for each new face" in the White House, no matter whom that face belongs to.

As a result, says Linda Douglass, a Washington correspondent for CBS News, "there's now an essentially predatory connection between the press and the White House."

In the eyes of some journalists, whatever the President—any President—does is wrong.

Thus, when President George Bush's nomination of Sen. John Tower as secretary of defense ran into trouble in 1989 and Bush stuck with him to the end, he was criticized for bad judgment, for "stubbornly stretching out this soap opera" in a way that would force Bush to pay "an enormous political price," in the words of a Newsday editorial.

But when Clinton ran into trouble over his nomination of Lani Guinier to be chief of the Civil Rights Division of the Justice Department and he jettisoned her rather than risk having to pay an enormous political price, he too was derided in the media—for not sticking with Guinier as a matter of principle, through almost certain defeat—for "backing down in the face of political heat," as a New York Times story put it.

This reaction only confirmed what columnist Leslie Gelb had written in the New York Times four months earlier:

"My colleagues and I, like journalistic Dr. Strangeloves, are ready to nuke Mr. Clinton at the slightest provocation."

Jim Lehrer, associate editor and co-anchor of the "MacNeil/Lehrer NewsHour" on PBS, said in a commencement address at Williams College that this approach carries "a stench of contempt," an arrogance that says all politicians are scum and only journalists are "smart enough to know what to do" about every problem facing the body politic.

Escalating competitive pressures have exacerbated this phenomenon. As news budgets, staffs and audience share have shriveled in recent years, reporters in Washington, as elsewhere, have become more competitive—and more competition almost inevitably leads to a lowering of standards and a blurring of lines between responsible news media and gossipy, tabloid media.

On some stories, being first—or

catching and "surpassing" whoever is first—often becomes more important than being right and being responsible. Having instant impact—attracting readers, ratings and the attention of your media peers and employers—often becomes more important than having verifiable facts.

Result: More sensationalism. More trivia. More "attack" journalism. More pack journalism.

No one wants to be left behind, so if one newspaper or newsmagazine or television commentator says something, almost everyone rushes to catch up.

A single "fact" or observation becomes the conventional wisdom faster than you can say "Zoe Baird." When Clinton faltered early—losing Baird and Kimba M. Wood as candidates for attorney general because of problems involving their domestic help—it quickly became fashionable to deride the Clinton Administration as being doomed.

"This is a city where the haberdashery is resistant to fashion but where political thought is run by fashion," says David Shribman, Washington bureau chief for the Boston Globe.

And right now, what's fashionable in Washington, perhaps even more than in Hollywood, is celebrity. Leadership, columnist William Safire wrote in the New York Times recently, has been "transmogrified . . . into mere celebrity," producing a cult of personality.

Nowhere is this more true than in coverage of the President.

"The President is ultimately responsible, but we exaggerate his impact," says Ronald Brownstein, a political reporter for the Los Angeles Times. "The basic structure of the coverage is too much like 'High Noon' . . . the President as the lone guy at the end of the street, in this empty town, facing off *mano a mano* with somebody. It really doesn't work like that. He's one actor, who doesn't have this whole street to maneuver in."

With Clinton, says Max Frankel, executive editor of the New York Times, the media have made the mistake of "treating him as emperor," not realizing that he "doesn't fit the imperial presidency mold . . . either as a person . . . [or] as a type. The times have changed."

The media "never cover what leaders think; we cursorily cover what they do; but we always cover what sort of people they are," Safire wrote. "Our central question is not 'Where are they taking us?' but

"What are they really like?"

In the White House pressroom, the world's most crowded—and most resonant—journalistic echo chamber, the cult of personality embraces not only the President but the reporters who cover him.

Of the 17,000 reporters stationed in Washington, almost 1,800 have White House credentials. The White House beat is one of the most prestigious in any news organization. White House reporters are usually talented and experienced. But they also tend to be driven by ambition and ego.

You don't make a name for yourself in the White House press corps by asking easy questions or by doing "soft" stories.

"We live in a time when the worst thing that can be said about a journalist in Washington is that he or she is not 'tough,'" says Brit Hume, White House correspondent for ABC News.

"In today's journalistic climate," says Eleanor Clift, White House correspondent for Newsweek, "you don't say what the guy did right; you say what the guy did wrong."

A reporter earns a reputation by being critical and confrontational, the way Dan Rather was with Nixon and Bush, the way Sam Donaldson was with Ronald Reagan.

In fact, resentment of successful media manipulation by the Reagan and, to a lesser degree, Bush administrations probably contributed significantly to the determined skepticism that greeted Clinton when he came to Washington.

But Clinton and his aides made it especially easy for the media to be antagonistic. The Administration stumbled and fumbled so often in the early going that if the White House had been a restaurant its *plat du jour* would have been flounder.

Ann Devroy, who covered Presidents Jimmy Carter, Reagan and Bush, is White House correspondent for the Washington Post. She says early media coverage of the Clinton Administration was "demonstrably more critical" than that of his immediate predecessors, largely for two reasons:

- The Administration began as "the most operationally dysfunctional White House I've ever covered."

- The Administration did a "very poor and inept" job of making their own case, thus enabling their critics and opponents to seize the initiative.

"The profound differences between campaigning and governing . . . [are] something they're only beginning to understand," Devroy said in late July.

In addition to committing many personnel and policy mistakes, Clinton and his top aides alternately ignored, insulted and impeded the news media.

Ironically, Clinton also gave the media the very ammunition that would be used most effectively against him. Throughout his campaign, especially in his 232-page book "Putting People First," he articulated a remarkably specific and ambitious list of objectives and timetables against which subse-

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quent revisions, retrenchments and retreats could be measured.

Clinton said he intended to "have a legislative program ready on the desk of Congress on the day after I'm inaugurated," and he promised "the most productive 100-day period in modern history."

Top Clinton aides—and some members of the press—believe that the President deserves credit for taking on so many big issues so quickly and for trying to bring about such dramatic change in so many areas of government. But they do not deny their early gaffes.

"We screwed up plenty," says Paul Begala, political adviser to the President.

Clinton egregiously miscalculated congressional tactics and opposition and saw his economic stimulus package defeated.

He flirted publicly with candidates for Supreme Court justice, attorney general and chief of the Civil Rights Division of the Justice Department, then abandoned them at the first sign of trouble.

He announced his views on gays in the military, Haitian refugees, western grazing lands, the use of force in Bosnia-Herzegovina, cutting middle-class taxes and the imposition of a broad-based energy tax, then reversed himself so quickly that even casual observers risked a severe case of whiplash.

Amid all this, the President—the Big Mac-chomping, baggy shorts-wearing populist President from a town called Hope—hobnobbed with Hollywood stars and

got a "\$200 haircut" from a stylist with one (foreign) name; he also saw his top aides fire the White House travel staff for alleged mismanagement, then backpedal furiously when the media and then their own internal investigators said they had acted improperly.

It is difficult to have a honeymoon if you determinedly avoid even a semblance of a courtship, and for the first four months, White House reporters say, presidential aides seemed more interested in wounding than in wooing them.

Clinton's disdain for the media as an institution was evident long before he was elected. Indeed, many in the White House press corps think he has never liked the media, and his election simply gave him the freedom to act accordingly.

"Probably not since Richard Nixon has a President come into office with so much antagonism toward the media," wrote Jeffrey H. Birnbaum, White House correspondent for the Wall Street Journal.

Begala denies this. Clinton, he says, simply has "a streak of populism in him . . . like all good Southern governors . . . [and it's]

But many reporters say he does not seem comfortable with the adversarial relationship of press and President.

Perhaps that's because he is "probably smarter than most reporters who cover him," in the words of Adam Nagourney, who has covered the Clinton campaign and White House for USA Today, and he resents being challenged by them. Perhaps it is because Clinton is a policy wonk and most political re-

porters are "essentially obsessed with the process and the game, not at all interested in the issues," as he told reporter Mark Miller of Newsweek early in the campaign.

That may be one reason Clinton snapped at ABC's Hume and accused the media of "turning any substantive decision into . . . political process" when Hume questioned him on live TV in June about the decision-making process that led to his nomination of Ruth Bader Ginsberg to the U.S. Supreme Court.

Clinton was not always so critical of the media. Nor they of him.

Before the New Hampshire primary, Clinton was the press corps' pinup boy. Time, the New Republic and New York magazines all ran cover stories on him, and he was anointed the Democratic front-runner before a single primary ballot had been cast.

Clinton returned the favor. He called selected reporters at home, asked their counsel, commented intelligently (and favorably) on their stories.

Then came Gennifer Flowers. And the draft. And marijuana. The media feeding frenzy stunned Clinton and almost destroyed his candidacy. In political terms, it was a near-death experience.

"Old-time friends, people who know him well have told me that those were searing experiences . . . that he never forgot," says Albert Hunt, executive Washington editor of the Wall Street Journal.

The feelings of acrimony soon became mutual.

"Many people who covered him grew to like him less by the end" of the campaign, says Susan Feeney, who covered the Clinton campaign for the Dallas Morning News and is now the paper's national political reporter.

That often happens after the prolonged, up-close contact of a heated political battle. Familiarity breeds contempt.

With Clinton, it may have been worse than most. He bobbed and weaved his way through all the controversies that dogged his campaign, rarely giving a straightforward answer. Sometimes he gave several different answers to the same question.

The media came to perceive him—rightly or wrongly—as someone who, even more so than most politicians, had only a nodding acquaintance with the Truth.

But didn't Clinton get more favorable coverage than Bush in the campaign? Isn't that the conventional wisdom?

Yes. And for once, the conventional wisdom is right. Sort of.

From the New Hampshire primary in February through the New York primary in April—the months of Jennifer Flowers, marijuana, the draft—Clinton got “maybe the worst press I’ve ever known a candidate to get,” says Meg Greenfield, editorial page editor of the Washington Post.

But before and after that period, Clinton fared very well.

A UC Irvine study by Mark P. Petracca, associate professor of political science, and Emily Bach, an honors graduate, says campaign coverage of Bush in Time, Newsweek and U.S. News & World Report from May, 1991, to November, 1992, was 75% unfavorable and 17% favorable; coverage of Clinton was 34% unfavorable and 60% favorable.

In the final weeks of the campaign—as in the months preceding the first primary—Clinton’s coverage was especially favorable (or at least it was much less unfavorable than Bush’s). In the 73 days preceding Election Day, 58% of the Washington Post’s Page 1 stories and headlines on President Bush were negative, compared to 28% negative for Clinton.

This imbalance was probably attributable far less to any ideological bias than to a certain generational affinity between many campaign reporters and the Clinton people. More important, there was a largely subconscious bias to which virtually all reporters fall prey—the bias in favor of a “good” story, which often translates to “change,” something new. New makes NEWS.

“The feeling was that a second Bush term would be fairly boring,” says David Broder, syndicated political columnist for the Washington Post. But with Clinton, “for a lot of reporters of his . . . generation, [there was] a sense of anticipation: ‘Our folks are going to be in charge.’”

In addition, Clinton’s problems with the media during the campaign notwithstanding, his press aides ran a smart, efficient operation, one based on knowing what reporters needed and getting it to them quickly; that kind of service can overcome almost any journalistic pique.

James Carville, Clinton’s campaign manager, says he talked to key people in the press every day during the campaign, doling out

select morsels of information, trying to find out what they knew and what they were talking about.

“Information in a political campaign is like spit in an 11th-grade class,” Carville says. “It gets swapped around a lot between the boys and the girls.”

But the exchange of spit (and of virtually everything else) shut down abruptly during the transition period between Clinton’s election and his inauguration—a time when he might have capitalized on his triumph and on whatever goodwill he had in the press.

“The transition ruined any good feeling that there might have been,” says Birnbaum of the Journal. “The dark days of Little Rock after the election, I think, are what soured the press relations with the Clintons.”

Reporters covering the transition sat around Little Rock day after day, week after week, waiting for announcements of Cabinet appointments and other news. But Clinton and his transition team moved slowly, held their cards close to the vest and acted as if, now that they had won, they no longer had to court the

Earlier administrations had used the transition to schmooze with the press and to “dribble out an appointment a day [so] . . . the waiting press had something to write about,” says Stephen Hess, a political analyst at the Brookings Institution in Washington.

When Clinton’s people did not do

that, the press corps grew restive and resentful.

Reporters have to write something. How else can they justify their time?

“There was no way that a reporter without any news, sitting in that hotel room, staring at the wall, not having a great restaurant to go to, not having a great bar to go to, was going to write a favorable story—and they didn’t,” Hess says.

That same problem carried over into the White House.

Press secretaries to Presidents Reagan and Bush knew that they had to feed “the beast,” as the White House press corps has come to be called. Give them something, anything, at the daily press briefing or—starved and desperate—they’ll gnaw your hand off.

In the early months of the Clinton Administration, aides not only did

Jacqui Cenacveira and Peter Johnson in The Times editorial library assisted with the research for this series.

not feed the press, they put a lid on the media trough: On his first day as communications director, George Stephanopoulos closed off the corridor outside his second-floor office and the adjacent office of his top aide, thus limiting reporters to the downstairs area, which houses the reporters’ own tiny cubicles, the press briefing room and the office of the lowest-level press aides.

Often, says Devroy of the Post, the only people in the lower press office were “20-year-olds, clerical people.”

Suppose a “tremendous crisis erupts at 10 a.m.,” she says. Could a reporter go in there to get confirmation of “reports that 16 ships are heading toward Iraq and we’re about to bomb Iraq?” This kid doesn’t even know where Iraq is.

Reporters understandably preferred being able to pop upstairs to corner a more knowledgeable press aide when they had a question, as they had been doing for years.

But no one can wander at will in

the corridors of any major news organization; uniformed guards usually prevent visitors from venturing beyond the public lobby. Why, Stephanopoulos argued, should reporters insist on the right to wander at will in his corridor?

Nagourney of USA Today sympathizes with Stephanopoulos.

“I get pissed off when I’m writing a story and someone comes over and looks at my [computer] screen,” he says. “I could understand why [Stephanopoulos] . . . didn’t want reporters walking around.”

Reporters from other major news organizations agree that the closing of the press office door did not particularly bother them. When they had a question, they called Stephanopoulos or any other aide they wanted to talk to, and their calls were returned.

But reporters from less prestigious organizations—and those from wire services and radio stations, with an almost endless cycle of deadlines—insisted that without the open door their burdensome competitive disadvantage would be ruinously exacerbated. Their calls might be returned too late—or not at all.

“In this age of instant communications,” reporters must be able to reach the press secretary or his deputy “at any hour,” says Helen Thomas, White House correspondent for United Press International. “There are some questions that really won’t wait.”

“We don’t walk into their offices

if the doors are closed. We wait till they come out and try to ambush them or buttonhole them.”

Thus, when the press office door was closed, Thomas says, “I was screaming like a banshee.”

Even though the closing of the door had little, if any, effect on other heavyweights in the press corps, most either joined the protest or made no effort to calm their colleagues.

Rightly or wrongly, the Closing of the Press Office Door became a symbol of the Clinton Administration’s perceived contempt for the news media. Reporters treated it like “the burning of the Magna Charta,” says Jeff Greenfield, political and media analyst for ABC News.

In retrospect, Stephanopoulos, now a senior adviser to the President, and press secretary Dee Dee Myers concede that closing the door was a mistake, and it was compounded by Clinton’s own reluctance to talk to reporters informally.

In the early weeks of Bush’s presidency, he ambled into the pressroom so often to schmooze that some reporters began to grumble that they had run out of questions to ask. Neither Clinton nor Stephanopoulos bothered to schmooze. Reporters felt neglected.

In more practical terms, reporters complain, Clinton and his aides were consistently late—without apology or explanation—on virtually everything from simple procedural announcements to daily briefings, often forcing reporters to scramble to readjust their schedules and meet their deadlines.

“This guy is the worst . . . absolutely the worst,” says Devroy of the Post. “Clinton has no concept of the traditional middle-class virtue of not keeping other people waiting. He is extraordinarily self-absorbed. . . .”

Moreover, Clinton and his top aides gave the distinct impression that they intended to bypass the White House press corps and use new communication technology to take their case directly to the American people via talk shows, town hall meetings and regional press interviews.

Why should Clinton face hostile questioning from veteran hotshots eager to make themselves look good at his expense when he could sit in the White House, linked by satellite to five cities, and answer softball questions from reporters grateful just for the opportunity to question the President of the United States?

Clinton’s top aides insist they never intended their regional and direct-to-the-people communications to replace the traditional White House press corps, merely to supplement it.

But Clinton did not hold his first full-fledged news conference until he had been in office for more than two months. When reporters grumbled that he was holding fewer news conferences than any of his recent predecessors, he replied, only partially in jest, in a speech at the Radio and Television Correspondents Assn. dinner:

"You know why I can stiff you on the press conferences? Because Larry King liberated me from you by giving me to the American people directly."

The Administration's blend of arrogance, ignorance, inexperience and incompetence not only made the media's job more difficult, but it undermined the effectiveness of the President's communications strategy. Technology notwithstanding, White House reporters remain the President's daily link with the American public.

"You can talk to Omaha or Portland or Los Angeles on any given day," says Broder of the Post, "but the next day, Omaha and Portland and Los Angeles TV are not going to be there to cover you. If you want to do get your story out day by day, you really have to deal with the White House reporters."

White House reporters still make the front pages and the top of the evening news more than other reporters. What they write and say helps set the agenda for the rest of the press.

The White House has those reporters "captive" for up to an hour a day during the press briefing, and Clinton could have turned that to his advantage, Devroy says. Top aides in the Reagan and Bush administrations did that repeatedly.

But Devroy says she has "never seen the White House podium used less effectively in the pressroom" than it has been used by the Clinton Administration.

It is ironic to hear reporters criticizing the White House for not manipulating them effectively. But it is undeniably true that by providing little positive "spin" of its own, the Clinton White House often fell victim to the negative spin engendered by its missteps—and by the resentment that many in the White House press corps felt toward it.

THURSDAY, SEPTEMBER 16, 1993

Dire Judgments on Clinton Started Days Into 1st Term

■ **Media:** Competition among analysts, President's risky agenda played roles in drumbeat of early criticism.

By DAVID SHAW
TIMES STAFF WRITER

Twelve days after President Clinton took office—with only 1,448 days left in his term—Sam Donaldson of ABC News was on a weekend talk show, saying, "This week we can talk about, 'Is the presidency over?'"

That same day, a Page 1 story in the Los Angeles Times warned, "The President must tighten his grip or risk disaster."

Later that week, a Page 1 story in the New York Times said, "The President desperately needs a victory, as soon as possible."

Desperation and disaster in the first two weeks of a four-year term? Meg Greenfield, editorial

page editor of the Washington Post, has seen a lot of harsh media criticism of Presidents in her 28 years in Washington journalism, but never, she says, has she seen

COVERING CLINTON

Did Media Rush to Judgment or Merely Reflect Reality?

■ Second of three parts

an administration "pronounced dead" so early.

A burgeoning cottage industry in analysis and opinion-mongering, especially on TV talk shows, spurred this new phenomenon, as did Clinton's own large ambitions.

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Although there is substantial evidence that the public thought Clinton deserved more time to prove himself, the widespread predictions of a doomed presidency continued for several months.

Each time the President's deficit-reduction package went before Congress, the pundits warned that its defeat would destroy Clinton.

On the night in late May that the House was to vote on the original deficit-reduction plan, Roger Mudd of the "MacNeil/Lehrer NewsHour" asked longtime Washington columnist Elizabeth Drew, "What is riding on the vote this evening?"

"Nothing less than the Clinton presidency," she replied.

"Really?" Mudd asked.

"I don't deal in overstatement," she said.

Of course not.

Amid flaps over Clinton's "\$200 haircut," the firing of the White House travel office staff, the now-you-see-them, now-you-don't high-level appointments and the assorted policy reversals and defeats—forecasts of Clinton's imminent political demise intensified.

On NBC's "Meet the Press," Albert Hunt, then Washington bureau chief of the Wall Street Journal, said "I'm not sure he's going to recover from the problems of his presidency." Time magazine published a tiny photo of Clinton on its cover, beneath the large-type words "The Incredibly Shrinking President." Inside the magazine, a reporter with presumably psychic powers wrote that Clinton "saw his presidency pass before his eyes" when his chief of staff told him two Democratic congressmen had decided to vote against his deficit-reduction plan.

Clinton had suffered several setbacks, some of them quite serious, but wasn't this rush to judgment premature? Didn't it amount to "infanticide," asked Marvin Kalb, host of CNN's "Reliable Sources." Wasn't Clinton entitled to a few mistakes while learning a new and dauntingly complex job?

After all, Clinton was not the only national leader who was stumbling. In Italy and Japan, scandal rocked governments and swept heads of state from office. In France, the Socialist Party of President Francois Mitterand was badly beaten at the polls. In Canada, Brian Mulrooney stepped down as prime minister. In Germany and Great Britain, opinion surveys showed all-time low ratings for the heads of state.

"We are witnessing a crisis of representative democracy," Valéry Giscard d'Estaing, the former French president, told the Wall Street Journal in early July.

That's one reason that many journalists were uncomfortable with their colleagues' determined haste to give Clinton his last rites. They didn't want to praise Clinton, but they didn't want to bury him yet either. They wanted a little

context, a little perspective.

Robert Kaiser, managing editor of the Washington Post, had that in mind when he decided to change the headline on the lead story in the Post's widely read Style section between editions May 27.

The first-edition headline said, "Just Another Failed Presidency? If History Is a Guide, Clinton May Be a Lame Duck Already."

Kaiser thought that judgment a bit premature, and he worried that it "sounded too much like political analysis" for a Style story. He wanted something "more flip," more like the story itself, which he thought was "quite good."

The new headline: "Another Failed Presidency, Already? Sure. It's Early. But What's That Sound of No Hands Clapping?"

Reporters on the Post's national staff "hated" the story, Kaiser says. Even with the changed language, White House correspondent Ann Devroy says she was "freaked" by the headline.

"I thought it was terrible," she says. "It is just wrong . . . ridiculous."

Others in the media use exactly the same word—*ridiculous*—to describe their colleagues' terminal diagnoses of the Clinton presidency.

Paul Richter, White House correspondent for the Los Angeles Times, says the new Administration's many stumbles did "raise doubts about the guy, and I think it was legitimate to explore all that and to comment on that, [but] we way overshot in doing that."

"Even the most bitter Republican foes would say, 'I really don't like what he's doing . . . but, Jesus, the guy just got there; he's barely unpacked his bag.'"

Why were the media so eager to pronounce Clinton DOA?

One explanation is that opinion polls and the "who's ahead?" horse-race journalism that has come to dominate campaign coverage has seeped into government coverage as well.

"We don't have 'governing' reporters today, only 'political' reporters," says Fred Wertheimer, president of Common Cause. "They judge governance—policy—in purely political terms."

Richard Smith, editor-in-chief of Newsweek, has another theory.

"There are so many pundits now that the race to be first with a judgment is a pretty frenetic one," Smith says. "Particularly if you look at the world of television political talk [shows] these days, the emphasis is on who can say the most dramatic, outrageous, 'bold' comment that attracts the most attention."

"Six days into a presidency to be talking about a failed administration is a pretty outrageous stand," Smith says. "The ability to get genuine news scoops out of the White House, with however many hundreds of people are covering

that place, is limited. It's much easier to make the most outrageous analytical point in hopes of getting noticed for that."

Many in the media unhappily concur.

"In the same way that CNN has speeded up the news cycle," weekend talk shows have created "an incredible acceleration of the judgment cycle," says Ronald Brownstein, a political reporter for the Los Angeles Times. "Everybody is competing . . . to render the definitive judgment."

When U.S. warships launched cruise missiles on Baghdad in late June, panelists on the Washington talk show "The Capital Gang" were analyzing the political fallout before the White House even knew if the missiles had hit their targets.

The competition for quick analytical hits has become so heated in part because there are many more players in the game, all scrambling for the newest angle or insight the way football players scramble for a fumble.

When Jimmy Carter took office in 1976, there was no CNN, no C-SPAN, no "McLaughlin Group," no "Capital Gang," no "Nightline," no "Prime Time Live," no "20/20," no "Crossfire," no "Inside Politics"—and no Rush Limbaugh, the prototype of the radio and TV talk show host whose political views and huge audience help polarize the partisan dialogue and create an atmosphere in which instant judgment, brazenly expressed, is a marketable commodity.

"The demand for definite-sounding, pugnacious opinions far outstrips the supply of same that are grounded in any kind of reality," says Hendrik Hertzberg, execu-

utive editor of the New Yorker. "There's a huge sucking vacuum of op-ed pages and TV talk shows . . . This huge maw has to be fed."

Andrea Mitchell, White House correspondent for NBC News, agrees that media commentators were "ferocious . . . extraordinarily shortsighted" in their premature determination to inter Clinton's presidency. Worse, she worries that many in the public feel "bombarded by highly opinionated commentators and that gets confused with daily reporting" of the news, which she thinks has been "fairly balanced."

Fred Greenstein, a Princeton University scholar of the presidency, says he's "struck by the extent to which coverage is now highly interpretive and the extent to which you have difficulty distinguishing between news pieces and opinion pieces."

The contemporary media's tendency to see the presidency as "a piece of well-managed theater," with the President as merely the leading actor, inevitably means "every second person in the press decides to be a director," advising the President what to do and how and why he isn't handling his role properly, says Max Frankel, executive editor of the New York Times.

Not every story has said Clinton wasn't handling his role properly, of course. Just this week, he was the largely passive beneficiary of the euphoric coverage that attended the historic signing of a framework for peace between Israel and the Palestine Liberation Organization. Two months ago, he received favorable coverage for his performance at the G-7 economic summit in Tokyo and his nomination of Ruth Bader Ginsburg to the U.S. Supreme Court. As far back as February, he won widespread praise for his economic message to Congress.

Indeed, in March, beneath the headline "Beginner's Luck or President's Prowess? Dazzled Capitol Wonders if Clinton Can Keep Lighting Up the Board," a Washington Post story said:

"Professional Washingtonians, impressed by Clinton's proficiency at the game—his command of the airwaves, his ability to connect with voters, his smooth touch on Capitol Hill—are giving him high marks. . . ."

Clinton's media coverage has been so schizophrenic over the past seven months that looking at it is a bit like watching a pornographic movie—he's up, he's down, he's in, he's out, with (as Meg Greenfield of the Post, notes) "a lot of moaning and groaning and hugging and kissing in-between."

Such oscillation is "endemic to press coverage," says David Lauter, White House correspondent for the Los Angeles Times. "We always seem to exaggerate the

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highs and lows. . . ."

Thus, Thomas L. Friedman, White House correspondent for the New York Times, said on NBC's "Meet the Press" in June, "My feeling about this Administration has always been, it's either going to be a great success or it's going to be a great failure—but there's not going to be a lot in between."

The most difficult task confronting any Washington journalist, it often seems, is to "offer a view that is not at one extreme or the other," says columnist David Broder of the Washington Post. "Either a guy is a genius or he is a total bum, depending on the events of the previous 24 hours."

"It's very hard to separate yourself from . . . those huge swings of the pendulum."

In early June, Broder himself wrote of Clinton's "presidential meltdown" as "a calamity," and he said of Clinton's various mistakes, "That this is happening to the man who will remain as President for the next 43 months is an international disaster."

With Clinton, the media's swings from low to high and back have often been so sudden and so extreme that it's sometimes seemed as if the entire press corps were afflicted with a massive case of manic-depressive disorder.

One reason is Clinton himself. Many in the press corps liken him to a "streak hitter" in baseball,

who can rip line drives day after day, then suddenly misses so often he couldn't hit the water if he fell out of a boat, then he goes right back to smashing the ball.

Despite several extra-base hits, Clinton has spent much of his still-young Administration mired in a slump. That, at least, is how he's been portrayed by many in the news media. There is evidence that the public doesn't like this portrayal.

A poll in June by the Times Mirror Center for People and the Press showed that 43% of the American public thought the news media were criticizing the Clinton Administration unfairly.

A New York Times/CBS News Poll that month showed 69% thought Clinton was learning from the problems he'd encountered and would do better; 26% said he was "not up to the job." But that information was published in the 10th paragraph on Page 14 of a story that led Page 1, under the headline "More People View Clinton as Liberal, Latest Poll Finds."

Similarly, a Los Angeles Times story published 10 days later said 27% of those polled thought Clinton's early difficulties "show his presidency is in long-term serious trouble;" 67% said his problems were "due mainly to inexperience and he will probably improve with

time." That information was also in the 10th paragraph on Page 16 of a story that began on Page 1 under the headline "Public Loses Faith in Clinton Economic Plan."

Friedman of the New York Times says he didn't join many of his colleagues in writing Clinton off precisely because he is convinced "the American people want him to succeed."

"This is a defining moment in American history," Friedman says. "We cannot afford to have a failed presidency. I've always felt that was kind of a life vest around Bill Clinton, holding him up in bad times. That affected, obviously, how I covered his presidency."

Adam Nagourney, who covers Clinton for USA Today, says Clinton did "a lot of remarkably incompetent things" in his first six months, but when two acquaintances asked him why the press was being so tough on the President, he decided to "go back and look at [my] stories."

He asked himself, "Am I being too negative? Am I not giving the guy a chance? Am I part of this culture that sort of seems set up . . . to ensure that any President, no matter how smart, is going to fail?"

"The answer is sometimes yes."

One of the most striking illustrations of the difference in perceptions of the President inside and outside Washington involves the question of Clinton as (alleged) promise-breaker.

"No one can undecide a decision quite as often as Bill Clinton," said Newsweek in late June, during the President's screening of candidates for the U.S. Supreme Court. "That is one reason why so often in his fledgling presidency Clinton has appeared to walk away from his promises. From accepting gays in the military to welcoming Haitian refugees to rescuing Bosnia, Clinton has had to abandon his grand ideas because he lacks the discipline to make hard choices."

Commentators and White House correspondents representing news organizations from Boston to Houston echoed that charge.

But the public seems much less troubled (or surprised) than the media by broken campaign promises.

The Post's Broder says that when he interviewed voters for a story on Clinton's first 100 days, he found that campaign promises "don't mean that much" to voters, and several polls early this year showed that voters didn't really expect Clinton to keep most of those promises.

Perhaps this is because most American simply no longer believe anything that politicians tell them. After all, just before Clinton took office, surveys showed only 20% of the electorate believed public officials could be trusted—down from the 70% recorded when John F. Kennedy was inaugurated in 1961.

But recent polls have also shown

that most people didn't care if Clinton kept most of his campaign promises (health care reform being the major exception).

A Los Angeles Times Poll taken the week before Clinton was inaugurated, which showed that only 8% of the public expected him to fulfill "many" of his campaign promises, also showed that 60% would not be upset even if he decided against a middle-class tax cut.

The public seemed to realize that a middle-class tax cut, per se, was not the only way for Clinton to achieve his major campaign promise—to reverse the policies of the 1980s, to see that the very rich carried the heaviest tax burden.

As passed by Congress, his deficit-reduction plan achieves that objective.

Isn't that in keeping with the spirit, if not the precise letter of Clinton's campaign promise?

So why did a USA Today/CNN/Gallup Poll taken while Congress was voting on the deficit-reduction plan last month show that 68% of the public believed the middle class would have to pay most of the new taxes? Why did only 22% understand that the wealthy would actually pay the most?

The media certainly spelled out—often, in great detail—the exact nature of the tax legislation. But the media also said often—and prominently—especially early in the debate, that Clinton was abandoning his pledge of a middle-class tax cut.

It's difficult to overestimate the impact of such coverage.

"Even though they don't trust us, people absorb opinion from us," says Linda Douglass, a Washington correspondent for CBS News.

But why was coverage of the deficit-reduction package often so negative? Why was Clinton's determination to reason with, rather than threaten, his congressional opponents reported as if it were a major personality flaw?

The President wasn't playing "bare-knuckled politics," the New York Times noted pointedly. "Few, if any, threats flowed from the White House."

Similarly, Newsweek said the President's "approach to leadership . . . [is] about understanding, not threats; accommodation, not confrontation."

Some might regard that as a mature, sensitive way to seek consensus. But Newsweek dismissed Clinton's style as "reminiscent of another patient, non-judgmental figure given to hugging in public: Barney the Dinosaur."

Is it true, as Douglass of CBS News argues, that "you have to be a thug to succeed in this town?"

"The President should be vicious, coldblooded, so totally committed to his agenda that he doesn't care who he steps on," Douglass says.

But if the President has to emphasize the "bully" in his White House "bully pulpit," what becomes of the tradition of political compromise? When is a compromise a broken promise and when is

it a legitimate tactic—what Gwen Ifill, White House correspondent for the New York Times calls "the essence of what politics is about, especially if you're a politician from the South."

When Clinton compromised on the middle-class tax cut—as when he compromised on his pledge to completely lift the ban on gays in the military—many in the media accused him of craven capitulation.

The problem, his critics said, was not so much that he compromised on those specific issues to achieve a portion of his original objectives but that he seemed to have no core beliefs on which he would not compromise.

"It still isn't clear what principles, other than political survival, are driving him," Newsweek said last month.

President Ronald Reagan compromised to achieve his goals, too. But he is remembered as a man of principle precisely because he was "able to convey a gut commitment to a set of conservative principles so convincingly that many said, in effect, I'm not worried about the details or the compromises because I know where Reagan stands," Friedman wrote in the New York Times.

Clinton has no such "clear, broad government themes that connect with the voters on that level," Friedman wrote.

As a result, says Albert Hunt, now executive Washington editor of the Wall Street Journal, in a typical media evaluation of Clinton, "When the going gets tough, this

guy caves."

This has been a constant theme of Clinton coverage, and it created an early portrait of the President painted in unprecedentedly bleak-and-blue tones.

This is not to suggest that the media gave his predecessors a free ride in the early going.

At the beginning of President George Bush's term, he was criticized in language remarkably similar to that used to describe Clinton.

"Stumbling Mars Bush Team Debut," read the headline on a Washington Post editorial.

"Bush doesn't frighten Congress," said the Christian Science Monitor.

"Bush frequently has temporized," said the Los Angeles Times.

But there was no steady drumbeat of criticism of Bush as there has been of Clinton. A study by the Center for Media and Public Affairs shows that through the first six months of Bush's presidency, 61% of the network news evaluations of his performance were positive; for Clinton, in a similar period, the figure was 34%.

The media have derided Clinton as a quitter when he's compromised, for example, but Bush's compromises were praised for the "flexibility or pragmatism [that] . . . surfaced repeatedly in [his] . . . early decisions," said a Page 1 story in the Washington Post.

The Washington Monthly argued in a story last month that the media haven't used the same standard to measure Bush and Clinton on such matters. The magazine cited three promises that both men made as candidates—national service, education reform and campaign financing reform—and pointed out that Clinton has been pilloried for reneging on his promises, even though he has delivered much more on all three than Bush did.

Clinton also has had to endure more early criticism than Bush because Clinton has made more mistakes. He made more mistakes, in part because of indecision, in part because of poor (and arrogant) staff work, in part because he and his aides lack Bush's long Washington experience but also, in part, because he has tried to do more.

Michael Duffy, White House correspondent for Time magazine, says it took him a year to figure out that the Bush Administration was "desperately trying to do nothing, concocting a minimalist strategy." Clinton, he says, is "radically different . . . moving in so many directions at once."

"When we look back on the Clinton presidency from a year's distance and begin to see it with some perspective, we'll see that, wittingly or unwittingly, he was willing to take a lot of short-term risks and pain in return for the potential of some long-term gains, something his predecessor wasn't willing to do. . . . There may be an element of guts that we aren't, at the moment, crediting him with."

THURSDAY, SEPTEMBER 16, 1993

Story of Foster's Suicide Is a Casebook of Problems

By DAVID SHAW
TIMES STAFF WRITER

"She just doesn't get it. She still doesn't get it." Brit Hume was angry. It was midafternoon, July 22, and Dee Dee Myers, the White House press secretary, had just briefed the press again on the apparent suicide two days earlier of Vincent Foster, the deputy White House counsel. In response to questions about the investigation of Foster's death, she repeated the official White House position:

"The Park Police are simply trying to establish that this was, in fact, a suicide. It is a fairly limited investigation."

That wasn't good enough for Hume, White House correspondent for ABC News—or for most other members of the White House press corps.

"Doesn't she understand," Hume fumed, "that there are a lot more questions to be asked? She can't do her job if she doesn't even understand something that simple."

Hume and other reporters continued to push Myers for more information. At the press briefing a week later, they asked 139 questions about the Foster case.

In many ways, the Foster story offers a microcosm of why relations between the media and the Clinton Administration have been

so acrimonious—and why media coverage of the Administration has often been so negative.

It turned out that Foster had indeed been depressed. He'd been seeking the names of psychiatrists. He'd started taking an antidepressant drug. His wife had urged him to write down the reasons for his depression. Another White House aide and friend had gone away with Foster and their wives for a weekend to try to cheer him up. The President, in the presence of that aide, had called Foster the night before he killed himself, chatting for 20 minutes and inviting him to watch a movie.

It also turned out that the initial investigation of the suicide was badly mishandled by the Administration. Foster's office wasn't

sealed until the day after his body was found. The list he'd written at his wife's suggestion wasn't found for six days and wasn't turned over to authorities for another 27 hours. A piece of the note—presumably where Foster would have signed it—was missing.

Clearly—on this story, as on many others—the Clinton Administration, understandably grief-stricken, withheld information, backpedaled, obfuscated and just plain screwed up.

"There has been a general lack of understanding [in the Clinton White House] of how things can take off when they aren't fully

explained," says Thomas L. Friedman, White House correspondent for the New York Times.

"You could have taken everything we know about the Vince Foster case and had you laid it out the first day . . . you could have made a convincing case for a very troubled man, who was depressed, more depressed than some of his colleagues understood . . . and it probably would have been a two-day story."

Instead, it became a four-week story.

As a Washington Post story said: "White House credibility has been called into question by a series of sometimes contradictory statements about the investigation and knowledge on the part of the President and others about Foster's mental state."

Not surprisingly, these statements aroused the suspicion of the bloodhounds in the Fourth Estate. But in pursuit of that suspicion, the media didn't exactly cover them-

Sen. Dale Bumpers (D-Ark.), among others, criticized the media for their "positively ghoulish" reporting, their "unrelenting effort to uncover something nefarious or some kind of skulduggery."

Many in the media agreed.

"There being no facts," wrote columnist Mary McGrory in the Washington Post, "the press embarked on a white-water tour of scandalous speculation."

Reporters seemed determined to make sense of a senseless act—even if it meant seeming insensitive to the suffering of Foster's family and friends, implying all manner of unsubstantiated scandal, and even blaming Washington itself ("a killer city," "an alien culture") for his death.

"At first, the White House created a mystery, which inflames all of us," says Linda Douglass, a Washington correspondent for CBS News. "I was convinced at the beginning there was some big, dark secret they were hiding."

"So I asked a lot of questions. That's what reporters do. But after spending two weeks talking to people who knew him well, I'm convinced he was imbalanced and depressed. So he killed himself and we'll never get all our questions answered. So what? Why are we continuing to beat a dead horse? What do we expect to find?"

No one seems to know. But that hasn't stopped the questions.

William Safire even wrote a New York Times column consisting almost entirely of questions—more than 30 of them.

The New York Times and Washington Post have each published six Page 1 stories linked to the Foster case.

The Los Angeles Times has published only one.

George Cotliar, managing editor of the Los Angeles Times, thinks there's been "too much innuendo" in some coverage of the case. Putting a story on Page 1 implies a certain value judgment about the story that Cotliar says he wasn't prepared to make.

The Los Angeles Times bureau in Washington is "on top of the story," Cotliar says, but unless there is concrete evidence that Foster didn't kill himself or that he killed himself for reasons other than being "overworked and unbalanced . . . [it's] not appropriate to put the story on Page 1."

Many editors in the Washington-New York media axis may feel differently because they are so much a part of life in the fast lane themselves that they can't conceive of anyone willingly giving it up.

"Why would a man who was really at the peak of his career, at the pinnacle of power" kill himself? Paul Gigot, a columnist for the Wall Street Journal, asked on a television talk show the week that Foster killed himself.

The Journal, having published four editorials that were critical of Foster, figured in Foster's note and in speculation about why he killed himself. Most journalists were quick to dismiss the notion that he had taken his life because of the editorials—which were, after all, no harsher than "the normal hurly-burly, thrust and parry, of an Administration and a not overly friendly editorial page," in the words of Shelby Coffey, editor of the Los Angeles Times.

But the involvement of the Journal in the story is also characteristic of the way things have gone between the Clinton Administration and the media so far. Seldom have the attitudes and actions of journalists themselves become so integral a part of the debate over coverage of a President.

FRIDAY, SEPTEMBER 17, 1993

Did Reporters Let Their Feelings Affect Coverage?

■ **Journalism:** Resentment over White House treatment led to overblown and hostile treatment of Clinton.

By DAVID SHAW
TIMES STAFF WRITER

When 86 people died after a federal assault on David Koresh's Branch Davidian complex near Waco, Tex., in April, some in the media quickly blamed President Clinton.

"As Waco Crisis Ends, Clinton's Leadership Comes Under Scrutiny," said the lead headline in the Wall Street Journal the next day.

But the day after that, a USA Today poll showed that most Americans did not blame Clinton; the story was published under the headline: "93% blame Koresh."

Eleanor Clift, White House correspondent for Newsweek, says she remembers thinking to herself:

"The other 7% are in the White House pressroom."

Why were the media so eager to blame Clinton?

Some reporters say it is because many of their colleagues were

COVERING CLINTON Did Media Rush to Judgment or Merely Reflect Reality?

■ Last in a three-part series

angry over the way he and his staff had treated them.

What? Aren't reporters supposed to scrupulously avoid letting their personal feelings unfairly influence their stories?

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Yes. And most do. Most of the time.

But the "overall tone of the press coverage [of Clinton] was about 30% more negative than it needed to be because of the animosity that was felt toward Clinton and the people around him," Clift says. "The level of hostility in the pressroom, I think, was extraordinary."

Clift is not alone in that view.

George Condon of the Copley News Service, president of the White House Correspondents Assn., told the Wall Street Journal earlier this year: "A press corps that has been avoided and ignored and treated in a way that is Nixonian is not going to cut the President any breaks."

Paul Richter, White House correspondent for the Los Angeles Times, says treatment of the media by a President and his staff "really does affect the coverage."

Why?

One explanation is that, despite some speculation to the contrary, reporters are human—and it is human, if not necessarily admirable, to be hostile toward someone who seems hostile to you.

It is equally true that the first syllable of "media" is *ME*, and there is widespread evidence that the growing clout and visibility of the White House press corps have given these journalists an exaggerated sense of their own importance.

Paul Friedman, executive vice president of ABC News, finds the self-importance of the Washington press corps "amazing."

James Carville, who managed the Clinton campaign, says: "These [media] people think that they are the world . . . It is the most masturbatory of all professions."

It is a measure of journalists' self-importance that when George Stephanopoulos was shifted from White House communications director to full-time presidential adviser in May, the move was portrayed in the media as a demotion; some reporters began referring to him as "George Stuffle Envelopes."

Only the Washington press corps are so solipsistic that they would regard a shift from spending most of one's time with the press to spending all one's time with the President as a demotion, says Paul Begala, political adviser to the President.

But many longtime White House reporters seemed to resent the sudden coming to power of so many young people around Clinton, and Stephanopoulos—extremely bright but thoroughly miscast as the President's press spokesman—bore the brunt of that resentment.

Some White House reporters seemed committed to proving that they were smarter than he was and knew more about the White House than he did.

When the Administration called in the FBI in the firing of the White House travel office staff in

May, Brit Hume, White House correspondent for ABC News says: "I remember thinking to myself at the time, 'My God, after Watergate, how could anybody make this mistake?' And then I realized, well, when Watergate happened, George Stephanopoulos was 12 years old."

Hostile coverage of Clinton may have been driven in part by the same sense of self-importance that led some in the media to misinterpret Stephanopoulos' move.

Why, for example, was there so much unfavorable coverage of the essentially harmless phenomenon of the President inviting several Hollywood stars to the White House? "Nightline" did a story on Clinton's relationship with Hollywood. So did CBS News—morning and evening. The New York Times, Los Angeles Times and Wall Street Journal all put Clinton-Hollywood

stories on Page 1.

Writing in Time magazine in May, Kurt Anderson suggested that the media were so critical of Clinton and his Hollywood friends because journalists were "envious of the show business clique for supplanting them as the coolest

people in town."

The self-importance of the press was even more noticeable in coverage of two of the most controversial incidents of Clinton's first six months—his "\$200 haircut" and the dismissal of the White House travel staff.

Most in the media insist that the haircut and travel office firings were legitimate stories. But many say that both were blown out of proportion because of the media's direct involvement—and because of resentment over previous slights by the Clinton White House.

In fact, Albert Hunt, executive Washington editor for the Wall Street Journal, argues that the major flaw in early media coverage was the failure of reporters and commentators to differentiate between Clinton's problems on truly serious issues such as the economy and relatively minor incidents such as the haircut and travel office.

The media were particularly zealous on the travel office story.

The travel office staff were longtime government employees who had served through many administrations, Republican and Democrat, coordinating arrangements for the press corps and for the White House staff who accompanied them on presidential trips. (News organizations paid the reporters' expenses.)

On May 19, Dee Dee Myers, White House press secretary, announced the firing of all seven travel staffers for gross financial mismanagement and said the FBI was being asked to investigate.

The press corps erupted in outrage. They shouted questions and charges, demanded explanations, described the firings as a massacre and accused the White House of cronyism, nepotism, McCarthyism and every other pejorative -ism that came to their perfervid minds.

At one briefing, they asked 169 questions about the travel office firings. Neither Bosnia nor the President's deficit-reduction package, both major news stories at the time, received a fraction of that attention that day.

Six times, the travel office story made Page 1 of the Washington Post. Four times each, it made the front pages of the New York Times, Los Angeles Times and Chicago Tribune.

Did the average reader really care that the White House had fired the people who made airplane and hotel reservations for the White House press corps?

Probably not. In fact, Ann Devroy and Ruth Marcus, White House correspondents for the Post, described the firings as "relatively trivial" in a story published 18 days later; by then the Post had run nearly 20 news stories, editorials and commentaries on the subject.

But Myers and her colleagues had not understood the close, long-term relationship between the travel office and press corps.

The travel office smoothed the way for reporters traveling with the President—not only making reservations but arranging for hot meals, communications and overnight laundry service, finding missing baggage, doing the 1,001 small chores that can make the difference between an enjoyable trip and a disastrous one.

There are even tales—vigorously denied by all sides—of such special favors as airline and hotel upgrades and help in circumventing customs regulations.

As the story unfolded, it got uglier: The internal examination that had led to the firings was prompted in part by inquiries by a Hollywood friend of the President's on behalf of charter operators he knew who wanted to bid on the travel office business—and a distant cousin of the President's would now run the travel office.

Even the fiercest defenders of the travel office staff concede that

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the employees were probably guilty of sloppy record-keeping and poor management of petty cash. But reporters were enraged by the way in which the affair was handled—by the implications of cronyism, by the use of the FBI, by the dismissal and defamation of some employees who never even handled money, and by the failure to give some of the employees notice of the charges against them before they were fired.

A subsequent review by the White House conceded: "Irrespective of the financial mismanagement of the travel office, the White House erred in its handling of the incident in several respects." The review went on to cite virtually all the complaints the press had made.

But Hunt of the Journal does not believe that the press did a good job of reporting that "we had certain conflicts [of interest] in that story. One has to think that part of the original outrage can be attributed to the fact that this was an office that did a lot for the press."

Helen Thomas of United Press International, one of the leading critics of the travel office ousters, denies that she and her colleagues were motivated by personal feelings for the travel staff.

"We felt that they were human beings, who had given a lot to public service, long careers here, and [they were] . . . thrown out under a cloud . . ." she says.

Others in the press corps disagree. John King, White House correspondent for the Associated Press, says some reporters had such close relationships with travel office staffers—and were so angry about their dismissals—that they should have taken themselves off the story.

Although many reporters were able to set aside their personal feelings, several did not, King says. One reporter screamed at him in the White House pressroom and accused him of being unfair simply for reporting that the White House had called in the FBI.

The story might not have exploded if White House press aides had better relations with the media—or if they had not closed off

the upstairs press office so grumbling reporters could have come by to serve as an early warning system on the revolt brewing in the pressroom. But the door was closed, the relationship was already hostile and the failure of aides to recognize the bond between the travel office and press corps was "the best indication of how out of touch" the aides were, says Michael Duffy, White House correspondent for Time magazine.

Newsweek headlined its story on reporters' reaction to the ousters "Don't Mess With the Media: The White House press corps gets it revenge."

Clinton paid for having offended the White House reporters over the travel office firings again when news broke on his now-infamous haircut aboard Air Force One at Los Angeles International Airport.

"There was a clear sense of retribution" in the media's "appalling" coverage of the haircut, says Mark Miller of Newsweek, a sense that the media were "pissed off."

The networks covered the haircut, and it was Page 1 news in the New York Times, Los Angeles Times, Washington Post, Boston Globe and Dallas Morning News, among many others.

Why?

Because Clinton had reportedly paid \$200 for a haircut by a Hollywood stylist with one name—and because he had allegedly inconvenienced many people at LAX whose flights were delayed.

All this, said the Los Angeles Times in its Page 1 story, raised questions about "whether President Clinton is living up to his carefully groomed image as a regular kind of guy."

Although Clinton insisted that he had been assured he was not delaying other flights, John McLaughlin, host of television's "The McLaughlin Group," told his viewers that the haircut had tied up "ground and air traffic, putting as many as 37 planes in a holding pattern."

Six weeks later, Newsday used the Freedom of Information Act to acquire Federal Aviation Administration records that showed no planes had been forced to circle the airport, no runways had been backed up—and only one plane was delayed . . . for two minutes.

Newsday, USA Today and the Houston Chronicle gave that cor-

rective story prominent attention. Virtually every other news organization in the country either ignored it or buried it. The Los Angeles Times published five paragraphs, in the local news roundup on Page 2 of the Metro section. The Washington Post ran one paragraph. The New York Times, which had editorialized about "the haircut that tied up two runways," ran not a word. The three major network evening news shows were equally silent.

The AP's King believes that the haircut incident ignited the anger that had been building among reporters over the Administration's treatment of them and especially over the travel office ousters.

Resentment grew, "whether it was conscious or subconscious," King says, "so when people had a legitimate reason to kick him as a buffoon, they went overboard."

This resentment was compounded, he says, by the "spoiled" nature of the White House press corps.

Yes, it was "stupid" of Clinton to get that haircut, just as it was wrong of the White House to fire the travel office staff in the manner they did. But King does not believe that the haircut story was "quite the national issue it became."

Many others in the media agree, and David Shribman, Washington bureau chief for the Boston Globe, says reporters should guard against interpreting events that

inconvenience them as suggesting that "the President's screwing up."

"Reporters get upset that they have to sit around an airport," waiting for a politician who is late, "and we think that shows bad organization," Shribman says. "What we really mean is that we're impatient ourselves and that it's a personal inconvenience. Reporters do that too much."

King says that contributed to media reaction to the Clinton haircut.

"I think a lot of people were mad because their lives got disrupted."

King says he was on the plane at the time of the haircut and he heard "a bunch of reporters whining that we were sitting on the Tarmac, which meant we were going to get home a little later for dinner."

"We should be accountants if we're worried about making it home for dinner," he says.

But David Gergen understands a reporter's desire to be home for dinner after a long day—or several days—on the road. Gergen, who in May became White House communications czar and a senior adviser to the President, understands a lot about reporters—especially Washington reporters. He is convinced that the strained relations between the White House and press corps,

as exemplified by coverage of the haircut and travel office controversies, "contributed to the negativity of the coverage" of the Clinton Administration.

Better relations would not have "turned around" the Clinton coverage, says Time's Duffy, but Clinton should have realized, as President George Bush did, that "you buy yourself 10% or . . . some kind of margin" by being nicer and more attentive to the media.

Certainly it is no coincidence that media coverage of the President began to improve dramatically after he brought Gergen aboard.

A longtime Washington insider, Gergen was editor at-large for U.S. News & World Report and a regular commentator on the "MacNeil/Lehrer NewsHour" when he was tapped by Clinton. Before that he had been communications director for Presidents Richard Nixon and Ronald Reagan. In the Clinton White House, Gergen immediately began courting reporters, setting up private lunches, dinners and quickie interviews for them with the President.

"What's going on is about as subtle as an avalanche," Jeff Greenfield, political and media analyst for ABC News, said on "Nightline" a month after Gergen's appointment. "The press corps' ego is being stroked."

(A personal example of the Gergen treatment: I interviewed Gergen for this series in July; on Thursday, he called me "from the

White House" to say he had been reading my "rather extraordinary" series. . . . I'm sure you've been working on it for months. Very impressive work. . . . I just wondered if you wanted to chat. I don't know whether I can be of any help before you finish or not but . . .)

As Maynard Parker, the editor of Newsweek, puts it: "There's no question that in Washington, the press—and particularly the big mules of the press, particularly the White House press corps—want to be catered to."

A longtime big mule himself, Gergen understands that.

Some of the ego-stroking events were in the works before Gergen came aboard. But he changed the tone of White House dealings with the press from acrimony to accommodation almost overnight—starting with his decision to reopen the door to the upstairs press office.

He also switched the scheduled time of the daily White House press briefing from 12:30 p.m. (which often interfered with reporters' lunches) to 11:30 a.m. (although in keeping with the Administration's now-mythic disdain for punctuality, the briefings seldom begin then).

"On the whole, what reporters respond to is attention and information," says *Time's* Duffy, so

Gergen has not only courted them, he has buried them in information. Having complained of too few White House briefings, the media have been briefed so often under Gergen that at the G7 economic summit in Tokyo, reporters were "screaming for mercy," says R.W. Apple, Washington bureau chief for the New York Times.

Three weeks after Gergen was appointed, so many commentators wrote favorably of Clinton that USA Today published a roundup of "What people are saying about a Clinton 'comeback.'"

"What does it say about us, about the depth of our independent judgments, that all it takes to turn us around on the President of the United States is for one paid public relations specialist to be nice to us?" asks Ronald J. Ostrow, who covers the Justice Department for the Los Angeles Times.

Gergen does not deserve all the credit for the turnaround in Clinton's coverage. There is an inevitable pendulum swing to journalism, and Clinton was "overdue for the pendulum to swing back" in his favor when Gergen came aboard, says Adam Nagourney, who covers the President for USA Today.

Moreover, some journalists may have felt they had been unfair—or at least premature—in judging Clinton so harshly.

"The press wanted to pull back," Gergen says. "I think people felt . . . a very great hesitancy about . . . endangering the institution. . . . My instinct was that at the end of 150 days or so, there was a sense in the press: 'We don't want to be responsible for Bill Clinton going over the side of a cliff.'"

"But the White House had to make it possible" for the media to pull back, Gergen says. "The performance within the White House had to improve. End the mistakes. Get some victories. Show a greater sense of command and drive. . . . And be nicer to the press."

Apple says it was the improvement itself—the victories—not any decision on the part of the media to avoid jeopardizing the presidency or to correct for having been too critical that led to more favorable coverage of Clinton.

"I wrote . . . a notably upbeat story from [the G7 economic summit in] Tokyo because I thought, and my European and Japanese colleagues and contacts thought, that he did very well in Tokyo," Apple says.

Others in the media make similar points. Just as the largely negative early coverage of Clinton was to some degree an inevitable response to his many stumbles, they say, so his more positive coverage of late is to some degree an equally inevitable response to a series of Clinton triumphs: Congressional passage of his deficit-reduction package, his national service program and his legislation reforming campaign finance laws. The selection of Ruth Bader Ginsburg to the U.S. Supreme Court. His impressive performance at the Tokyo summit.

Many in the press, eager to minimize their power when they come under criticism, insist that what they say about the President is of only marginal significance.

"He got elected because people thought he would give them a better deal economically and the subset of that was health [care]," Apple says. "If he delivers, the rest of it won't matter much."

Stephanopoulos agrees.

"The coverage in the end is going to follow substance," he says.

Besides, Clinton has always been a fast study; both he and his staff learned—and improved—on the job.

But media perceptions are im-

portant.

When Clinton took office in January, 64% of the American people held a favorable impression of him, according to a Los Angeles Times poll. But increasingly negative coverage accompanied the symbolic 100-day mark of his Administration in late April and his poll ratings dropped precipitously.

By early June, a USA Today/CNN/Gallup Poll showed only 37% of the public approved of how he was doing his job.

Did Clinton fall in the polls because he had performed so poorly? Or did he fall because the media said he had performed poorly?

Media coverage of Clinton "tends to drive the polls," says Nagourney of USA Today. "When you have a spate of negative stories or piling-on stories, which you had, you usually see within two weeks [that it's] reflected in the polls."

Nagourney believes that may contribute to a cycle of negativity. Reporters who wrote that Clinton was not doing a good job may have seen his subsequent fall in the public opinion polls as "some sort of validation," which may have led to another round of negative stories, which . . .

Robert Lichter, co-director of the Washington-based Center for Media and Public Affairs, is convinced that news coverage frequently drives public opinion polls, and his findings of negative Clinton coverage followed by negative poll results early in the Clinton Administration seem to confirm that.

But negative coverage not only sours the public, it emboldens congressional opponents, weakens congressional supporters and may even prompt a president to compromise or retreat—do almost anything, in fact, to win something and stem the critical tide.

FRIDAY, SEPTEMBER 17, 1993

Clinton's Decision-Making Process Frustrates Press

■ **Media:** Journalists feel betrayed when they report 'news' that is only a meandering step before he really decides.

By DAVID SHAW
TIMES STAFF WRITER

Politicians and journalists often speak of a presidential candidate's "coattails"—the ability to carry many of the party's other candidates to victory. But a new President's coattails also carry many reporters with him—straight to the White House.

Media executives often give their prestigious White House beat to reporters who covered the winning presidential candidate's campaign; editors figure that they should take advantage of the access and insights their reporters gathered during long, expensive months on the campaign trail.

In Bill Clinton's case, this campaign experience has proved especially valuable, in large measure because of the new President's quixotic decision-making process and the insights that reporters accustomed to that process can bring to covering him.

"I predicted six months [before it happened] . . . that he was going to do what he did . . . on gays in the military," says Gwen Ifill, who covered the Clinton campaign and is a White House correspondent for the New York Times. "He never intended it to be the subject on which his entire Administration turned. . . . It's not that he doesn't in his heart believe in this cause . . . it's that he's a political animal. . . . It was a perfect Clintonian compromise."

Jeffrey H. Birnbaum of the Wall Street Journal, who has also covered the Clinton campaign and the White House, says: "You almost have to come up with a new language to describe how he operates."

Decision-making is an excruciating process for Clinton, and he

almost invariably seems determined to delay a final decision for as long as possible. He likes to ponder publicly all his options, consult people, make a decision, consult anew, change his mind, then change it again. And again. He's a veritable symphony of equivocation.

"This has led to a perception of weakness and indecisiveness," says Andrea Mitchell, White House correspondent for NBC News.

To avoid giving that impression unfairly, Mitchell says, "we reporters have a certain obligation to be more careful covering this President than his predecessors."

In the Reagan White House, Mitchell says, when the President's top three staff people said something was going to happen, reporters could rely on it because "that's what they were going to dictate to him." But with Clinton, the three top staff members could tell a reporter something and it could still be wrong because Clinton makes up his own mind and he could change it several times after telling them what he was "definitely" going to do.

Once, when he was governor of Arkansas, Clinton had trouble making up his mind whether to veto a college aid bill that had been passed by the Legislature. He went back and forth for the full five days he was allotted, then late on the fifth day, vetoed it and directed an aide to slip it under the door of the House clerk's office.

Then, as the New York Times later reported, he telephoned Arkansas college presidents to tell them what he had done—and they persuaded him to change his mind.

A trooper in his security detail went back to the clerk's office, poked a coat hanger under the door and pulled the bill back out so

Clinton could change his "Disapproved" to "Approved."

Reporters unfamiliar with this decision-making process, relying on aides who hear Clinton at any point in his meandering intellectual stroll toward a decision, think they

know what he is going to do, so they print or broadcast it. Then they feel betrayed—and they accuse him of waffling—when he does something completely different.

That is as good an explanation as any for what happened with Clinton's selection of Ruth Bader Ginsburg for the U.S. Supreme Court after the names of Interior Secretary Bruce Babbitt and federal Judge Stephen G. Breyer had been bruited about as near-certain nominees.

"You didn't have to be a genius to get a [White House] source to talk to you about . . . Breyer," Mitchell says.

The sources talked. The media quoted them. And the sources and the media were all wrong. So the media accused Clinton of "waffling" and "vacillating" and "zigzagging"—and of "hanging Babbitt and Breyer out to dry."

The Journal's Birnbaum says he "wasn't quite prepared for the personal disappointment" he felt when Clinton picked Ginsburg instead of Babbitt or Breyer.

Birnbaum says he was not disappointed because he favored any candidate—he didn't—but because "you think . . . that there was decision, that it was done, and then it's completely undone, seemingly whimsically."

Birnbaum, a respected reporter who has written a number of insightful stories about Clinton, says he tried to keep his disappointment from coloring his Ginsburg coverage, but the second paragraph of the Journal's story on the appointment, of which Birnbaum was the co-author, began: "After weeks of vacillation and highly public contemplation of other candidates, Mr. Clinton. . . ."

Two paragraphs later, the story said the way Babbitt and Breyer had been "so visibly raised up—

and then set down at the first sign of potential political trouble—reinforces concerns about the President's stick-to-itiveness."

The story contained several other negative references to Clinton's selection process and to Ginsburg ("a far cry from the sort of justice he has said he wanted").

Much of the flap over the selection process might have been avoided if Clinton and his aides had kept their mouths shut until he had made a final decision. He was ill-served by his staff, many reporters say, and it is the staff (and himself), not the media, he should have been mad at when he was criticized for vacillation.

But no one forced the media to rush into print and on the air with their "exclusive" reports on the identity of the President's Supreme Court nominee just because his aides leaked. In fact, it was ironic—and a bit disingenuous—when reporters complained that if the aides had not leaked to them, they would not have published the premature stories.

"I had anguished, pained reporters who were dying for me to say . . . who was the leading candidate," says Mark D. Gearan, White House director of communications. The determination to "push someone into the lead was not driven by the White House," Gearan says. "It was . . . pressure [by the media]. . . . Who would have it first?"

Incremental journalism—what reporters call “advancing the story,” even if the “advance” is only an inch—is the order of the day, especially in Washington, where reporters regard every inch as a personal triumph.

“I spend enormous amounts of mental energy to break a story that, three days later, no one cares who got it first,” says John King, White House correspondent for the Associated Press. “Could I do better journalism if I didn’t, every now and then, have to go with reckless abandon to get it five minutes before somebody else? Yeah, I could. But it’s part of how we get our charge. . . . It’s how we make names for ourselves.

“It’s probably childish,” King says, “but I get a kick when CNN has to interrupt its programming to say, ‘According to the Associated Press, Clinton is going to. . . .’”

The rush to be first with every incremental development has played itself out most noticeably in the months leading up to last week’s leak about the President’s plan for health care reform. Every day brought a new story about something Hillary Rodham Clinton’s task force reportedly was (or wasn’t) considering or reportedly had (or had not) rejected.

We live in a fast-forward age, an age of instant gratification—“of instant everything,” Gearan says, and it is clear that the collision between the Incredible Bill Clinton Decision-Making Machine and the media’s insatiable appetite for instant, incremental news rendered inevitable the flood of stories on the “waffling,” “vacillating,” “indecisive” new President, especially given the scenario that surrounded his selection of a Supreme Court justice.

Interestingly, reporters who came to the White House fresh from the Clinton campaign, fortified by their inside knowledge of his decision-making process, seemed no better able than their veteran White House colleagues to withhold premature announcement of his decision.

In the rush of daily journalism, if competitors are publishing or broadcasting the name of the [presumed] next Supreme Court justice, it is often very difficult for a reporter, on deadline, to remind himself: “I know Clinton. It probably isn’t set in stone yet. I better not use it.”

FRIDAY, SEPTEMBER 17, 1993

Generational Rivalry Sparked Media Hostility

■ **Competition:** Peer pressure between younger reporters and veterans forced each side to avoid slightest appearance of being soft on Clinton.

By DAVID SHAW
TIMES STAFF WRITER

Early in the 1992 campaign, Garry Trudeau drew a series of "Doonesbury" cartoon strips ridiculing the media's seeming fondness for Bill Clinton. For most of the campaign, the New Republic regularly featured a "Clinton Suck-up Watch" that highlighted particularly egregious examples of media fawning over the Democratic candidate.

It is probably no wonder then that when Clinton was elected and many reporters who had covered him on the campaign trail were assigned to the White House, they encountered resentment from some longtime correspondents who thought they had been too soft on him.

Although it is common for some longtime White House reporters to worry that new competitors will have the best sources, developed over many months on the campaign trail, the journalistic rivalry in the Clinton White House was far greater, at least at first, in part because of generational differences between the two groups of reporters but above all because of this resentment. Indeed, the resentment produced a conflict that helps explain the hostile coverage the new Administration received almost from the day it took office.

Some veteran White House reporters seemed determined to prove that they could be tougher than the campaign reporters had been. The former campaign reporters, new to the White House, were equally determined to prove that they were not really patsies.

The Old Guard reporters are like a "permanent occupying force," and they treated the new Administration and newcomers to the White House pressroom with equal contempt, like "a bunch of amateurs," says Mark Miller, who covered the Clinton campaign and the first four months of his presidency for Newsweek.

White House reporters were "definitely . . . the source of the friction" that quickly developed between the Administration and the media, says George Stephanopoulos, now a senior adviser to the President.

Many newcomers tried to be just as tough on Clinton as the veteran reporters were to avoid being stigmatized as "starry-eyed" sycophants for the new President, "thereby confirming the suspicion that the press is liberal and apt to be taken in by people who are their contemporaries," says David Lauter, who covered the Clinton campaign and is a White House correspondent for the Los Angeles Times.

Miller says reporters from the campaign "felt this pressure not to say anything complimentary [about] . . . the President . . . this general peer pressure to be mean and nasty and beat up on him like everyone else. If you dared say anything complimentary, you were . . . looked at like some sort of pathetic fool who was obviously in the tank."

Other forces also drove the negative coverage by the newcomers, some of whom had viewed the Clinton campaign—led by its Rhodes scholar/policy wonk candidate—as "idea-driven." They tried to cover the campaign and the Clinton White House with that thought in mind, says Adam Nagourney, who has reported on the Clinton campaign and presidency for USA Today. When Clinton began to compromise and retreat, they became disenchanted with what they saw as business—politics—as usual.

Perhaps more important, some reporters felt a "personal connection with Clinton," Miller says. "For political reasons, for reasons of generation, they felt some kinship with him."

Linda Douglass, a Washington correspondent for CBS News, says this generational affinity may have triggered a sibling rivalry in some members of the press corps, leaving them resentful that they were stuck in the pressroom while their peers on the Clinton team had the reins of real power.

More likely, Miller says, when Clinton began to stumble, his generational allies in the press corps felt a "sense of personal betrayal [that] was very apparent and that affected the coverage."

"A lot of people thought that he had lied, and therefore they were going to be tougher on him," he said.

Tom Brokaw, anchor of "NBC Nightly News," is one of several journalists who compares the media's reaction to that of "a lot of jilted lovers."

In the beginning, reporters who came from the campaign helped their colleagues and editors understand the Clinton White House.

When Vincent Foster, the deputy White House counsel, was found dead, R.W. Apple, Washington bureau chief for the New York Times, called Gwen Ifill, who had covered Clinton for 18 months during the campaign and is now one of the paper's three White House correspondents.

Ifill knew all the people around Clinton and Foster, "all the texture, all the linkage, everything," Apple says, so he called her instead of Thomas L. Friedman, the paper's two-time Pulitzer Prize-winning reporter, who also covers the White House, after having covered the State Department, and who has done some of the best, most insightful reporting on Clinton of anyone in the press corps.

Many longtime White House reporters are bright and talented, though—quick learners with a historical perspective the newcomers lack. Some have reported on and interpreted Clinton for their readers, viewers and listeners with as much or more insight than the campaign reporters.

Over the last eight months, in fact, the differences in the two groups have blurred considerably, tensions have diminished, and they all seem to have become susceptible to the larger forces at play in the White House press: Competition. Ego. Knee-jerk cynicism. The race to be first. Pack journalism.

No wonder Curtis Wilkie of the Boston Globe once described the White House pressroom as "the only day-care center in America Ronald Reagan hasn't abolished."

THE WHITE HOUSE
WASHINGTON

September 22, 1993

The Honorable David N. Dinkins
Mayor of New York
New York, New York 10007

Dear David:

I want to thank you for sending me a copy of your plan, Strong Economy, Strong City: Jobs for New Yorkers. I'm impressed. I think your plan is right on target: it's innovative and private-sector oriented -- geared to fueling the real engine of economic growth.

The issues you are focusing on -- such as defense conversion, increasing small business growth, and improving export opportunities for your local industries -- are fundamental necessities in renewing our economy and revitalizing our cities.

Once again, you have taken on the problems of urban America in a creative and constructive way. Your leadership is bringing the forces of the private and public sectors together to create jobs and strengthen the economy of New York City.

I have asked my economic team to review the plan in detail and advise me on existing federal programs and other initiatives under development that may be of assistance in carrying out your plan, as well as those issues you mention in your letter.

I congratulate you and those who have worked with you to develop this plan, and commend you for your leadership of the City of New York and cities across the country. We look forward to working with you on this effort.

Sincerely,

Bill Clinton

copy. faxed
by Sylvia
orig. mailed
Cham Fern

THE WHITE HOUSE
WASHINGTON

Chen

DATE: 9/21

NOTE FOR:

George, Carol Rasco, Rubin

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

Information

☐

Action

☒

Who is in charge of
the economic side
of the immigration issue?

Does a point person
here need to be assigned?

Thank you.

JDP

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

cc:

Berge

THE PRESIDENT HAS SEEN 9/20

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

SEP 15 1993

215 P8:00

GS | Charles Rubin

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT B. REICH
SUBJECT: Immigration

Look like we need
more to fight
the H-1B program
even more

Following up on our recent conversation, attached are two ~~two~~ ^{this at all} memoranda discussing U.S. immigration policy, recent and related problems, and the pending 60 Minutes broadcast. ~~now - why can't~~

The first memorandum, which I sent to the NEC in early July, addresses certain labor market issues arising from current immigration policy. The second memorandum, sent to me by Deputy Secretary Thomas P. Glynn, is an update on the actions being taken. ~~we supposed to~~

Of course, we will be pleased to provide any additional information or assistance you may desire in this regard. ~~for a while -~~

Attachments

— why should they
get 13 yrs, much
less 6?

cc: Robert Rubin, NEC
David Gergen
George Stephanopoulos
Mark Gearan

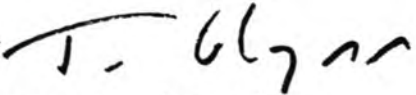
U.S. DEPARTMENT OF LABOR

DEPUTY SECRETARY OF LABOR

WASHINGTON, D.C.

20210

MEMORANDUM FOR THE SECRETARY

FROM: THOMAS P. GLYNN 
SUBJECT: 60 Minutes Story on Immigration

Background

We understand that CBS' 60 Minutes is planning to air, perhaps as soon as September 19, a segment on how current U.S. immigration law harms U.S. workers, particularly in high-tech occupations. This segment will likely be quite critical and could further fuel the growing public interest in immigration issues. This is to describe what we know about the upcoming story, outline recent Department of Labor actions in the immigration area, and sketch a possible framework for the Administration's response to the story.

As best we have been able to ascertain, the 60 Minutes segment will suggest that even where workers are available in the U.S. labor market, foreign workers are being admitted legally to work in high-tech jobs, especially in the computer and engineering industries. This seems to occur most commonly in California and New England with foreign workers admitted for temporary stay as:

- "visitors for business" under B-1 visas, administered by the Departments of State and Justice's Immigration and Naturalization Service (INS), and as
- "professionals" to be employed in "specialty occupations" under H-1B visas, administered by the Department of Labor and INS.

60 Minutes Focus

We believe that 60 Minutes has spoken with U.S. workers who believe that they have been displaced or adversely affected by legal foreign workers, particularly those admitted for "temporary" employment which, in some cases, can be as long as six years. They also have spoken with industry associations, including the National Association of Computer Consulting Businesses, which likely have cited examples of unfair competition from employers of temporary foreign workers. The show may highlight the fact that under current law, certain foreign workers can be admitted without any prior test of the U.S. labor market and, perhaps, that U.S. employers can import these workers

even where they have or are laying off U.S. workers in the same occupations and locations. (It is reported that Digital Equipment Corporation, for example, may have laid off as many as 1,600 U.S. employees and shortly thereafter filed applications to authorize the importation of about 1,100 foreign workers in the same occupations.)

60 Minutes requested an on-camera interview with you last May, but was satisfied with an off-camera background interview with staff, who described the efforts we are making to tighten the H-1B program regulations as well as our efforts to initiate legislative changes in this program. 60 Minutes has asked for periodic updates on our progress with these efforts, with special interest in legislation. They have not renewed their interview request, and we are not aware of any other interviews they may have conducted with Department of Labor staff.

Many of the current issues involving our system of legal immigration flow from the passage of the Immigration Act of 1990 when the national unemployment rate was 5.5 percent, and the unemployment rate in California was 5.6 percent. At that time, therefore, there may have been labor shortages in some high-tech occupations. Today, with a 6.7 percent national unemployment rate, and 9.0 percent unemployment in California, we are saddled with a law that is predicated on quite different economic conditions.

Department of Labor Actions

At your direction, the Department has been thoroughly reviewing its immigration responsibilities. We have identified steps that can be taken administratively, and through regulatory and legislative changes, to address the concerns and problems identified in your July 2 memorandum to the members of the National Economic Council (NEC).

To update the initiatives outlined in your memorandum to the NEC:

- ▶ The Department suspended further action on the rulemaking relating to our current legal obligation to implement a Labor Market Information (LMI) pilot program as a basis for admitting certain employment-based permanent immigrants until the Congress has an opportunity to act on the pending legislation which would eliminate this requirement. On May 14, 1993, you sent a letter to Congressional Members requesting action to eliminate the existing requirement relating to the pilot LMI program for selecting employment-based immigrants (copy attached).
- ▶ We are finalizing proposed regulatory changes for the H-1B program governing the admission of foreign "professionals" for temporary employment in "specialty occupations." Our

proposed regulations would tighten up the H-1B program primarily by enhancing our ability to enforce employer compliance with the terms under which they obtain access to temporary foreign workers. In addition to the changes outlined in your memorandum to the NEC, we are also proposing regulatory changes to specify what payments can be credited as wages by employers and give the Department authority to investigate employer compliance where we have reason to believe that violations may be occurring, even absent a complaint from a potentially aggrieved party. The prior Administration had decided to limit the Department's authority, by regulation, to conduct such investigations only based on complaints. We are also proposing to limit the validity period of approved employer applications to three years (down from six). These proposed rules are currently at OMB, but we expect that they will be published within the next week.

- ▶ We developed the proposed technical legislative amendments to the H-1B program discussed in your memorandum to the NEC. These amendments are also in Administration clearance, being negotiated at present with the Office of the U.S. Trade Representative (USTR). They are also intended to tighten up the H-1B program by disallowing employers' applications for H-1B workers when the employer has laid off U.S. workers in the same occupation in the last year, and by requiring certain employers to take timely and significant steps to recruit, develop, and retain domestic workers in these jobs.
- ▶ We also developed a broader set of proposed amendments to the H-1B program legislation which is currently being coordinated and negotiated with the INS and USTR. The resulting package will soon be forwarded to the National Economic Council for decisions on its specific provisions.
- ▶ Last June, you communicated with the Secretary of State and Attorney General to urge coordinated interdepartmental action to review current immigration policy and take meaningful, timely steps to address apparent abuses of certain temporary foreign worker visa programs for which the Department of Labor does not have any operational responsibility. (Copies of those letters are attached.) In particular, you urged revision of the criteria for admission and employment of temporary foreign "visitors for business" admitted under B-1 visas. State has already published proposed changes to their B-1 regulations, and we understand that the INS soon will do so.

Framework for Response to 60 Minutes Story

In framing the Administration's response to the story, we are aware of a number of actions that can be cited as evidence of our

at least
Mar-

appreciation of and intention to address the problems likely to be highlighted, including:

- The publication by the Department of State and [soon] the INS of proposed new regulations tightening the criteria for admission and employment of visitors-for-business under B-1 visas;
- The publication by the Department of Labor of proposed new regulations tightening the criteria for temporary admission and employment of foreign professionals under H-1B visas;
- The incorporation in pending legislation (the technical amendments currently awaiting action by the House) of a measure to no longer require Labor to test an LMI pilot program for selecting permanent, employment-based immigrants;
- The President's proposal of new legislation to expedite deportation in certain circumstances and revise the system for granting asylum;
- The President's announcement of his intent to nominate Doris Meissner as Commissioner of the INS, and his charge to her in leading that agency; and,
- The President's proposal that the Administration, including the Department of Labor, be represented on the Commission on Immigration Reform which is tasked to evaluate the effects of the recent reform of our system of legal immigration by the Immigration Act of 1990.

While we still need to look more carefully at the question of employer sanctions, which raises a range of different considerations, the Administration's decisive actions in response to the problem of illegal immigration now make it possible for decisive action on the problems deriving from our current system of legal immigration.

Attachments

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

MAY 14 1993

The Honorable Joseph R. Biden, Jr.
Chairman
Committee on the Judiciary
United States Senate
Washington, D.C., 20510

Dear Chairman Biden:

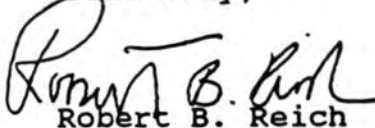
I am today requesting that the requirement for a Labor Market Information Pilot Project be removed from the Immigration Act of 1990. Since that Act became law, the Nation's economy has changed. Unemployment has increased, including in the highly technical fields, as a result of such things as the restructuring of some major U.S. corporations and defense reductions.

These changes have been demonstrated by the overwhelming adverse comments received during the rulemaking process. It has become readily apparent that such a project may adversely affect U.S. workers employed or seeking employment in highly skilled occupations.

This amendment, eliminating the labor market pilot project, will provide proper protection and increased employment opportunities for U.S. workers presently seeking employment. My staff will work closely with the Committee staff to provide any necessary assistance.

The Office of Management and Budget advises that there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,


Robert B. Reich

PLEASE NOTE: Identical letters were sent to:

Senators Kennedy, Simpson, Kassebaum, and Hatch

Congressmen Brooks, Mazzoli, Ford, Fish, McCollum, and
Goodling

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

JUN 17 1993

The Honorable Janet Reno
Attorney General
Department of Justice
Washington, D.C. 20530

Dear Attorney General Reno:

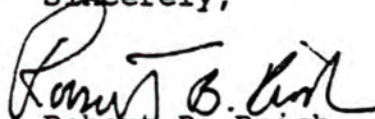
Recently there has been considerable public interest and media attention in the matter of employers bringing foreign workers into the United States for employment under the B-1 visitor for business visa category. In light of current economic conditions, I ask that you suspend, in a manner consistent with our international obligations, the provision in the Operations Instructions of the Immigration and Naturalization Service governing B-1 visitor for business visas that relate to the admission of professionals as "B-1 in lieu of H-1B."

There is increasing unemployment of U.S. workers in professional and highly technical fields as a result of defense reductions and the downsizing and restructuring of some major corporations. The continued admission of B-1 professionals outside of the numerical limitations and labor market protections provided for under the H-1B visa classification may be adversely affecting job opportunities for U.S. workers.

I understand that the State Department recently sent a cable to all diplomatic and consular posts clarifying that it is inappropriate to use a B-1 in lieu of H-1B visa for professionals coming to work for a U.S. company which has merely contracted with a foreign company for their services. I believe this is a positive step, but more forceful action may be warranted. I am very concerned, especially in today's labor market, that we have adequate employment opportunities and protections in place for U.S. workers.

Your early consideration of this request will be much appreciated.

Sincerely,



Robert B. Reich

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

JUN 17 1990

The Honorable Warren M. Christopher
Secretary of State
Department of State
Washington, D.C. 20520

Dear Secretary Christopher:

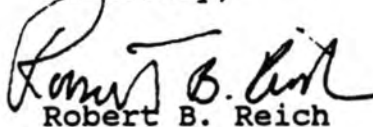
Recently there has been considerable public interest and media attention in the matter of employers bringing foreign workers into the United States for employment under the B-1 visitor for business visa category. In light of current economic conditions, I ask that you suspend, in a manner consistent with our international obligations, the provision in the Notes to State Department's Foreign Affairs Manual governing B-1 visitor for business visas that relate to the admission of professionals as "B-1 in lieu of H-1B."

There is increasing unemployment of U.S. workers in professional and highly technical fields as a result of defense reductions and the downsizing and restructuring of some major corporations. The continued issuance of B-1 visas to professionals outside of the numerical limitations and labor market protections provided for under the H-1B visa classification may be adversely affecting job opportunities for U.S. workers.

I understand that the State Department recently sent a cable to all diplomatic and consular posts clarifying that it is inappropriate to use a B-1 in lieu of H-1B visa for professionals coming to work for a U.S. company which has merely contracted with a foreign company for their services. I believe this is a positive step, but more forceful action may be warranted. I am very concerned, especially in today's labor market, that we have adequate employment opportunities and protections in place for U.S. workers.

Your early consideration of this request will be much appreciated.

Sincerely,


Robert B. Reich

U.S. DEPARTMENT OF LABOR

SECRETARY OF LABOR
WASHINGTON, D.C.

MEMORANDUM FOR THE NATIONAL ECONOMIC COUNCIL

FROM: ROBERT B. REICH 
SUBJECT: U.S. Immigration Policy
and its Workforce Effects

I. The Problems

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

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

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

(3) There is also increasing evidence that certain features of temporary nonimmigrant employment programs are functioning poorly and leading to unintended consequences. Because of the Department of Labor's administrative responsibilities for aspects of these programs, abuses associated with these programs are of particular concern to us. Many of the abuses have occurred under the H-1B program¹.

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

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

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

II. Background

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

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

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

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

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

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

III. Department of Labor Response

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

In the short term:

- We have asked the Congress to change the Immigration and Nationality Act to allow us the discretion not to proceed with a controversial program (see attached news clip) to use general labor market information in determining the admissibility of certain employment-based permanent immigrants.
- We are also developing regulatory changes in certain employment-based immigrant and nonimmigrant programs for which we have some administrative responsibility to

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

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

For the longer term:

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

MEASURES TO MANAGE THE NUMBER OF ADMISSIONS

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

total workforce, or its workforce at any single work site.

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

MEASURES TO MANAGE THE "MIX" OF WORKERS ADMITTED

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

MEASURES TO BETTER PROTECT U.S. WORKERS

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

- ▶ Authorize DOL to reject LCAs where the wage promised is clearly less than that which prevails for the occupation in the area of employment.
- ▶ Require employers to pay H-1B workers in U.S. currency in the U.S., and to pay the cost of round-trip travel for any H-1B workers.

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

cc:

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

Visa Loophole Seen Costing U.S. Workers Computer Jobs

11 | 9 By Al Kamen A |
Washington Post Staff Writer

A loophole in U.S. immigration laws is allowing thousands of foreign computer programmers and analysts to enter the United States each year on temporary business visas, enabling them to take jobs from American workers, according to industry and government officials.

"We are being crushed by this," said James Schneider, a spokesman for the National Association of Computer Consultant Businesses (NACCB), a trade group representing 130 companies and about 10,000 workers. "This practice

can't validly occur, and yet no one can figure out why it is still going on."

The problem, according to State Department and immigration officials, is that a longstanding practice aimed at easing bureaucratic obstacles for short business trips is being abused by foreign companies—often called "job shops"—to bring technicians into this country. And the situation is not limited to the computer industry, officials said.

"The computer industry is an issue," one State Department official said, "but don't forget that's one piece of the action and not the totality of the problem. They [the

See VISAS, A4, Col. 1

more

VISA - (cont'd)

NACCB] think that is the only problem. Industry in general, anyone who buys heavy or high-tech equipment," is affected.

"We have to do something with it," said one Immigration and Naturalization Service official. "We don't know what exactly to do."

The problem is most pronounced in computers. This is how it works, according to NACCB officials:

Typically, the foreign companies bid to provide computer services for U.S. firms, and bring in workers under the business visas or use workers they have already brought in under those visas. The visas are granted for short periods, usually up to six months, but may be extended once the worker arrives.

The foreign companies, which may be affiliated with U.S. firms, pay only living expenses here—generally about \$1,500 a month, said Schneider, who has a San Francisco computer consulting firm. Salaries—often amounting to less than \$2 an hour for Asians—are paid in the workers' home countries.

The foreign companies are able to avoid paying any benefits, overtime or minimum wage and typically do not pay U.S. taxes, according to the NACCB.

The salary differential easily allows foreign recruiters to underbid American businesses, said William Campbell, who also runs a San Francisco consulting firm.

"They make more profit than us even underbidding by 50 percent," he said. Many of the programming jobs are billed at about \$30 an hour, whereas the normal rate for U.S. companies for similar work can exceed \$50 an hour.

The NACCB has been lobbying the State Department and the INS, insisting the practice is illegal. The visas are intended for business people coming here to negotiate contracts or to attend conferences, the trade group argues, or perhaps for highly specialized workers entering the country briefly to install special equipment—not for general computer work.

The State Department and INS agree that these computer consultants should be required to obtain another visa—for professional

workers—which is harder to get and is limited to 65,000 a year under the 1990 immigration law.

The department, in the interests of speeding travel and trade, permits such professionals to come in under the much broader business visa, which is issued to nearly 3.5 million people a year. Officials say the department would have to go through formal rulemaking procedures to undo the practice.

Creating "job shops" for foreign professionals "is not what we wanted to create," said one State Department official, who said both the INS and the department "want to accommodate" the NACCB's

*"We are being
crushed by this.
This practice can't
validly occur, and
yet no one can
figure out why it is
still going on."*

—James Schneider,
computer trade group spokesman

concerns and have been working on new rules for several months.

But it will be difficult to draw a line between working and "doing business," INS and department officials cautioned.

"We've been wrestling with this for 40 years," said another State Department official. Part of the problem, he said, is that "you need a set of rules that will stand judicial scrutiny and harmonize the interests of all parties in all industries, and that is not an easy thing to do."

Fred M. Shulman, who owns a large computer services company in Rockville, said he has lost "millions of dollars in business" to foreign competitors in the last few years because of the visa loophole.

"We have a hard time competing with them," he said, "because their workers are paid a fraction of what they would be paid for an equivalent job in this country."

Shulman said he is regularly solicited by representatives of foreign

companies to bid jointly on contracts.

"They can supply large numbers of people," Shulman said. "My answer is I have to make them my employees," he said, but that is not accepted by the foreign companies.

The loophole not only hurts U.S. businesses and workers, NACCB representatives argue, but also may harm the foreign workers temporarily brought over. Despite their education and white-collar jobs, some of the workers are kept as virtual peons in situations reminiscent of those of illegal alien farm workers.

Alex Dubenko, for example, is a Ukrainian computer analyst recruited by a Kiev company to work in the United States. On arrival here last October he was met by the company's local recruiter, a Belgian, who put Dubenko and several Russians to work at firms in Maryland and Virginia.

Dubenko and three other men were lodged in a house near Manassas, driven to and from work, and fed. Dubenko said he was paid \$20 a week, which, after conversion to rubles, he calculated as a proper wage for equivalent work in the Soviet Union.

Unsure of his legal status, Dubenko worked seven days a week, often morning to night. He was given a raise to \$40 a week.

Finally, in frustration, he and one of the other men began calling local companies last February to look for another job. Although neither had a valid driver's license, they took the recruiter's car and found their way around the Beltway, out Interstate 270 to Shulman's company in Rockville.

They applied for work, passed a test and were hired, according to Dubenko.

When the recruiter found out, Dubenko said, he snipped the telephone from the wall, removed the battery from the car and said, "In two days you fly to Russia."

Dubenko said he found an extension phone and called Shulman's company, which sent someone to pick them up. Dubenko said he is now earning about \$35,000 a year, working under a proper visa.

"But there are still people living in the house in Manassas," he said, still working for the foreign recruiter.

Wanted: Foreign Workers

Labor Dept. Proposes 'Green Card' Shortcut

By Boyce Rensberger
Washington Post Staff Writer

At a time when shrinking federal science dollars and spreading layoffs in high-tech industries are putting American scientists and engineers out of work, the Labor Department is trying to make it easier for employers to hire foreigners.

The department's plan is to declare shortages of scientists and engineers in various fields in certain states. Employers in those places then would no longer need to advertise openings to Americans—even though some states may have surpluses—before giving the job to a foreign scientist or engineer.

According to proposed rules published in the March 19 Federal Register, the Labor Department would automatically certify aliens for permanent residence in the United States if they were qualified for certain jobs in official shortage states. The proposed system would shortcut the current process whereby employers who wish to hire foreigners first must prove that they could not find a qualified American. Certification is a necessary step before foreigners can get "green cards" that allow a them to reside here permanently.

If the department's proposal survives the comment period, which will end June 1, it would declare that there are shortages of chemists in six states, chemical engineers in three states, computer scientists in seven states, and biologists in 17 states, including Maryland, home of the National Institutes of Health, the nation's largest employer of biomedical scientists. The department believes there are also shortages of materials engineers in four states and mechanical engineers in two states.

The proposal has baffled and outraged leaders in several scientific and engineering fields.

"I don't think there are shortages of anybody right now, aside from a few esoteric superspecialties," said Betty Vetter, head of the Commission on Professionals in Science and

Technology, who opposes the proposal. "The timing of this thing absolutely blows the mind."

Vetter's group, which collects data on the supply of and demand for scientists in all fields, is sponsored by 27 scientific societies, including all the specialties in which the Labor Department study contends there are shortages.

"Shortage? I certainly don't see any shortage in biomedical science," said Robert D. Goldman, chairman of the department of cellular, molecular and structural biology at Northwestern University's medical school. "When we advertise for an assistant professor or something comparable, we regularly get over 500 applications from all over the country. That doesn't look like a shortage to me."

Goldman, who is an officer of the American Society for Cell Biology, one of the country's largest associations of biomedical researchers, said the supply of federal grant money for training and research has tightened so much in recent years and job opportunities have dwindled so much that many young people are quitting science for other fields.

Even young biomedical scientists who stay in the field, Vetter said, must usually be content with a series of temporary jobs that pay the least of any field requiring a doctorate. Starting salaries for PhDs in biology typically are in the low \$30,000s.

"If there really were a shortage of biomedical PhDs," Vetter said, "You would think they'd be offering a lot more."

Martin Siegel of the American Institute of Chemical Engineers said there were so few jobs in his field that only two-thirds of the chemical engineers who will graduate this year have been offered jobs. Normally, he said, they all have positions by the time they leave school.

Individual scientists also have spoken out against the proposal.

"I wish to express my vehement objections to these completely specious conclusions," John G. Van Alsten wrote the Labor Department. A chemist with E. I. du Pont de Nemours & Co., Van Alsten said many of his colleagues are having trouble finding jobs. He said he had talked

more

(mtd)

According to the Labor Department, there are shortages of workers in the following occupations, and the department lists the states where the shortages were found after each occupation:



BIOLOGICAL SCIENCE

California, Connecticut, Illinois, Kansas, Louisiana, Maryland, Massachusetts, Michigan, Missouri, Nebraska, New Jersey, New York, Ohio, Pennsylvania, Tennessee, Texas, Washington



CHEMISTRY

California, Massachusetts, Missouri, New Jersey, New York, Texas



CHEMICAL ENGINEERING

Illinois, Massachusetts, Texas



COMPUTER SCIENCE

Alabama, Arizona, Georgia, Illinois, Michigan, Missouri, Texas



COOK/ASIAN FOOD

California, District of Columbia, Illinois, Maryland, Massachusetts, Pennsylvania, Texas, Virginia



MATERIALS ENGINEERING

California, Michigan, Ohio, Pennsylvania



MECHANICAL ENGINEERING

Arizona, Texas



MEDICAL TECHNOLOGY

California, Illinois, New York, Texas



PHYSICIAN, PRIMARY MEDICAL CARE

West Virginia



TEACHER, SPECIAL EDUCATION

New York

SOURCE: Federal Register

THE WASHINGTON POST

with placement officers at three major universities and all expressed incredulity that anyone could think there were shortages of scientists and engineers.

Rep. Collin C. Peterson (D-Minn.), chairman of the Government Operations subcommittee on employment, housing and aviation, thinks high-tech jobs should be kept open for Americans.

"It's inexplicable that Labor would view a possible shortage of, say, mechanical engineers in Pennsylvania as a reason for opening the doors to foreigners instead of expanding recruitment here at home," he said.

Pat Stange of the Labor Department's Division of Foreign Labor Certification, which made the proposal, said the ruling is not final.

The determination of shortages was made by Malcolm S. Cohen of the University of Michigan's Insti-

tute of Labor and Industrial Relations under a \$50,000 contract with the Labor Department. Cohen said he relied on statistics such as the unemployment rates for each profession; the growth or decline in wages and the number of foreigners certified by the department using the procedure.

"In no case did I find there was an overall shortage throughout the country," Cohen said. "The shortage indications are confined to specific states."

Cohen also said he does not consider his findings conclusive. He noted that since he completed his study, several major employers of scientists and engineers have laid off large numbers of professionals. Also, he said, "I didn't actually talk to any employers or employee groups. That's what I'm hoping the comment period will bring out."



422 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-4221
(202) 225-4236

HOUSE REPUBLICAN
POLICY COMMITTEE
SELECT COMMITTEE ON
CHILDREN, YOUTH AND FAMILIES

Congress of the United States

House of Representatives

May 25, 1993

SUBCOMMITTEE ON ECONOMIC
AND COMMERCIAL LAW
SUBCOMMITTEE ON INTERNATIONAL LAW,
IMMIGRATION, AND REFUGEES
COMMITTEE ON SCIENCE, SPACE,
AND TECHNOLOGY
SUBCOMMITTEE ON ENERGY
SUBCOMMITTEE ON SPACE

Dear Colleague,

Today I am introducing legislation to put a little common sense into immigration policy by linking the level of legal immigration to the national unemployment rate.

When Congress passed the Immigration Act of 1990, our economy was still expanding and the unemployment rate was 5.5%. The economic circumstances during debate of the bill influenced both the size of the increase in immigration and the vote on the legislation. Today's economic circumstances should have a similar, but opposite, effect on the number of immigrants admitted to our country until the economic picture improves.

The Labor Department recently announced that the nation's unemployment remained at 7% in April.

Under this legislation, the level of immigration will increase or decrease inversely to changes in the unemployment rate. The base for the level of immigration would be the level set in the 1990 Act (700,000) and base the level of unemployment would be the average unemployment rate for 1990 (5.5%).

The bill is designed to make immigration law more responsive to America's ability to absorb immigration into the economy. When unemployment is high we should accept fewer, when unemployment is low we should accept more.

It is also important to note that the bill would not affect admissions of immediate relatives of citizens (who are not numerically limited) or refugees.

If you would like to cosponsor this common-sense bill, please call me or Lucy Weber at x54236.

Sincerely,

Lamar Smith
Member of Congress

LS/lw

PLEASE REPLY TO:

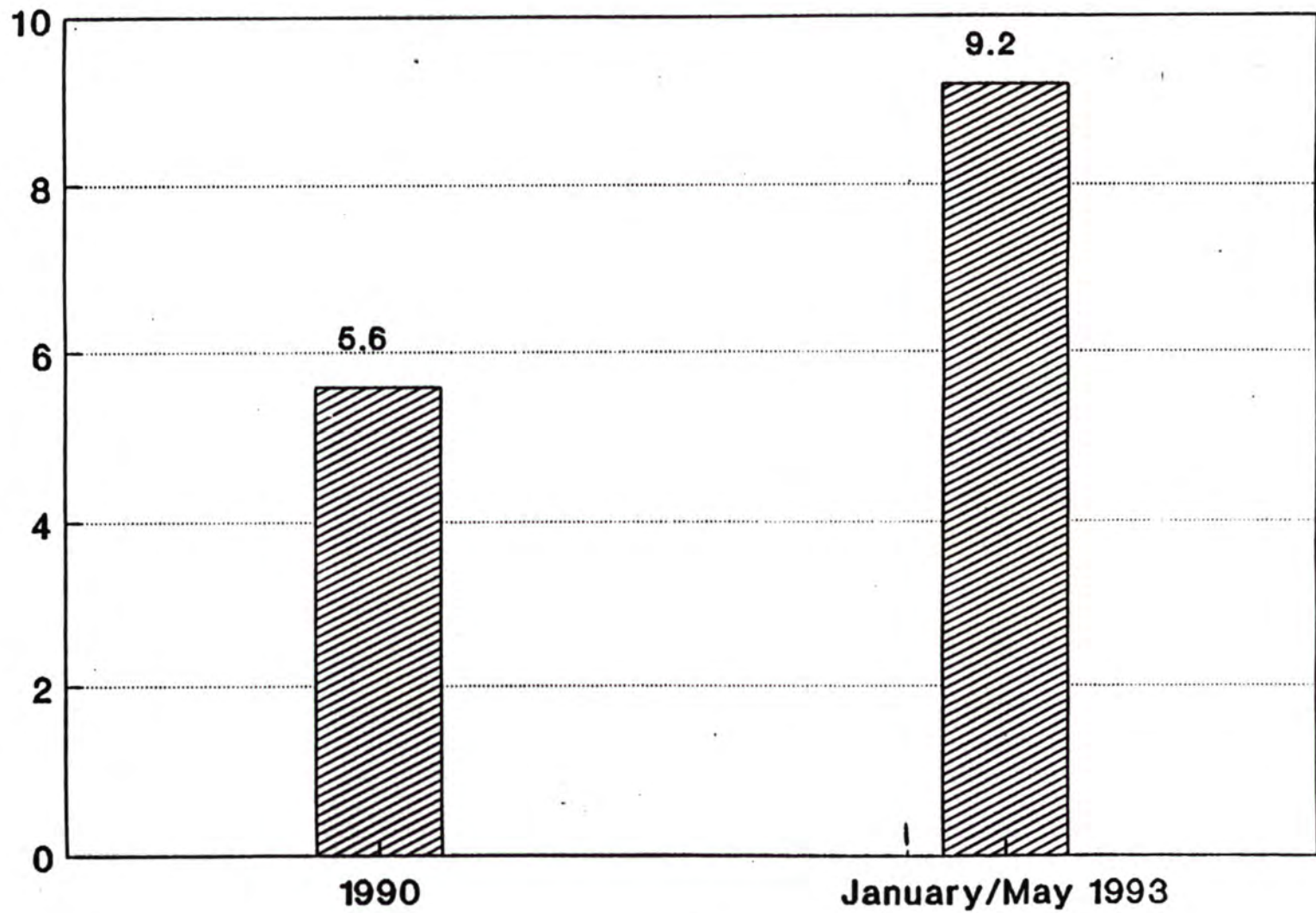
☐ 10010 SAN PEDRO AVENUE
SUITE 530
SAN ANTONIO, TX 78216
(512) 228-6880

☐ 1008 JUNCTION HIGHWAY
KERRVILLE, TX 78028
(817) 896-1414

☐ 33 EAST THOMAS STREET
SUITE 302
SAN ANGELO, TX 76903
(817) 693-3871

☐ 201 WEST WALL STREET
SUITE 104
MIDLAND, TX 79701
(817) 687-2272

UNEMPLOYMENT RATE IN CALIFORNIA, 1990 AND 1993



Comparison of Protections under the H-1A and H-1B Programs

H-1A Foreign Nurses

Employer must pay the higher of the prevailing or facility wage

Employment of foreign nurses cannot adversely affect working conditions of U.S. nurses

There can be no strike or lockout, and employment of foreign nurses cannot be intended to influence an election of a bargaining representative

Notice of the intended employment of foreign nurses must be provided to the employees or their representative

Employers may not obtain foreign nurses if they have laid off nurses in the last year

Employers have to show substantial disruption in delivery of health care services without the foreign nurse(s)

Employer must take "timely and significant steps" to recruit and retain U.S. nurses so as to reduce their dependence on foreign nurses as quickly as possible

Both the employer and user of foreign nurses (who are employed by nursing contractors) must attest to meeting all these requirements

Complaint and directed investigations authorized

H-1B Specialty Occupations

Same requirement

Same requirement

Same requirement

Same requirement

No such requirement

No such requirement

No such requirement

No such requirement

ONLY Complaints may be investigated

**MAJOR USERS OF THE H-1B PROGRAM
IN COMPUTER RELATED OCCUPATIONS FOR THE PERIOD
October 1, 1991 -- May 12, 1993**

- o Digital Equipment Corporation has requested certification to fill 1162 job openings nationwide, almost all of which are in Massachusetts.
- o Tata Consultancy Services has filed for over 700 job openings in California. Certification also requested for workers in Arizona, Florida, Maryland, Massachusetts, New Jersey, Ohio, Pennsylvania, and Texas.
- o Syntel, Inc. has requested certification of 1052 job openings in Michigan, New Mexico, California, and New Jersey.
- o Large users in California include: Borland International (800); HCL America (700); VLSI Technology (458); Oracle Corporation (258); Tandem Corporation (242); and Intel Corporation (232).
- o Large users in New York include: Zeitech, Inc. (413); Columbia University (203); Goldman, Sachs, & Co. (135); and Philips Laboratories (121).
- o PSI Data Systems, Ltd. has requested certification of 579 job openings in Arizona.
- o Other significant users include: Complete Business Solutions in California, Michigan and West Virginia (480); Reesan Information Management Resources in Florida (415); Infosys Technologies Ltd. in Massachusetts (405); Mastech Systems Corporation in Pennsylvania (302); Bell Northern Research in Texas (200); and Microsoft Corporation in Washington (191).

THE WHITE HOUSE
WASHINGTON

DATE: 9/21

NOTE FOR: *Tony Lake Bob Rubin*

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

Information ☐

Action ☒

*NSC - will you draft
a reply?*

JDP

(original letter to NSC)

Thank you.

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

cc:



**American-Arab
Anti-Discrimination
Committee**

4201 Connecticut Ave, N.W.
Suite 500
Washington, DC 20008
(202) 244-2990
Telex: 856419 (ADC WSHDC)
Telefax: (202) 244-3196

Alex Odeh (1944-1985)
James Abourezk, Chairman
Albert Mokhiber, President

National Advisory Committee (Partial List)

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Harold Samhat
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Richard Shadyac
Archbishop Michael Shaheen
Hisham Sharabi
Dr. Suad Shuber
Archbishop Joseph Tawil
Abdulla Warrayat
Stephen W. Welch
Ira Yusuf
Dr. George Wynn

September 15, 1993

President Bill Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington D.C. 20050

Tom/Ruben
won't analyze
Do right

Dear President Clinton:

Once again, I would like to congratulate you on bringing together Israel and the Palestine Liberation Organization (PLO) to both recognize each other and sign the first agreement which will hopefully lead to a just and lasting peace. As Secretary Christopher indicated now the hard work begins in implementing the accords. For the record, we believe that any progress requires an end to the human rights abuses and withdrawal of the troops as a first step.

At your request during the meeting following the signing ceremony, I have a simple suggestion which I believe could address in a practical sense a very difficult problem. Namely, I propose the establishment of "Peace Bonds" to support the civil infrastructure not only of the new State of Palestine but for the neighboring countries in need of economic development. The "Peace Bonds" would be the natural antithesis to "War Bonds" which unfortunately have been the tool of destruction for so long in the Middle East.

The peace bonds would of course be nominal investments with either tax deductible or tax deferred status thereby encouraging broader support from the general public. I am certain that over time millions of dollars would be generated thus taking a burden away from our national treasury. Needless to say, public sentiment will not be strongly in favor of yet more foreign aid, given the domestic economic conditions we now face. The "Peace Bonds" could offer a creative alternative and demonstrate the sincere desire of many Americans to lend their support to solving the problems facing the Middle East today.

Be assured of my assistance in this or in any other effort to continue the process of achieving a real peace for Palestine and Israel.

With best personal regards, I remain

Most sincerely,

Albert Mokhiber
Albert Mokhiber
President



THE WHITE HOUSE
WASHINGTON

09/22/93
DATE: _____

TO: ROY NEEL

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



DEMOCRATIC ★ NATIONAL ★ COMMITTEE

David Wilhelm, Chairman

Roy Neel

MEMORANDUM

TO: John Podesta
FR: Nancy Jacobson
RE: Forum on healthcare
DT: 9/20/93

This letter has come to my attention regarding a Healthcare forum sponsored by the University of California San Francisco. Sanford and Jeanne Robertson are loyal Party supporters: Sandy is a Trustee here at the DNC and Jeanne is a member of the UCSF Foundation. I hope you will consider this for the President's schedule.

I appreciate your help with this matter.

UNIVERSITY OF CALIFORNIA, SAN FRANCISCO

BERKELEY • DAVIS • IRVINE • LOS ANGELES • RIVERSIDE • SAN DIEGO • SAN FRANCISCO



SANTA BARBARA • SANTA CRUZ

OFFICE OF DEVELOPMENT

SAN FRANCISCO, CALIFORNIA 94143
(415) 476-6922

August 27, 1993

Mr. Tom Epstein
White House Political Director for the West
Old Executive Office Building, Room 115
Washington, DC 20500

Dear Mr. Epstein:

I write to you upon the recommendation of Jeanne Robertson, member of the University of California San Francisco Foundation. As you know, Jeanne has been extremely supportive of the University's efforts to invite President and Mrs. Clinton to participate in a UCSF-sponsored national forum on the future of American health. To date the response we have received from Washington has been positive but non-committal. We hope that you will be able to guide us in successfully targeting our efforts to gain the involvement of the Clintons. To date, and in brief, we have accomplished the following:

- The Forum has been planned, but speakers have NOT yet been contacted pending a more definite signal from Washington. Please see the attached agenda and event summary.
- Former UC San Francisco Chancellor Julius Krevans and Vice Chancellor Bruce Spaulding met personally with Senator Dianne Feinstein and gained her support.
- Senator Dianne Feinstein extended the initial invitation to the Clintons on behalf of UC San Francisco. Additional letters of support were forwarded by Senator Barbara Boxer, Representative Nancy Pelosi, Representative Tom Lantos, San Francisco Mayor Frank Jordan, UC President Jack Peltason, Nobel Laureate J. Michael Bishop, MD, Syntex Corporation Chair and CEO Paul Freiman, Syntex Vice President for Public Policy Gwynn Akin, and Ms. Cissie Swig. Please see the attached. Walter Shorenstein also forwarded a letter of which no copy is attached.
- Jeanne and Sandy Robertson personally spoke with Mrs. Clinton about the forum and presented her with a package of information. Jeanne has followed up with the White House as per Mrs. Clinton's suggestion. She also has followed up successfully with the DNC.
- Supporters have received various letters from White House staff saying that the Clintons are interested in the proposed forum but cannot commit to a date.

We want to make it clear that although various dates were mentioned, UC San Francisco is OPEN IN TERMS OF TIMING. Also, we are OPEN IN TERMS OF FORMAT. We would be happy to put our full-fledged forum planning on the back burner if the Clintons wished to do something more intimate, such as a campus "town hall-style" meeting with faculty and staff that would be televised nationally.

Thank you, in advance, for your advice on how we should proceed. I will be out of the office until September 16, but feel free to phone Susan Levings, my director of development communications. Susan is well-versed in all aspects of our plans and staffs the forum planning committee (415/476-9674 or 415/502-1898).

Sincerely,

A handwritten signature in cursive script, appearing to read 'Kathleen Kane'.

Kathleen L. Kane, JD
Vice President, UC San Francisco Foundation

cc: Joseph B. Martin, MD, PhD, Chancellor
Jeanne Robertson
Susan Levings

THE WHITE HOUSE

WASHINGTON

September 8, 1993 9 21 93 P10:01

RECOMMENDED TELEPHONE CALL

TO:

✓ Reverend Doctor T.J. Jemison
President, National Baptist Convention
At the New York Hilton Hotel, where the
convention is taking place:
(212) 586-7000 Extension 4405

DATE:

September 9, 1993
Between 7:00 am and 9:00 am

RECOMMENDED BY:

Alexis Herman

PURPOSE:

To express your regret that you are unable to attend
their annual convention currently being held in New
York (September 8 through 10). You were unable to
attend due to their inability to accommodate your
availability. You were only available on Saturday.

BACKGROUND:

Reverend Jemison sat next to you at the White House
Interfaith breakfast Monday, August 30. He is the president of the
largest Black Church organization in America, with membership
numbering over 9 million Baptists. Reverend Jemison is from
Louisiana and has been president of the organization for 12 years.
Last year, during the campaign you spoke at their
annual convention in Atlanta, Georgia. Over 35,000
members of the organization will be attending the
convention to be held at Madison Square Garden.

TOPICS OF DISCUSSION:

1. Thank him for his organization's past support.
2. Express your regret for not being able to attend the Baptist
Convention's annual meeting due to the launching of your fall
legislative agenda on health care, NAFTA and Reinventing
Government.
3. Acknowledge the importance of his organization to
the Administration.
4. Most importantly, you should stress that you look
forward to attending a future annual convention meeting and that
you look forward to working with his organization on
issues of mutual concern.

DATE OF SUBMISSION:

September 8, 1993

ACTION:

Don - Should start
meeting now about
working the convention
and some other stuff

Scheduling

Y Alexis Herman

*I should sign
big photo for*

*All 3 of these things
but especially
Jemison*

Baptists Gather for Convention

NY Newsday - 8/17/93

45,000 are expected for four-day event

By Wendy Lin

STAFF WRITER

New York — The Rev. Theodore Jemison, who is considered the "pope" to most of the world's Baptists, arrived in New York yesterday for the four-day National Baptist Convention.

At a dinner in his honor in the Grand Ballroom of the New York Hilton Hotel last night, Jemison was feted by a gathering of 1,500 people, including Mayor David N. Dinkins, the Rev. Jesse Jackson, Rep. Floyd Flake (D-Queens) and the Rev. Al Sharpton.

"I think this is a magnificent occasion," said the Rev. Betty Spencer of the Union Baptist Church in Harlem. "It's a blessing to have it here in our city. It's going to be something to behold."

The convention is expected to draw at least 45,000 participants to New York and \$25 million in revenues, surpassing the size of the 1992 Democratic National Convention, which drew 40,000 visitors.

Delegates will be staying at 25 midtown hotels and are expected to hold a concert tonight at Madison Square Garden.

Among the people scheduled to participate in

the convention activities are Dinkins, who was instrumental in getting the group to hold its annual convention in New York; President Bill Clinton, the governors of New York, New Jersey, and Connecticut, and entertainer Bill Cosby.

The group, headquartered in Nashville, Tenn., is the largest black association in the world.

Today, Jemison, who is up for re-election as the president of the organization, is scheduled to tour the Bradhurst section of north Harlem where Harlem Churches for Community Improvement has renovated 585 housing units for low-income residents.

Jemison is the spiritual leader of 8.5 million Baptists.

The National Baptist Convention is described by its leadership as socially conservative, but has taken a comparatively progressive stance on issues such as voter registration, low-income housing and education for blacks.

Jemison made headlines when he sided with boxer Mike Tyson when Tyson was accused of raping Desiree Washington. Both Tyson and Washington are members of the denomination.



Jemison, left, is greeted by Dr. Franklin Richardson

Newsday / Jim Compagno

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Detective Roland Doucette of the witnesses remain silent." He went on PFC along with Detective Doucette at 826-1300.

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(1.D)

The Louisiana Weekly

Sixty-Seven Years Of Service To The Community

VOL. LXVII, NO. 54

SATURDAY, SEPTEMBER 4, 1993

NEW ORLEANS, LOUISIANA

PRICE 35¢

Clinton Set To Make Address To Nat'l Baptist Confab In NY

NEW YORK, NY--President William (Bill) Clinton will address the National Baptist Convention, USA, Inc. (NBC, USA) during its 1993 Annual Session in New York City, Sept. 6 - 12th.

And at the week-long event, the Convention will presents its prestigious Cross and Crown Award to New York City Mayor David N. Dinkins.

Mayor Dinkins' dedication and service to the African-American community, his support of the African-American church and his leadership as New York City's first black mayor are among the diverse reasons the NBC, USA has chosen Mayor Dinkins as this year's recipient.

Host hotels include the NY Hilton

facilitating our convention has gone a long way in our willingness to make New York City the 1993 Convention site," says Franklyn Richardson, NBC, USA general secretary and chief operating officer.

The NBC, USA is the largest African-

American religious organization in the world with 8.5 million members and 26,000 affiliated churches throughout the United States. Of these, 600 affiliated churches and nearly 1 million members are in the Greater N.Y. metro area.

"I am delighted that the National Baptist Convention will be held in the City of New York this September," Mayor Dinkins said during a reception he had earlier this summer at Gracie

(Continued on page 2, col. 3)



August 19, 1993

Greetings to everyone gathered in New York City for the 113th Annual Session of the National Baptist Convention, U.S.A.

Our nation is at a pivotal and exciting time in history. Americans are rededicating themselves to caring for one another and to renewing the country in order to make it better and more peaceful for our children and grandchildren. Your commitment to "Go Forth" is part of a great tradition of fellowship and service that will help to make these goals a reality.

Bound together by faith and by the belief that we must be concerned about one another, we can do much toward achieving religious freedom and tolerance. As the millions of members of your association care for and teach the citizens of their communities, each member has made his or her own unique contribution to the continuation of the Christian faith that has influenced my life so deeply. May this convention be a testament to your own faith and a reminder of the many ways that God's gifts can be used to help others.

Best wishes for a productive convention.

BILL CLINTON

BC/RDS/JB/efr (Corres. #873748)
(8.baptist.msg)

(Event: September 5, 1993)
(Due: ASAP)

cc: Presidential Messages, 91 OEOB
cc: ~~Dana Wyckoff~~, Rm. 122
cc: Rob Seibert, Rm. 93

SENT TO:
Ms. Sharon Keeling
National Council of Churches
of Christ in the U.S.A.
Prophetic Justice Unit
Room 572
475 Riverside Drive
New York, New York 10115-0050

DO NOT MAIL -- RETURN TO CARMEN FOWLER, ROOM 91, FOR DISPATCH

THE WHITE HOUSE
WASHINGTON

September 21, 1993

The Honorable Harris Wofford
United States Senate
Washington, D.C. 20510

Dear Harris:

One of my greatest pleasures at today's signing of our National and Community Service Trust Act of 1993 was seeing your obvious delight. No one in that large audience, or indeed in our country, has labored as long and as well for that moment.

Without your past leadership, today could not have happened; with your future leadership in the Senate, I am confident that national service, health care reform, and our other shared dreams will come to fruition.

Many thanks for all you have done.

Sincerely,

A handwritten signature in dark ink, appearing to read "Bill Clinton". The signature is fluid and cursive, with a long horizontal stroke at the end.



MEMBER

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

September 20, 1993

THE PRESIDENT HAS SEEN
9.20.93

SEP 20 P6:55

MEMORANDUM FOR THE PRESIDENT

FROM: ALAN S. BLINDER *AB*

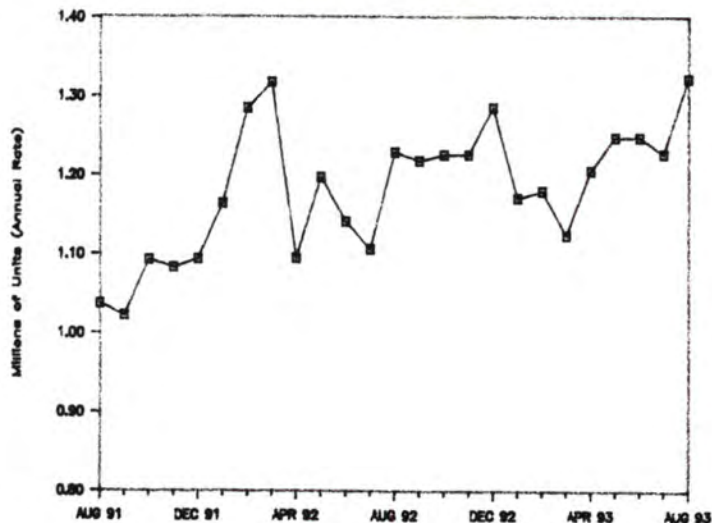
SUBJECT: August Housing Starts, Commerce Department
Release, Tomorrow Morning, 8:30 a.m.

The August housing starts report came in much stronger than expected, showing a healthy increase in both starts and building permits.

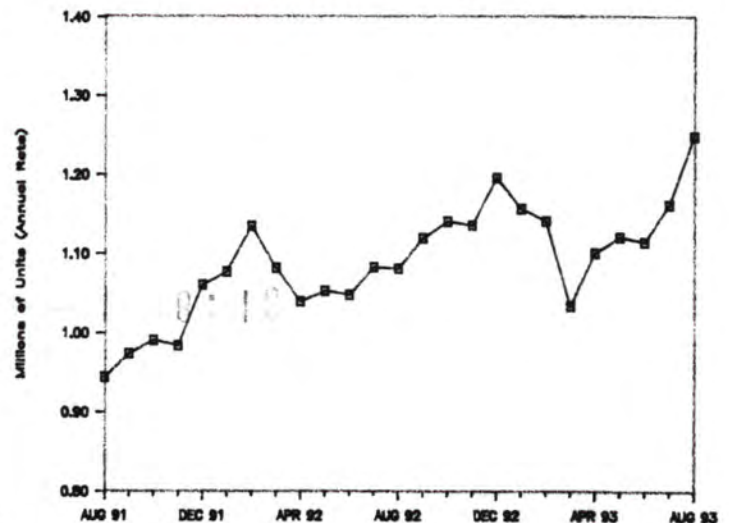
- o Housing starts increased 7.8 percent from July to August, to an annual rate of 1.32 million units. This was the highest level of housing starts since prior to the 1990-91 recession.
- o Building permits, an indicator of future housing activity, increased 7.5 percent from July to August, to an annual rate of 1.25 million. This was also the highest level of building permits since prior to the 1990-91 recession.
- o The improvement in housing was concentrated in the single-family home category. Single-family starts rose 11 percent in August, to the highest level in 6 years. Multi-family starts actually fell.

The graphs below suggest that housing starts and permits may finally be moving upward, after languishing for the past year. One month's data do not establish a trend. Nonetheless, this is the first real sign that lower interest rates and high affordability seem to be having a positive impact on the housing industry.

HOUSING STARTS



HOUSING PERMITS



Copies to
Rubin
Mach
Paster

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
09.21.93

September 20, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Robert Rubin *RR*
SUBJECT: Hearing on Product Liability Reform

*Call Mach call
Rubin & Sullivan on*

I. ACTION-FORCING EVENT

This Thursday, the Consumer Subcommittee of the Senate Committee on Commerce, Science, and Transportation will hold a hearing on Senator Rockefeller's "Product Liability Fairness Act." The Subcommittee has approached both Secretary Brown and Attorney General Reno, and has formally invited the former to testify.

II. BACKGROUND

The bill, which would establish uniform standards (applicable in both state and federal courts) in several areas of product liability law, is described more fully in the attached memorandum. In March, in response to a letter from Sen. Rockefeller asking for your support, you invited the Senator to discuss the bill with Bernie Nussbaum. Since that time, the Attorney General has initiated a comprehensive study of civil justice reform (including product liability reform). Assistant Attorney General Frank Hunger oversees that study.

Sen. Hollings, Chairman of the Committee, is strongly opposed to this bill. There have been suggestions that Administration testimony declining to support the bill might be used by opponents of the bill to hasten its demise.

III. ANALYSIS & RECOMMENDATION

This situation presents three related questions: whether to testify, who should testify, and the contents of the testimony.

- The timing of the hearing--in the midst of the push for health care reform--is poor. Malpractice reform and product liability reform are related and an Administration position on product liability issues may unnecessarily constrain consideration of malpractice reforms. On the other hand, Sen. Rockefeller's continuing support is important. While it is unclear how important the Senator regards the Administration's appearance at the hearing, it is worth noting that his office has not contacted White House staff on this

matter.

- Both Secretary Brown and Attorney General Reno are unable to testify on Thursday. Moreover, Secretary Brown faces the additional constraint that his former firm represented the American Trial Lawyers Association, a perennial opponent of product liability reforms. Traditionally, product liability has been the province of the Commerce Department, rather than the Justice Department.
- We face few options with regard to the contents of the testimony. A simple statement that expresses the Administration's recognition of the competitiveness aspects of product liability reform and then outlines the Justice Department's ongoing review would seem most appropriate.

I recommend that, if possible, the Administration *decline* the invitation to testify at Thursday's hearing, noting that we have not yet developed a position on the bill and referencing Justice's ongoing study. This approach leaves open several options and may actually prevent the early demise of Sen. Rockefeller's bill.

Legislative Affairs, White House Counsel, Justice, and Commerce all concur in this recommendation.

If this option is not possible (or the costs too great), I recommend that Assistant Attorney General Hunger testify at the hearing, that he describe Justice's ongoing study of civil justice reform, and that he state our intention not to adopt a formal position on the issues raised in the Rockefeller bill until after the completion of that study. I believe this approach respectfully responds to the Committee's request, does not draw undue attention to the hearing, and properly preserves our policy options pending completion of the Justice Department study.

Recommendation: *Legislative Affairs and the Departments should decline the invitation to testify, noting that the Administration has not developed a position on Sen. Rockefeller's bill, and noting that a comprehensive Justice Department study of civil justice reform is currently underway.*

☒ Agree

☐ Disagree

☐ Let's Discuss

*Can Marshall call Tracy
& see them*

U.S. Altering Tactics in Drug War

By JOSEPH B. TREASTER

Nine months into the Clinton Administration, fundamental changes in the way the United States fights the drug war are under way.

Though Mr. Clinton has personally addressed the issue of drugs infrequently, his National Security Council has been arguing that the huge effort to catch smugglers from Latin America should be scaled down. At the same time, the Drug Enforcement Administration is taking the final steps to put into effect a new strategy that concentrates on a handful of traffickers responsible for most of the world's cocaine and heroin.

In addition, other spending against drugs is likely to be voted on in Congress in the next few weeks, which may lead to a major reduction in the American presence in Peru, where two-thirds of the world's coca, the raw material for cocaine, is grown.

Although in his few mentions of the drug issue, Mr. Clinton has cast drugs as a broad social problem that goes beyond the criminal justice system, none of the changes under way attempt to come to grips with the nation's severe shortage of rehabilitation services.

Many Favor Treatment

"This is just the same old thing that we've heard from other Administrations," said Mary-Ann Sherman, a spokeswoman for the Legal Action Center, a national drug policy organization based in New York. The preoccupation, she said, is "What do we do about the supply of drugs?" as opposed to "What are we doing about demand, consumption?" She added, "Prevention and treatment must be equal partners with law enforcement."

Senior Administration officials say the National Security Council has been arguing that Washington should be spending most of its overseas anti-drug budget not on stopping smuggling, as is now the case, but for programs and police investigations that would dovetail with the D.E.A.'s new strategy. The Government now spends about \$1 billion a year on anti-drug operations overseas, with nearly 70 percent of that used to combat smugglers.

But the council's effort has been meeting stiff opposition, the officials said, from the Pentagon, Coast Guard and Customs Service, whose air, sea and border patrols receive most of the money allocated to catch smugglers.

In policy meetings that are expected to be concluded in the next few weeks, the National Security Council has agreed with nearly all anti-drug offi-

cials and most independent experts that attempts to intercept drugs have been a failure and have wasted hundreds of millions of dollars.

Congress Changing Budget

Mr. Clinton has agreed to a Congressional proposal to cut \$143 million in the budget for the next fiscal year that had been earmarked for treatment and anti-drug education. In the last few weeks, appropriations subcommittees in both the House and the Senate have approved reductions of about a third in the State Department's \$147 million budget for international anti-drug operations, mainly in Latin America and Asia.

State Department officials said these cuts were likely to force sharp reductions in the unit of helicopters and light planes that it operates in Latin America. Robert C. Bonner, the head of the Drug Enforcement Administration,

Agencies may now try to stop the biggest drug traffickers.

said those cuts might lead to the closing of a heavily fortified base at Santa Lucia, in the heart of Peru's main coca growing region. D.E.A. agents and the Peruvian police use the base to stage raids on jungle laboratories used in the first steps of refining cocaine.

Later this month, Dr. Lee P. Brown, the head of the White House Office of National Drug Control Policy, is expected to make public the Administration's overall drug strategy.

Shift to Coordination

"But it is so general," said one senior Administration official, "that it isn't a call to arms to do anything." The officials added, "It says, let's do some interdiction. Let's do some enforcement, and let's really work hard on demand reduction. It doesn't say anything about shifting resources."

At the same time, the D.E.A. is shifting away from a decentralized investigations run from field offices, to one in which headquarters, instead of merely monitoring operations, takes the lead in planning and carrying out the work.

"If you're trying to have the greatest

potential impact against multinational criminal enterprises, you have to be at least as well organized as they are," said Mr. Bonner, the head of the D.E.A.

The reorganization is taking place as the agency is facing a proposal by Vice President Al Gore to merge it with the Federal Bureau of Investigation. But D.E.A. officials say the first steps in the new strategy were taken last fall, long before the merger was proposed.

While the agency has always aspired to catch the top drug lords, it is now going after them systematically while limiting its pursuit of smaller, less powerful traffickers. The agency is also cutting back on its efforts against marijuana, methamphetamines and other drugs that are regarded as less threatening than cocaine and heroin.

Change in Philosophy

But the new plan represents a change in philosophy that has been gaining support with law-enforcement officials around the country. "Seizing drugs is not going to solve the problem," said Harold D. Wankel, the D.E.A.'s chief of operations. "If we can knock out the hierarchy of this business it will seriously disrupt it."

Judging the effectiveness of the new approach, which the agency calls the Kingpin Strategy, will probably take years, drug experts said. Whatever success it achieves, no one in the agency expects it to solve the country's drug problem. Many agency officials, like most police officials, now say that heavy spending on rehabilitation and anti-drug education is essential.

Nevertheless, agency officials say they are encouraged that the new approach is helping them to make more complex cases and apply pressure simultaneously on the traffickers at several points of their operations. With central coordination, officials say, they are now pulling together leads that once may have seemed irrelevant to investigators in one city and using it to build cases in several other cities.

This kind of coordination sometimes took place in the past, but more often it did not.

At the agency's headquarters in Alexandria, Va., the entire eighth floor has been turned over to 60 agents and intelligence analysts working in teams on the new strategy.

The agency has designated 10 Colombians as cocaine kingpins and two Asians, one in the mountains of Myanmar, formerly Burma, and another in Pakistan, as heroin kingpins. Officials estimate the Colombian kingpins are responsible for 80 percent of the world's cocaine with the rest supplied by smaller traffickers.

9/21

Tony Lake
Lee Brown
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JP, Gergen
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THE PRESIDENT HAS SEEN 9/20

~~Maely Gergen~~
This has some
potential but needs
to be fought

B

They come from different parties, but their goals are the same — taming the federal deficit. Former senators Warren Rudman and Paul Tsongas say it can be done with a plan unveiled today.

How to cut deficit to zero

Bipartisan Concord Coalition calls for tough choices, including controlling entitlements, slicing domestic spending and a gasoline tax.

Amid all the recent excitement in Washington over the North American Free Trade Agreement, reinventing government and health-care reform, one recent event went largely unnoticed: On Sept. 8, the Congressional Budget Office released its latest budget outlook. The news was mixed.

The good news: In the short run, the deficit will decline to about \$200 billion, instead of running the expected \$300 billion a year.

The bad news: After 1996, the deficit will increase. By 2003 we will set a new record with a deficit over \$350 billion.

And, worst of all, between today and 2000 we will add \$1.6 trillion to our national debt.

Not an impressive legacy. More talk about the budget deficit is the last thing people in Washington want to hear. Eliminating the deficit required hard choices few elected officials are willing to make.

But we cannot afford to ignore the deficit. If we fail to deal with it decisively, there may be no other issues to discuss.

Interest payments are on the way to becoming our second largest federal "program." Money needed for investments in research and development, infrastructure and education will go instead to service the public debt. Economic growth

will fail to take off. Our standard of living will decline.

That means less money in your pocket. Worst of all, our children will inherit a second-rate country staggered with debt. The American dream will become the American nightmare.

We need something that no one in Washington has proposed: a plan that eliminates the deficit by 2000. The magic number is zero.

Today in Washington, The Concord Coalition is releasing a plan that does just that. It is a detailed, nuts-and-bolts strategy that presents Congress with a realistic plan for eliminating the deficit by 2000. It has no gimmicks, but plenty of specifics.

The Congressional Budget Office predicts the deficit will be \$251 billion in 2000. That year the coalition's Zero Deficit Plan would reduce spending by \$189 billion, revenues would be increased by \$71 billion and \$10 billion would be set aside for investments to improve the nation's productivity; under the plan, for every \$1 of tax increases, spending will be cut by \$2.50.

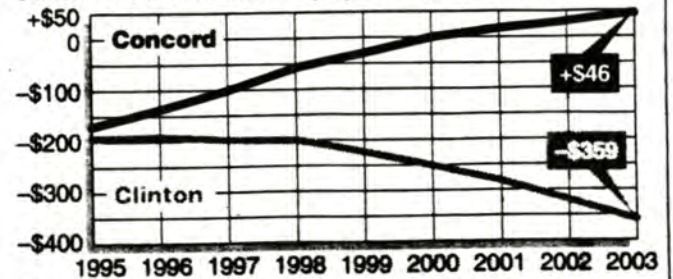
How does the Zero Deficit Plan accomplish this? Primarily through controlling entitlement growth, the driving force behind the deficit.

We propose that families with middle and upper incomes receiving government benefits through such programs as Social Security, Medicare and farm payments, to name a few, give back a portion of those payments according to their income level.

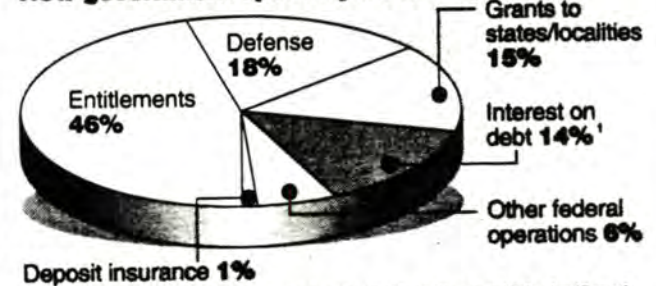
The 58% of families with incomes below \$40,000 a year would not be affected. But the 42% of families with incomes above that level would have their benefit checks reduced.

Reversing the deficit trend

Clinton vs. Concord Coalition projections (in billions):



How government spends your money



*Excludes debts to Social Security and other trust funds, which significantly increase the percentage.

Source: Congressional Budget Office; Concord; Fiscal '94 U.S. Budget

By J.L. Albert, USA TODAY

The amount of reduction would depend on income level.

What about health care? The plan assumes no savings in 2000 from comprehensive health-care reform. However, even though we can get the deficit to zero in 2000 without health-care reform, we cannot keep it there after 2000 unless, between now and then, health-care costs have been brought under control. Nor can we do so if we adopt a health-care reform plan we cannot afford.

Domestic spending is cut by 10% by reducing or eliminating 50 programs that are wasteful, inefficient or we simply cannot afford. Defense spending continues its current downward path. No additional income taxes are proposed. The largest tax increase is a 50-cent per gallon gasoline tax that is phased in gradually over six years. All revenue generated from taxes is targeted toward deficit elimination.

Probably the most important aspect of this plan is its

grass-roots support. Unlike other plans of this sort, it originated from the grass roots. The coalition's large national membership was involved in its formulation. It is truly a "bottom up" effort.

Will everyone be pleased with this plan? Certainly not. Our plan therefore suggests alternative policies if elected leaders are unwilling to embrace the ones we suggest.

But there is one option that we do not have: do nothing at all. Our plan sends a wake-up call to Congress and the White House from the grass roots — finish the job. The Clinton budget was step one. Now complete the task.

Former senators Paul Tsongas, D-Mass., and Warren Rudman, R-N.H., are founders and co-chairs of The Concord Coalition, a bipartisan organization focused on eliminating the federal budget deficit. For more information call 1-800-231-6800.

Wach

*I think we should write
this in the Key Com -*

Support Grows in Israel for Peace Plan A1

By MICHAEL PARKS
TIMES STAFF WRITER

JERUSALEM—After recovering from the shock of secret negotiations with the Palestine Liberation Organization and watching Prime Minister Yitzhak Rabin shake hands with PLO Chairman Yasser Arafat, Israelis are starting to feel that the accord on Palestinian self-government might prove to be a good deal.

"Let's give it a chance," said Moshe Bar-Lev, 37, a butcher in Tel Aviv, who initially thought the agreement "absolutely suicidal." "We're strong enough to run the risk, and the risk is not all that large."

"If we win big, it will be peace for us and our kids. If it fails, we either seal off [the West Bank and Gaza Strip], or go in again and slap them down. But my gut tells me it will work, not perfectly but good enough."

Sentiments of "give it a try" and "good enough" are growing up and down Israel. The initial confusion and apprehension over the country's security appear to have yielded to quiet assent. People are returning to business as usual, accepting some of the most dramatic developments in Israeli history.

"Sure, this could turn out badly, but we have to try it," Ronit Freudheim, 44, a government statistician, said. "I had big doubts—who can trust the PLO?—but

■ **ARAFAT COURTS ARABS**
PLO chief seeks Arab League backing for Israel accord. A3

mostly I was in shock. This agreement, of course, has inducements for the Palestinians, but it also has protection for us. We try and we hope."

Opinion surveys since the accord was announced at the end of August show support coalescing behind it, confirming Rabin's mandate to yield territory for peace.

A poll taken last week among 523 Jews by the marketing agency Dahaf for Yediot Aharonot, the country's largest newspaper, showed 61% supporting the agree-

Please see PEACE, A3

PEACE: Many in Israel Think Plan Might Work

Continued from A1
ment, 37% opposed and 2% expressing no opinion.

A poll taken a week earlier with the same questions showed 57% in favor, 41% opposed and 2% with no opinion. Ten days before that, the poll showed 53% in favor, 45% opposed and 2% without an opinion.

Surveys taken for the American Jewish Committee and for CNN in the same period confirm that support for the accord is solidifying despite serious questions and even clear misgivings about some aspects, notably the ability of the Palestinians to maintain order and prevent terrorism.

Starting even earlier, opinion surveys showed that more and more Israelis had come to back withdrawal from the West Bank and Gaza Strip, direct negotiations with the PLO and a Palestinian state so that ideas that once had been regarded as "ultra-left" in Israeli politics slowly became mainstream.

"What took us aback about this agreement," Jack Friedman, 59, a Tel Aviv travel agent, said, "was the speed and the secrecy, the shock of it all coming overnight. . . . Now that we have seen Rabin and Arafat at the White House, read the agreements, heard the experts, it doesn't look bad."

"Me and the guys I do civil guard duty with, we decided after a lot of discussion that, as a chance for peace, this is worth a try. We are worried, yeah, but we still think it's worth a real try."

In contrast, opposition groups—the Likud and other right-wing parties, the settlers movement on the West Bank and Gaza Strip, the ultra-Orthodox Habad organization—have failed to galvanize the nation the way they predicted.

"The simple truth is that there is a larger spontaneous majority in favor of the settlement than against it," political commentator Gideon Samet of the influential newspaper Haaretz argued, asserting that a "new Israeli majority" is emerging and will support this and other peace agreements.

"This is a quiet, secular and maybe a little tired majority, which is mostly busy with its own affairs," he asserted. "All this majority wants is the assurance that, at long last, it will be able to live in quiet."

In Samet's view, this is the pragmatic, non-ideological majority that elected Rabin and his Labor Party 15 months ago and now includes many who had backed the rightist Likud Party during its decade and a half in power.

"Nobody fiercely opposes anything or lovingly clings to any political symbol," Samet said. "Whoever does not feel its pulse has not awakened to see how the majority of Israelis have left behind them the period of the burning rage 'for and against.' . . ."

"It has [grown] stronger in the last decade, returned Labor to power and changed the way of life—and way of thinking—of the majority of this nation. Its foundation is in the desire, which has overcome everything else, to conduct a life of peace and quiet, even at the price of the most painful political concessions."

Rabin in private meetings over the past three weeks has alluded frequently to the importance of this emerging majority in the political calculations he made during the negotiations with the Palestinians, and on Sunday he spoke confidently of winning the support of 75% of Israelis.

"Rabin had the feeling, whatever the excitement of the moment, that he could count on a solid two-thirds to even three-quarters of the people for a deal that built

in very strong security safeguards," a senior Israeli official said.

"The more security we could promise, the more we could offer the Palestinians. . . ."

"The point is that most of our people want to be shed of these [occupied] territories. We don't want to rule over another people, especially at the cost of endless taxes and military duty and deaths. This deal won't send people into the streets cheering, but it will meet their basic desires."

Yosef Cohen, 53, an accountant in the industrial center of Haifa, said he came to support the agreement as "the best way out" of Israel's occupation of the West Bank and Gaza Strip.

"I never shared the dream of a 'Greater Israel,' with settlements spreading up and down Judea and Samaria [on the West Bank], but I felt that, if others wanted to, well, let them," Cohen said, recounting his political evolution.

"It took me a long time to realize how problematic these settlements were, how much of a military and financial and political burden, and how very, very few of our people, maybe 3%, wanted to live out there. But once I did, I thought, it's not fair that this 3% or 4% make us pay the price," he said.

With such sentiments growing, Rabin would easily win a referendum on the accord, according to Israeli political observers, and with that victory he would be able to demonstrate his mandate for peace based on territorial compromise.

Rabin's backers in the Labor Party have proposed such a referendum should the prime minister fail to win a Jewish majority in the 120-member Knesset, Israel's Parliament, when the accord is debated Tuesday. At present, Rabin is assured of only 54 of the 57 votes he needs for a Jewish majority and thus avoid dependence on the country's Israeli Arab minority in the vote of confidence.

Skepticism remains strong, however, and often verges on suspicion, the result of decades of enmity. The same opinion polls that show growing support for Rabin reflect continuing apprehension about the PLO, Arafat's trustworthiness, its future policies and its ability to govern.

"I'm sick of war and violence," Beth Ann Golden, 37, a teacher in a Jerusalem suburb, said, "but it does not follow that this agreement, giving the Palestinians half a state, will end the violence and eliminate any chance of war."

"This could be a very bad, very dangerous deal like Bibi [Likud leader Benjamin Netanyahu] says, but Rabin could get my vote in a referendum because he is not a peace-at-any-price man. Whom should I believe? Bibi with his no-hope doomsday scenario, or Rabin with his call to give peace a chance?"

But what persuaded Golden and many others to trust Rabin on peace was, paradoxically, a series of harsh actions by Rabin—the expulsion of suspected Islamic militants last December, the closure of the West Bank and Gaza Strip in March, the massive bombardment of southern Lebanon—in response to attacks on Israeli civilians and security forces.

"I believe and know that if things get out of hand in Gaza and threaten Israel that Rabin will roll the tanks right through there," Mordechai Landau, 49, an aeronautical engineer in Tel Aviv, said. "Arafat should know that too, and I think he does. This is a peace that, first of all, will be based on strength—Israel's strength."

Donny
It's working
B

New York Trend: Young Urban Volunteers

By FELICIA R. LEE

This is Glamour Girl Day on the fifth floor of the Frances Schervier Home and Hospital in the Bronx. That means that Nikia Bispham, 18, wheels in a cart full of nail polishes and emery boards, tunes her big radio to a rhythm and blues station and settles down for two hours of chitchat and makeovers with an eager queue of white-haired ladies.

Ann Finning, who wants her nails painted Cameo Pink, is fretting because she needs a good shampoo and set. The woman next to her is nodding off, but Mrs. Finning keeps up a stream of words: what happened at happy hour yesterday, a recent fall she had, what a lovely job Ms. Bispham is doing.

Ms. Bispham, a quiet high school dropout from Crown Heights who wants to be a social worker, is one face of New York's City Volunteer Corps. With 750 volunteers annually, it is the largest city youth-service organization in the nation. At the end of a

Continued From Page B1

limited to young people, but the education financing in the act is expected to be especially attractive to them. In New York, corps members are 16 to 20 years old.

The national bill will enable volunteers to receive \$4,725 — for college tuition or job training or to pay off existing educational loans — in return for every 12 months or 1,700 hours of service. They may work up to two years, for up to \$9,450. Public service advocates across the nation say the corps encourages a work ethic and fills a shrinking pool of volunteers. In New York, most volunteers in the City Volunteer Corps work full time for one year and receive a stipend of \$101.50 a week.

80 Corps Around U.S.

From San Francisco to Boston, there are more than 80 organizations similar to the corps in New York, with a total of 30,000 young volunteers. Most receive little or no Federal assistance.

Because the New York City corps is considered a model program, said Catherine Milton, the executive director of the Commission on National and Community Service, it will be one of 15 programs to receive a \$1.6 million Federal grant to begin an outreach project. Volunteers will go into communities to explore needs and then start programs. Usually, volunteers are sent in response to requests for help.

The City Volunteer Corps will be a decade old next year and has 7,000 alumni. With its 300 different service projects, it was one of the first corps to focus on human services.

Michael Bosnick, the deputy executive director, said that one-third of the volunteers, who are mostly high-school dropouts, had completed their year of service.

Most Take the Cash

About 75 percent of those opt for cash at the end of their jobs and 25 percent take the scholarships, he said, noting that many volunteers are not ready for college. Part-time volunteers, who attend school, receive pro-rated stipends and scholarships.

Volunteers without high school degrees attend General Equivalency Diploma classes and those who do not speak English attend language classes. Civility, punctuality, teamwork and attendance are stressed by the supervisors who lead the volunteers from project to project. These vary from teaching reading to turning vacant lots into gardens. The projects can be as long as three months or as short as a week.

Privately, some city leaders say they would like to see the program reorganized so that volunteers spend more time on each project and become more a part of the communities they serve. That way, they would theoretically be of more help to the agencies and get more information about future jobs. Some city leaders also want better tracking of the volunteers after they complete their service, information that is not currently available.

"I want to go to college for psychology," Ms. Bispham said. But she dropped out of high school in the 11th grade because, she said, she was afraid of violence. She now works four days a week at the hospital and attends classes for the G.E.D. test once a week. "I've had a lot of problems with my life," Ms. Bispham said. "I'd like to be a social worker and help people with their problems."

Some critics of national service charge that the efforts are more welfare programs than service programs. They have also said the programs are unnecessary in a country in which 80 million Americans each volunteer several hours a week.

"I am very skeptical of the desirability of a Federal service bill," said Doug Bandow, a senior fellow with the Cato Institute, a conservative research organization based in Washington. "On a philosophical basis I don't like the idea of baptizing something as public and saying that it is necessarily better than private. What is more noble about shelving books in a public library than shelving books in a bookstore?"

Mr. Bandow said he also foresaw practical problems in monitoring which groups get volunteers, controlling fraud and making sure the volunteers do adequate jobs.

But Kathleen Selz, the executive director of the National Association of Service and Conservation Corps, in

Tutors, orderlies and models for Clinton's new service plan.

year that has included work at a Staten Island plant nursery and a Queens furniture warehouse for nonprofit groups, Ms. Bispham has the option of \$2,500 cash or a \$5,000 college scholarship financed through the \$5.3 million the city gives the corps.

If President Clinton's estimates hold true, the \$1.5 billion National and Community Service Act he will sign tomorrow will pave the way for about 100,000 people like Ms. Bispham to serve their communities and pay for college over the next three years. The legislation, the fulfillment of a campaign promise by Mr. Clinton to create

a kind of domestic Peace Corps, will provide money for terms of service — whether tutoring children or cleaning up parks.

The New York corps was one of a number around the country that Federal officials studied before making their national service plan.

New York Corps Is a Model

"If other programs can be as good as C.V.C., this act will be a success," said Roger Landrum, executive director of Youth Service America, a Washington group that advises service corps.

Those familiar with the corps praise the variety of services the volunteers perform and the fact that the volunteers acquire skills, discipline and exposure to the world of work during their service.

The President's call for Americans to participate in a "season of service" is not

7,000 youths have traded nonprofit work for cash or scholarships.

Washington, argues, "If the work they did was not valuable they would not be funded year after year by tight-fisted state legislatures."

Toni Schmiegelow, the executive director of the New York corps, said that she received many more requests for service than she could fill. She hopes that the money and attention provided by the new community service act will attract a more diverse group to the corps.

The corps' latest advertising efforts, Ms. Schmiegelow said, have been aimed at young people who are doing well in school.

"It's important for the future of this city that people come together," she said. "It's not happening in the neighborhoods. And what we do is not just good experience for the young people. They're getting your benches painted and your parks cleaned."

One growing group within the corps has been immigrants from the former Soviet Union. There are also more black and Hispanic college-bound volunteers. Lizette Nieves, the first student from the city college system to become a Rhodes Scholar, is a graduate of the corps. So is Petal Haynes, a Yale University student and a Westinghouse Scholar.

Building a Church in Russia

The corps is also quite literally venturing into new territory, through a grant from the United States Information Agency. Last month, a group of 10 volunteers returned from a month abroad in Russia. There, they painted numbers on houses, prepared an aquarium for a school and helped bricklayers with the first church built in Russia in 70 years.

Budget constraints mean that the Corps turns away one applicant for every one it accepts, Ms. Schmiegelow said. The last few years have been "a constant struggle" for the corps to keep its city financing, she said, and called that a shame.

"We could and should have at least 5,000 young people in a city this size," said Ms. Schmiegelow.

Continued on Page B4

To: Illi Segal

Great article

B.

Doubts rise in Mexico over US trade accord

THE PRESIDENT HAS SEEN

9/21

By Diego Ribadeneira
GLOBE STAFF

MEXICO CITY — Inside a plush downtown hotel, a group of Mexican businessmen sat in the bar recently, watching a newscast of President Clinton's speech on the virtues of the North American Free Trade Agreement.

"It sure took him a long time to start fighting," said one.

"I wonder how sincere he is about what he's saying," another said.

"But even if he is, it might be too late," a third added.

While many Mexicans are relieved that Clinton has finally launched his battle to win congressional approval of the free trade agreement, they also are becoming increasingly skeptical that the accord can be saved. Many in Mexico say that NAFTA's unraveling would have economic implications as well as political ramifications because of the tensions and conflicts that have characterized US-Mexican relations.

For many Mexicans, NAFTA is not just about business but about gaining more respect from the United States.

But among Mexican politicians and business executives, hope appears to be fading that the agreement will pass before the Jan. 1 implementation date, if it passes at all.

President Carlos Salinas de Gortari, who has made the free trade agreement a cornerstone of his administration, has begun to back pedal on the pact's importance because his aides are stressing to him that the deal is in serious trouble in Congress.

The free trade agreement, which would bind Mexico, the United States and Canada into the world's largest trading bloc, by itself is "not a panacea" for Mexico's problems, Salinas said last week during a ceremony here where he signed side agreements to NAFTA.

Mexican business leaders publicly remain optimistic that the trade agreement will eventually be approved, but privately some powerful businessmen are beginning to have their doubts.

"I think Clinton made a huge tactical error by waiting so long to campaign for NAFTA," said one high-ranking executive of an American firm that does a significant amount of business in Mexico. "The opponents of free trade have had the podium all to themselves. They are way ahead. A lot of people in the business circles I travel in think Clinton has one hell of a fight on his hands. I still think NAFTA will be passed, but I wouldn't be shocked if it weren't."

Opening the door to trade

Proponents of the accord, which is primarily the legacy of Clinton's predecessor, George Bush, say it will open a huge market for US goods and services, strengthen economic reforms in Mexico and build a foundation for a vast hemispheric free trade zone from the Yukon to the Yucatan. They argue that NAFTA will create jobs in all three countries and energize trade in a market of 370 million people with an output of \$6 trillion.

Opponents counter that the agreement would cost many US jobs because companies would relocate to Mexico in search of lower wages and poorly enforced regulations. Critics also say the United States should not be doing more business with Mexico because of its dismal environmental record, shabby treatment of workers and longstanding human rights violations.

As the troubled agreement begins its perilous journey through Congress, it is difficult to gauge how serious a blow the accord's rejection would be to Mexico. In many ways, Mexico is already too far down the free trade road to ever turn back. Salinas, in a dramatic break with the past, tore down Mexico's protectionist walls and opened the country to trade and foreign investment.

Salinas' protrade agenda, initiated in 1987, has attracted billions in foreign investments, spurred a major surge in trade with the United States, tamed rampant inflation and bred steady economic growth.

Salinas, whose six-year term expires next year, privatized more than 1,000 state-owned and usually inefficiently run industries. Interest rates of about 15 percent and a strong, some say overvalued, peso have made Mexico a hot draw for investors. Tumbling tariffs, an average of 9 percent now compared with nearly 20 percent several years ago, has drawn many US companies. From Wal-Mart to Bannigan's to Denny's, some Mexican neighborhoods look more like suburban America.

NAFTA would remove most trade barriers, including tariffs and quotas, over 15 years. Canada and the United States already have a free trade agreement. "Sometimes I think NAFTA has been too hyped," said Jonathon Heath, director of MacroAsesoría Económica, a Mexico City financial analysis agency. "Mexico has already opened up its economy. NAFTA would only consolidate what is happening."

Dealing with recession

With or without NAFTA, Mexico's economy after several years of good news is now in recession. After growing at 4.4 percent in 1990, the economy only grew 1.3 percent in the first six months this year. In 1988, Salinas had promised that economic growth would be six or seven percent this year. The high interest rates crucial to bringing in foreign capital has hurt many small and medium-sized businesses as well as farmers.

*Mexico
fidelities meet*

1

Thousands of small Mexican companies unable to compete with foreign firms have closed, leaving many workers unemployed. Other firms have had to scramble in creative ways to stay afloat. One Mexican watchmaker that used to import cheap Swiss watches for domestic sale is now selling Swiss chocolate and marmalade instead.

Cuts in government agricultural subsidies have displaced thousands of farmers.

Based on the many competing studies on NAFTA, it is not clear that the free trade agreement would pump the levels of foreign investment needed to keep the Mexican economy growing at rates necessary to provide for a labor force that grows by about one million every year.

Some economists say that if NAFTA were to be rejected there would be some short-term upheaval, such as a fall in the Mexican stock market and a devaluation of the peso in order to encourage exports and discourage imports. But, they added, in the long term, low inflation, which is expected to fall below 10 percent this year, combined with high interest rates, reduced trade restrictions and low wages will continue to channel foreign business and money into Mexico.

Salinas' reputation at stake

NAFTA's rejection would have more than just economic reverberations. Politically, it would be a severe blow to Salinas and his political party, the Institutional Revolutionary Party, which has held power for six decades, longer than any other party in the world. Salinas has staked his party's reputation on the agreement, even though in recent weeks he has been trying to erase that image by downplaying the accord's importance through Mexico's economic progress. If NAFTA is not approved, it would boost the chances of opposition candidates on the right and the left.

NAFTA's unraveling also would undermine the delicate relationship between the United States and Mexico and make it difficult for the two nations to cooperate on such thorny issues as drug trafficking and immigration, some say.

"The United States and Mexico have a long history of antagonism and hostility and this was the linchpin of a new relationship," said Colleen Morton, a vice president and economist at the Institute of the Americas, a research institute in La Jolla, Calif. "If NAFTA fails, the US would be slamming the door in Mexico's face."

THE WHITE HOUSE
WASHINGTON

DATE: 09/20/93

TO: HILLARY CLINTON
MELANNE VERVEER

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

The attached has been forwarded
to the President.

THE WHITE HOUSE
WASHINGTON

September 21, 1993

-20 P7:31

MEMORANDUM FOR THE PRESIDENT

FROM: BILL GALSTON *WA9*

SUBJECT: EFFECT ON THE STATES OF DELETING THE HYDE AMENDMENT

In the briefing this afternoon prior to your meeting with the Democratic women senators, you posed a question concerning the impact on the states of repealing the Hyde amendment. Time did not permit a full answer, but I thought it was important that you have the opportunity to review it now. I want to emphasize, however, that the following discussion is purely hypothetical, because there is at present no practical possibility that the Hyde amendment would be defeated in a straight up-or-down vote.

Prior to the adoption of the Hyde amendment in 1976, various states were grappling with the issue of what they were required to do under the Medicaid law. Litigation on this point was headed toward the Supreme Court but became moot after the passage of the Hyde amendment. In Harris v. McRae (1980) the Court upheld the Hyde amendment and ruled that the states themselves were not obligated to cover medically necessary abortions in the absence of federal funding. In an earlier decision, however, the Court noted that without the Hyde amendment in place "serious statutory questions might be presented if a state Medicaid plan excluded medical treatment from its coverage" (Beal v. Doe, 1977).

As you can see, the position of the Court to date has been less than crystal-clear. Both OMB and the General Counsel's office at HHS believe that in the absence of Hyde, it would be most reasonable to construe the Medicaid statute as requiring states to provide funding for medically necessary abortions. It does not follow, however, that states would in practice be compelled to do so.

In the first place, the meaning of the phrase "medically necessary" has never been litigated--as it certainly would be if Hyde were deleted and the states came under the full force of the Medicaid law.

Second, a state would certainly not be required to fund abortion procedures forbidden under a generally applicable state law that passes constitutional muster.

We will keep on working to further clarify this issue.

MEMORANDUM

THE PRESIDENT HAS BEEN

9.20.93

TO: THE PRESIDENT

FROM: BETTY CURRIE

RE: GIFTS FROM MARTHA'S VINEYARD

DATE: SEPTEMBER 20, 1993

According to Kelly Craighead, the books you received as gifts from Martha's Vineyard are in the Library on the 3rd Floor. Other gifts are in the Gift Unit in the OEOB.

Handwritten notes:
→ when's the list
I want to check.
B
I want to check.
I want to check.
I want to check.

THE WHITE HOUSE
WASHINGTON

DATE: 7/20

TO: *Mark Gearan*

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

*(P) recently decided
of lower key Nov.
ministerial conference.*

WHITE HOUSE STAFFING MEMORANDUM

DATE: 09/03/93 ACTION/CONCURRENCE/COMMENT DUE BY: 09/07 NOON

SUBJECT: G-7 JOBS CONFERENCE

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☒	☐	PASTER	☐	☐
McLARTY	☒	☐	RASCO	☐	☐
NEEL	☒	☐	RUBIN	☐	☐
PANETTA	☐	☐	SEGAL	☐	☐
BAGGETT	☐	☐	SEIDMAN	☐	☐
EMANUEL	☐	☐	STEPHANOPOULOS	☒	☐
GEARAN	☒	☐	TYSON	☐	☐
GERGEN	☒	☐	VARNEY	☐	☐
GIBBONS	☐	☐	WATKINS	☐	☐
HALE	☐	☐	WILLIAMS	☐	☐
HERMAN	☐	☐		☐	☐
LAKE	☐	☒		☐	☐
LINDSEY	☒	☐		☐	☐
McGINTY	☐	☐		☐	☐
MONTOYA	☐	☐		☐	☐
NUSSBAUM	☐	☐		☐	☐

REMARKS: Please provide me with views & recommendations by Tues. at Noon

RESPONSE:

John What even happened?

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
Ext. 2702

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT REICH
ROBERT RUBIN
LAURA TYSON

SUBJECT: G-7 Jobs Conference

At the Tokyo G-7 summit, you invited your G-7 counterparts to send their senior labor and economic advisers to attend a conference on "jobs" this fall. In order to plan this event, we need your guidance on objectives and agenda of the conference, the format, and Administration participation.

BACKGROUND

All G-7 countries are grappling with changes in their economies that have disrupted past links between growth, productivity and job creation. EC countries have maintained high standards of living, but pervasive structural barriers have left a high percentage of long-term unemployment and very little job creation. Japan, has a low official unemployment rate, but statistics disguise hidden and under-employment. The US economy has generated millions of jobs in the last decade, but the quality and income of these jobs may be inadequate.

Objectives. Tokyo revealed a strong consensus among all G-7 leaders that job creation and employment are critical problems. Our objectives in hosting a conference are to:

- 1) demonstrate your international leadership on the issue of jobs in a visible and convincing way;
- 2) educate the public, both at home and abroad, about the benefits of free trade and investment, how growth abroad supports growth at home and how this reinforces your overall economic program;
- 3) share G-7 country experiences and analysis about growth and employment that could form the basis of a jobs agenda here at home and abroad.

More broadly, as Chancellor Kohl and others said, such a meeting could help convince voters that creating new jobs is a problem shared by all G-7 nations, and could build international support for solutions that may help leaders take the tough steps needed to address job creation.

Agenda. The substantive agenda would focus on both macroeconomic and structural issues. A starting point would be the shared understanding that macroeconomic policies promoting strong growth are a prerequisite to reducing unemployment. Here, the conference would build on your Tokyo discussions about growth oriented macroeconomic policies. Treasury and CEA note that this is the leverage point on Japan which has persistent low recorded levels of unemployment. Moreover, we must not let a focus on structural policies postpone action on macroeconomic policies. The Europeans and Japanese may prefer to focus on the structural issues instead of undertaking new growth policies.

The microeconomic agenda of the conference would focus on structural barriers to job creation. Such barriers take numerous forms, including government or employer programs that increase the cost or decrease the mobility of labor; and inadequacies in programs to train and relocate workers in the face of shifts in demand, such as those resulting from defense cutbacks, or shifts in skill requirements, such as those resulting from technological change.

Options

I. Format and Organization. There are two possible ways of organizing the conference: a major public conference modeled on the Little Rock Economic summit; or a lower-key conference of G-7 ministers (similar in some respects to the Chicago labor-management conference organized by Secretary of Labor Reich and Secretary of Commerce Brown). In the former, following the Little Rock model, outside experts would be invited to join ministers from the G-7 nations to explore approaches to job creation and unemployment. A series of assigned speakers who are experts on specific topics would make presentations. Ministers would then ask questions and pursue further discussions.

In contrast, a ministerial conference, would allow officials who have direct responsibility for economic and employment issues to review what policies they have tried and to share insights into what has worked and what has not. We envision a fixed agenda, with a lead discussant assigned to kick off each topic with a formal presentation. Discussion would then be free-flowing and unstructured.

In Tokyo we announced that we would invite ministerial level representatives. Other G-7 leaders are not expecting the meeting to be a conventional "summit" attended by heads of state. As host, however, you could participate in a number of ways; for example, open the conference, make a major address on your jobs agenda, or just drop by for an informal discussion at one of the sessions. You could moderate a given session and could call on outside experts as well as several members of your cabinet to participate in the discussions.

Our first two objectives of demonstrating leadership and public education argue for a high-profile event like the Little Rock summit. David Gergen and others support this approach. Other G-7 nations, however, are likely to object to outside experts publicly highlighting the shortfalls of government policies, including their own. A high-profile event may also raise expectations for results that are unlikely to be met. Although superficially similar, the structural barriers to job creation are actually quite different in the U.S., EC, and Japan, posing different policy dilemmas for national leaders. It is therefore quite unlikely that a policy prescriptive communique would result from the conference, much less specific implementable actions.

We are, however, looking to share experiences and to develop a common analysis of the different sources of barriers to job creation in the G-7 nations. A successful conference would lead to shared approaches to the challenge of job creation, even if individual countries pursue distinctive policies. (A ministerial conference could conclude by issuing a summary chairman's statement rather than a formal declaration. We might even consider whether a series of further conferences to discuss policy prescriptions is needed.)

Decision Options

1. **Recommendation:** The jobs conference would be a low-key meeting of G-7 ministers (with no outside experts) designed to share analysis and experiences, define a common understanding of successful and unsuccessful policies, and build international support for a shared approach to solutions. The agenda would focus on both macroeconomic and structural issues. You would participate primarily by using the forum as a bully pulpit for a major speech.

Approve_____

Disapprove_____

2. **Alternatively:** The jobs conference would be a high-visibility meeting patterned after the Little Rock economic summit. Outside experts would be invited to make presentations on specific topics which would be discussed by the Ministers. The agenda would focus on both macroeconomic and structural issues. There would be no formal policy communique.

Approve_____

Disapprove_____

II. Participation. Given the many cross-cutting dimensions of jobs issues, expertise and authority lie outside the domain of any one agency. In Tokyo you specifically mentioned labor and economic advisers. However, the finance ministries of many countries have also expressed keen interest in attending the conference because they exercise prime authority for the macroeconomic policies that affect employment prospects.

Here at home, Labor, Commerce, State, Treasury, CEA and NEC have all expressed an interest in preparing for and attending the conference. (Although we also mentioned education advisers in Tokyo, Richard Riley is already hosting an OECD-sponsored conference of education ministers in September, and this may provide the best channel for education ministers' participation on the jobs issue. That conference will examine how to improve the ties between initial education and later learning and work, and the response of education/training systems to unemployment.)

We face a tradeoff between restricting the number of participants in order to encourage meaningful dialogue in small groups, and encouraging broad participation by a wide number of agencies which share job-creating responsibilities. In addition, the issue of participation may prove contentious among agencies both at home and in other G-7 nations.

These concerns can be minimized by dividing the conference into macroeconomic and microeconomic components, perhaps macroeconomics on the first day and microeconomics on the second. Your participation would then help bridge the two components. Agencies leading the discussion each day would develop the agenda for each component and be jointly responsible for conference preparations, including organizing logistics, transportation, and associated costs. The NEC process would be used to ensure coherence among the substantive components of the agenda and consistency in the organization of the conference.

Decision Options

1. **Recommendation:** The conference would be divided into macroeconomic and microeconomic components. The former would be co-chaired by Secretary Bentsen and CEA Chair Tyson, the latter by Secretary Reich and Secretary Brown. NEC Chair Rubin would ensure coherence and consistency between the components and introduce your participation in the conference. In this option and in the others, you would invite three to four policy-relevant participants from each country. (letter attached).

Approve_____

Disapprove_____

2. **Alternatively:** The conference would be co-chaired and moderated by Robert Rubin and Laura Tyson. Our three participants would be Secretary Bentsen, Secretary Reich, and Secretary Brown.

Approve_____

Disapprove_____

3. **Alternatively:** The conference would be co-chaired and co-moderated by Secretary Reich, who would have primary responsibility for leading the microeconomic discussions, and Secretary Bentsen, who would have primary responsibility for leading the macroeconomic discussions.

Approve_____

Disapprove_____

III. Timing. In Tokyo, we suggested this Autumn as an appropriate time for the jobs summit. Other G-7 nations are already pressing us for details. It is unlikely, however, that a conference could be effectively planned in your schedule before November, which is also the month of the APEC meeting and an OECD meeting on macroeconomic and jobs issues. The EC countries' economic summit is set for December 10-11 at which time they will consider an EC program on unemployment. It would be advantageous to hold our conference before the EC meeting if possible. Otherwise, the EC countries may have agreed to a common position which will narrow room for maneuver or debate. (Recently the British warned of such an outcome and urged us to schedule our jobs summit before the December EC meeting.)

With NAFTA and health care dominating the Fall agenda, however, the job summit could be an unneeded distraction. These concerns are minimized, providing your involvement centers on an opening statement or policy address. These concerns will grow, should your role expand much beyond that.

Decision Options

1. **Recommendation:** the conference would take place in the Washington environs sometime in November, before the December EC summit.

Approve_____

Disapprove_____

2. **Alternatively:** if broader Administration priorities require, the conference would be postponed until sometime during the first few months of 1994.

Approve_____

Disapprove_____

THE WHITE HOUSE

WASHINGTON

Dear Colleagues:

I enjoyed meeting with you in Tokyo and I believe we had a most successful summit. As you know, Congress has now passed my budget which is the largest deficit reduction in American history. I look forward to a better macroeconomic environment in the United States and, as we discussed, a better growth picture for the global economy.

I want to follow up on our agreement in Tokyo to convene a meeting of our senior ministerial representatives to discuss the problems of reducing unemployment, which is too high in all of our countries. I enclose a brief paper on our thoughts for the meeting, and ask you to pass this to your head of delegation. I expect we will all learn much from our officials' discussions.

Sincerely,

William Jefferson Clinton

G-7 Jobs Conference

At the Tokyo Summit the G-7 leaders agreed to a suggestion by President Clinton to send high-level representatives to a meeting in the United States "to explore the causes of excessive unemployment and to search for possible answers to this critical problem which saps the strength of our societies." This paper sets out some ideas for the conference and seeks your views.

Our intent in proposing an unemployment conference was to share G-7 country experiences and analysis about growth and unemployment, define a common understanding of successful and unsuccessful approaches and build international support for a shared approach to solutions. Since unemployment has both a cyclical and a structural component, the agenda would cover both macroeconomic and microeconomic "structural" policies.

Given the many cross-cutting dimensions of jobs issues (e.g., macroeconomic policies, worker training, social safety net policies, health care costs, etc.), it is clear that expertise and authority lie outside the domain of any one ministry. It may be useful to organize the conference into macroeconomic and microeconomic components. The U.S. participants are expected to be Treasury Secretary Lloyd Bentsen and CEA Chair Laura Tyson for macroeconomics, and Commerce Secretary Ronald Brown and Labor Secretary Robert Reich for the microeconomic component.

There was strong sentiment in Tokyo to introduce greater informality into the Summit process. This conference should avoid the staleness of pre-cooked discussions and stiff interventions. Therefore, we would propose that our session be informal, with no outsiders (including press), and that it take place in a retreat-like setting near Washington, D.C. in November. Most of our time would be devoted to free-flowing substantive discussion, and all of the sessions would be limited to principals only.

We need to begin considering now what we would like to see coming out of the Jobs Conference. We would propose that the conference end with a short Chairman's note that would provide a sense of our discussions.

Any views your government might have on our ideas are appreciated, and we look forward to working with your governments in the months ahead. As part of our preparations, a small U.S. team will travel to your capitals in early fall to receive your input and to put together later a set of background materials for participants. Mr. Robert C. Fauver, Special Assistant to the President at the National Security Council and National Economic Council, will serve as the contact point for the United States on this exercise. It would be useful if each government would send Mr. Fauver the name of a contact person and the three or four principals who are most likely to represent your governments.

John

SEP 20 P2:04

This was misplaced
here & found,

Do I still
follow-up?

Why don't you
ask marsha

JDP

9/20/93

THE WHITE HOUSE
WASHINGTON

DATE: 6/13

TO: *Mark Gerson*

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

*I did not forward
to the President.*

*It probably deserves
a follow up by your
shop* *John*

THE WHITE HOUSE

WASHINGTON

93 JUN 2 09:15

MEMORANDUM TO THE PRESIDENT

FROM MARSHA SCOTT *MS*
DATE JUNE 1, 1993
SUBJECT JOHN VASCONCELLOS RECOMMENDATION

John called and asked if I would help push the nomination of his friend and former staffer, Ken Patterson, as a media advisor. Ken is a US Navy Lt. Commander with extensive press credentials. Evidently he was having a difficult time meeting with anyone so I met with him. He had to return to duty in Hawaii but I told him that someone would be in touch.

He wants to be detailed to our Media Affairs Office. The Bush administration evidently had a liaison from the military in their press office. The idea has merit and he may be the right person. However, I think more interviews are in order.

Do you want this sent to David Gergen for his attention?

Approve _____ Disapprove _____

REPLY TO:
□ DISTRICT OFFICE
100 PASEO DE SAN ANTONIO
SAN JOSE, CALIFORNIA 95113
(408) 288-7515
□ CAPITOL OFFICE
STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0001
TEL: AREA CODE 916
445-4253

Assembly California Legislature

JOHN VASCONCELLOS

ASSEMBLYMAN

CHAIRMAN

COMMITTEE ON WAYS AND MEANS

COMMITTEES:
EDUCATION
HIGHER EDUCATION

BILL:

Hello, my friend. How are you?
How are you doing? How are you feeling?

As you complete your first 100 days as our President,
I continue both pleased and proud
that I was the first elected official in California
to endorse your candidacy!

I am pleased now to become Chair of the Silicon Valley
Chapter of the Democratic Leadership Council - whose
slogan I propose to be *"Reinventing politics -
and everything else, including ourselves!"*

With all that, I want and ask nothing of you -
except you realize your promise to become the outstanding
president all of us so desperately want and need.

Toward that end I have a recommendation (and a request):
Arrange to bring onto your communications staff
US Navy Lt. Commander Ken Patterson -
- my dear friend of 20 years, former staff member, whose
specialty is military communications, especially Far East
(see attached, + Dee Dee Myers has his qualifying resume).

Ken is just completing a 3-year assignment with the
Pacific Fleet, and otherwise heading to become #2 at Stars
& Stripes in Tokyo.

He agrees with you on every (including the most sensitive)
issue, and brings you the authority of his uniform,
broad deep experience in military public relations circles,
(especially in Far East matters, including MIA/POW issues),
and a smart, strategic, utterly trustworthy, winning way.

Comm. Patterson is in D. C thru May 28. Interview him now.
He will well serve you, as you better serve our nation!



LCDR Ken Patterson
808-833-1118
808-421-1364

DEE DEE MYERS
PRESS SECRETARY
WHITE HOUSE PRESS OFFICE
ROOM #173
OLD EXECUTIVE OFFICE BUILDING
WHITE HOUSE
WASHINGTON DC 20500

26 APRIL 1993

DEAR MS. MYERS;

THIS LETTER IS A FOLLOW-UP TO COMMUNICATIONS I'VE FORWARDED TO YOU IN THE RECENT PAST. I'M STILL SEEKING A WHITE HOUSE DIRECTIVE TO THE DEPARTMENT OF DEFENSE DETAILING ME TO YOUR PRESS OFFICE. A BRIEF VERSION OF MY RESUME IS ALREADY IN YOUR PERSONNEL SYSTEM. PLEASE LET ME OUTLINE A FEW OF THE AREAS IN WHICH I WOULD BE ABLE TO SUPPORT YOU, YOUR STAFF AND THE CLINTON ADMINISTRATION.

1) WHEN THE BAN ON MILITARY SERVICE FOR GAY AND LESBIAN PEOPLE IS LIFTED, YOU WILL NEED A UNIFORMED MILITARY OFFICER WHO IS DEEPLY AND SINCERELY COMMITTED TO IMPLEMENTING AND EXPLAINING THE ADMINISTRATION'S POSITION. I WOULD LIKE TO ASSIST YOU IN THAT AREA.

2) TERRORISM AND ITS ATTENDANT PUBLICITY DRAINS AND DISTRACTS THE PUBLIC AND YOUR STAFF, MAKING IT DIFFICULT TO FOCUS ON STATED PRIORITIES. I'VE BEEN THE PUBLIC AFFAIRS OFFICER FOR THE PACIFIC COMMAND COUNTER-TERRORIST TASK FORCE FOR THE PAST THREE YEARS AND WOULD BE VALUABLE TO YOU IN PLANNING, MEDIA RELATIONS AND CRISIS ACTION DURING TERRORIST INCIDENTS.

3) ASIA IN GENERAL AND SOUTHEAST ASIA IN PARTICULAR ARE AREAS WITH I CAN ASSIST YOU. MY EXPERIENCE IS WITH THE POLITICAL, DIPLOMATIC AND MILITARY ASPECTS OF THE POW-MIA ISSUE, THE ECONOMIC EMBARGO OF VIETNAM AND THE EVOLUTION OF GOVERNMENT IN CAMBODIA. I SPENT MUCH OF THE PAST TWO YEARS IN SOUTHEAST ASIA AND TOOK SOME OF THE FIRST WESTERN MEDIA INTO CAMBODIA AND VIETNAM WITH THE POW-MIA TASK FORCE AND SENATOR SMITH'S COMMITTEE ON POW-MIA AFFAIRS.

more....

4) I ORCHESTRATED THE FIRST JOINT STATE DEPARTMENT/DEFENSE DEPARTMENT NEWS CONFERENCE IN CAMBODIA WITH THEN ASSISTANT SECRETARY OF STATE RICHARD HOLMES AND DEPUTY ASSISTANT SECRETARY OF DEFENSE APPEARED AT THE NEWLY-OPENED AMERICAN COMPOUND IN PHNOM PENH. I DRAFTED, COORDINATED AND ISSUED THE FIRST-EVER TRI-LATERAL U.S./CAMBODIAN/VIETNAMESE COMBINED AFTER TECHNICAL STAFF IN PHNOM PENH.

MY WARFARE SPECIALTY IS IN SURFACE SHIPS. I AM NOT IN ANY WAY INVOLVED IN NAVAL AVIATION OR WITH THE NAVAL OFFICERS ASSOCIATION. NOR AM I AN INDUSTRIAL SPY FOR THE DEPARTMENT OF DEFENSE. THIS REQUEST IS ENTIRELY MY IDEA. THERE IS NOTHING THAT WOULD MAKE ME AN EMBARRASSMENT TO THE ADMINISTRATION.

I AM A LIFELONG DEMOCRAT WITH ROOTS IN CALIFORNIA. YOUR FORMER PROFESSOR, BRIAN MURPHY OF SAN FRANCISCO, AMONG OTHERS, WROTE TO YOU RECOMMENDING MY SERVICES.

MS. MYERS, I KNOW YOU ARE EXTREMELY BUSY AND HAVE SCORES OF PROJECTS ON YOUR DESK. HAVING THE DEPARTMENT OF DEFENSE DETAIL ME TO YOUR STAFF WOULD DIRECTLY REDUCE YOUR WORKLOAD WITHOUT ~~INCREASING~~ YOUR PERSONNEL BUDGET AT ALL. PLEASE RECONSIDER MY OFFER TO WORK FOR YOU.

SINCERELY,

KEN PATTERSON

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OF COUNSEL

TED Z. ROBERTSON
J. HADLEY EDGAR, JR.

September 15, 1993

VIA FEDERAL EXPRESS

President Bill Clinton
The White House
Washington, DC 20500

Dear President Clinton:

I feel strongly that I need, one more time, to convey my feelings about the components of malpractice reform that are being bantered about. As usual, the messages are mixed.

Last week, while in D.C., the First Lady responded to my inquiries regarding the status of malpractice reform by informing me that we, as trial lawyers, should be okay; specifically there will be no cap on non-economic damages, but there will be a one-third cap on attorney's fees. While I applaud the decision on non-economic damages and understand that a one-third fee is generally considered to be reasonable, I have serious misgivings about the information that I'm reading which falls outside the scope of these two issues and was not addressed by the First Lady.

Consider the following scenario. An OB/GYN who has twice previously been kicked off hospital staffs for drinking during rounds and fondling female patients while under anesthesia, is called to the hospital (who didn't check his background) to deliver the baby of a patient. He appears and has had too much to drink, but proceeds. The result is a brain-damaged quadriplegic - the only daughter of parents who wanted a baby very badly. (Please understand that this is a realistic hypothetical.)

Assume further that we are asked to represent this family against Dr. X and the local hospital. We certainly can get an affidavit stating that the doctor was grossly negligent in the treatment of his patient and that his negligence was the proximate cause of the devastating injuries to the little girl. After extensive and complex discovery, we proceed to "The Panel." Is this panel made up of other doctors who will protect their own at all costs? Will their findings be admissible at trial and have any presumption attached?

One side or the other will surely not be satisfied with the decision rendered by the panel, so we move forward to trial. All the while, the defense team is running up its bill, apparently without limit. There is certainly no motivation from the defense perspective to settle this case - in which the doctor and hospital are clearly liable. In the meantime, the parents struggle to meet the needs of their daughter. What if she needs health care that is outside the scope of the new plan? Should she be made to go without to give the doctors a break?

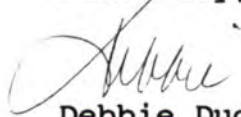
After a long, arduous trial, the jury reaches a verdict, compensates the plaintiffs, and attempts to punish the doctor for his inexcusable disregard for the safety and welfare of his patients. The real kicker is that the defendants can purchase an annuity at a fraction of the cost of the actual verdict, which will make periodic payments to the plaintiffs. This is simply inappropriate and unfair. Defendants will never settle a case for a lump sum when after trial, the worst result could mean periodic payments to the plaintiff. What happened to the goal of resolving these issues without litigation?

The health care providers who have wrecked the lives of this family have been protected throughout the process. There is no motivation for the defendants to be responsible for their actions and settle the case - NONE. Why is it desirable to further punish those who have already been made victims?

In my opinion, these "reforms" will further the erosion of faith in our system of justice. We should take pride in our right to trial by jury, a part of our constitutional heritage, and protect it at all costs.

It appears that you have given on many issues that will negatively impact people across our country. Why?

Sincerely,



Debbie Dudley Branson

DDB\dh

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OF COUNSEL

TED Z. ROBERTSON
J. HADLEY EDGAR, JR.

*Nancy:
please give to
the President.
Thank
you,
Rahm.*

September 15, 1993

VIA FEDERAL EXPRESS

Mr. Rahm Emanuel
The White House West Wing
Washington, DC 20500

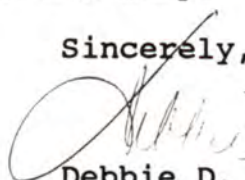
Dear Rahm:

Please find enclosed another letter which I would very much appreciate your delivering to President Clinton. We visited briefly in Houston on Saturday and I feel compelled to try to reach him one more time on the issue of malpractice reform.

I tried to call earlier because I understand you're getting married. Congratulations!

As I think you know, I care deeply about the President's success, but am also committed to the cause of protecting people's rights. Malpractice reform has become a very difficult issue. I would like very much, however, to further the President's agenda in any way I can. Let me know how I can help.

Sincerely,



Debbie D. Branson

DDB\dh
enclosure

Congress and the Tree Snakes

IN THE DAYS of the New Deal, Democrats tended to advocate a strong executive and Republicans defended congressional power. In recent years—that is, years in which Republicans tended to control the White House—the roles have been reversed. It's Republicans who have taken to complaining about "the imperial Congress" and Democrats who have defended the legislature's prerogatives.

But with Democrats commanding both the White House and Capitol Hill, the lines of debate are blurring, and Vice President Gore's "reinventing government" report suggests that this Democratic executive intends to behave like—an executive. The report proposes that in a number of areas, Congress should get off the backs of executive branch officials and give them room to manage and decide. Among the its recommendations:

- Congress should minimize the number of narrow restrictions it places in its budget bills, such as "line items" and "earmarks." Congress, the report says, is increasingly relying on such procedures "to ensure that funding flows to favored programs and hometown projects." It cites two particularly egregious examples of this sort of thing: a requirement that the Interior Department maintain 23 positions in the Wilkes-Barre, Pa., field office of the anthracite reclamation program, and another forcing the department to spend \$100,000 "to train beagles in Hawaii to sniff out brown tree snakes."

- Congress should "reduce the burden of Congressionally mandated reports." In fiscal year 1993, Congress required executive agencies to prepare 5,348 such reports.

- Congress should "give the President greater power to cut items from spending bills." This is a weaker version of the "line-item veto" that Republicans have advocated for years.

- Congress should "allow all agencies greater freedom in setting fees for services and in how the revenues from these fees may be used." Why, asks the report, shouldn't the National Park Service be allowed to keep half the revenues it picks up from fees? Pricing policy, the report says, "is an important management tool, and we recommend that Congress place it in the hands of many more federal managers."

You can already hear the chuckling of Republicans for years have condemned congressional "micro-management." Of a sudden, it seems a Democratic administration now understands just what the Republicans were talking about. But after the chuckling ends, Congress should take a fair look at the spirit of these suggestions. Years of divided government have created an ungainly and often counterproductive relationship between Congress and the executive.

Congress can set broad policy, but it was not established to manage the details of implementation. The report's implicit critique is correct: Congress can get in the way of good management, and fears of congressional retaliation can inhibit not just corruption but also creativity among those who work for the executive branch. With one party on top in both political branches, it's the right time to seek a better balance between them. It's the only time these questions can be debated without one party's accusing the other of seeking advantage through procedural tinkering.

Nuclear Contagion

WHY IS China preparing, according to American intelligence, to conduct another nuclear test? Its great Cold War foe, the Soviet Union, is no more. Its links with the United States, though politically strained, are strategically cordial. It has just taken an important initiative with India, its one major regional rival with a nuclear weapons capacity. It professes, despite a disturbing record to the contrary, to desire a strong role in global nonproliferation issues. Yet there it is cooking up a test at Lop Nor, conceivably waiting only to see how its bid to host the 2000 Olympics fares when the Olympics people meet this week. Give us the Olympics or we test: Is that China's pitch?

In the present era, nuclear tests stand for a display of national go-it-alone assertiveness against efforts to (1) reduce the accumulation of nuclear weapons and means of delivery by countries with them and (2) block their acquisition by countries without. The Chinese are using an argument also cited by Americans who favor a limited resumption of testing: test to make weapons safer. Testing advocates always have some explanation that sounds plausible and unthreatening. But the larger

truth is that testing nourishes and normalizes the notion that nuclear weapons are relevant, useful and acceptable. This is precisely the notion that confounds the global campaign against proliferation.

President Clinton finds himself in an awkward place. He has pursued American reductions and has been outspoken and active in nonproliferation efforts. But he has been caught up in a familiar internal American argument over testing, agreeing last July to extend an expiring legislated moratorium, but suggesting he might abandon it if others tested. He is hedging.

From an American security viewpoint, Chinese tests make no military difference to the United States. As Chinese tests become used as a cover for other nations to advance their own nuclear programs, however, these tests directly affront the American interest in nonproliferation.

The Chinese, by their preparations, are in a sense soliciting a foreign judgment. The Clinton administration has been urging restraint on Beijing and stirring others to give similar advice. This is the right moment to make the advice more pointed.

Hard Truths From Jimmy Carter

FORMER presidents enjoy a special authority and a great deal of freedom to speak that comes from having served in the nation's top job. Few have used that freedom and authority better than Jimmy Carter. It's been said so many times in recent years that Mr. Carter is an awfully good ex-president that it's forgotten how unpopular he was when he left the White House in 1981. During the 1980s, it was not at all fashionable to say one had voted for Mr. Carter, let alone to have served in his administration.

Mr. Carter earned back the nation's regard partly for the simplest of reasons. He never tried to cash in on his office or his celebrity. He engaged in the sorts of good works—such as building housing for the poor—that ordinary citizens, not to mention ex-presidents, don't do enough of. On the political level, he held fast to his basic commitments, the most important of which was to human rights. Through the Carter Center, he did a lot of hard work on behalf of free elections and democracy and also lent his hand to efforts to resolve conflicts, especially in sub-Saharan Africa, that much of the rest of the world found easy to ignore.

Last week, during his speech at the White House on behalf of the North American Free Trade Agree-

ment, Mr. Carter demonstrated his willingness to risk making enemies by putting his credibility on the line. Without referring to Ross Perot by name—he didn't have to—Mr. Carter offered this uncompromising view of the Texas billionaire's opposition to NAFTA:

"Unfortunately in our country now, we have a demagogue who has unlimited financial resources and who is extremely careless with the truth who is preying on the fears and uncertainties of the American public. And this must be met because this powerful voice can be pervasive within the Congress of the United States unless it's met by people of courage who vote and act and persuade in the best interests of the country."

We hope these words gave Mr. Perot pause, for it is not easy to dismiss Mr. Carter as the servant of a vast conspiracy or as a politically motivated hit man or as one who doesn't bother to learn the facts. On the contrary, these are the last things one would have said about him even at the depth of his unpopularity, never mind at a moment when he enjoys so much respect for the way he has conducted himself out of office. He spoke with authority when he went after Mr. Perot the other day—and he spoke truth.

Tony Lake

9.20.93
MINDO, SEPTEMBER 20, 1993 THE WASHINGTON POST
Great speech
Receivable

Democrats Act to Avoid NAFTA Civil War

George S.

FYI

House Speaker Thomas S. Foley (D-Wash.) has drafted some political rules of engagement for the congressional battle over the North American Free Trade Agreement.

Rule No. 1: Keep carnage among Democrats to a minimum.

"One of the things I'm concerned about, even though I'm a strong supporter of NAFTA, is that the debate and resolution of this issue not be a divisive carry-over problem for the Democratic Party," Foley told us during an interview last week. "We don't need to have NAFTA and our disagreement about NAFTA infect, so to speak, our health care decisions."

Rule No. 2: NAFTA will be a vote of conscience for Democrats, who can't be strong-armed into switching their votes.

"What I cannot do is take a firm and even emotional opponent of NAFTA and bring him in and sit down and say, pointing my finger at him, 'You've got to support the president and I want you to go out and vote for NAFTA.' No way. I couldn't do that with a pistol," Foley said. "The same thing is true in reverse. [Majority Whip] Dave Bonior [D-Mich.] isn't going to be able to take some member and say he's got to oppose NAFTA."

Rule No. 3: NAFTA proponents are getting routed on the rhetorical battlefield. It's time for a counteroffensive.

"We've left the rhetorical field entirely to the opponent. . . . Very few members can tell you quickly what is the good side of NAFTA. There is a seminar-like defense of NAFTA. But the other side is, 'This is wrong and it's going to cost jobs and, by the way, if you are going to vote for this, we're not going to forget it.'"

NAFTA may be one of the most nettlesome issues Foley faces this fall, but there's also health care, political reform and "reinventing government," each requiring different coalitions. That's why, after the president, Foley may have the second-toughest job in Washington, trying to shepherd an increasingly unruly flock of freelancers in the House who are fracturing along ideological, geographical and even racial lines.

The art of coalition-building should be smoother with the end of divided government. At least that was the fantasy some Democrats labored under after Bill Clinton's victory, but it's a fantasy Foley tried to dispel early on. He recalls a meeting attended by a group of Democratic House members just before

Clinton's inauguration. One member rose to giddily proclaim: "Now everything is going to be great."

Foley corrected his colleague: "I said the problems are going to be there. They are going to be different problems. Comparatively they are going to be welcome problems because we're all glad to have a Democratic president." Foley then asked for a show of hands for how many remembered Jimmy Carter, whose relations with Congress were stormy at best.

"There were blank looks," he recalled. "I think out of 70 people, seven or eight put up their hands. . . . For most Democrats who are now in the House, there was no recollection of serving with President Carter."

If many Democrats can't remember Carter, no Republican can recall the last time the GOP controlled the House. "In the House there is sort of a pessimism about coming into majority leadership," Foley said. "Republicans have never had, in the living memory of any single member of the House, a role in leadership. So that creates a kind of 'We're the opposition, you guys won the election. Don't ask us for help.'"

Along with the bounties of victory come burdens. The end of divided government means the end of excuses—and new expectations. Being speaker is "sometimes perhaps a little more convenient," Foley said of life under a Republican president. "You disagree when you wish to. You don't have any responsibility to carry the explanation of the president's program if you don't really support it fully."

As for Clinton the man, Foley is downright in awe of Clinton's intellect, energy and even hospitality. "He genuinely seems to enjoy the company of people in public life," Foley said. "I'm not sure I can say that about every president." To illustrate, he explained how during his travels with Clinton aboard Air Force One, the president couldn't seem to pry himself away from his guests.

"Sometimes presidents, when they have guests on board Air Force One, will spend a certain amount of time with them, and then understandably will spend a certain amount of time by themselves to prepare or rest," Foley said. But Clinton enjoys eating and laughing with guests "to a greater extent frankly than I would be doing. He likes to talk about programs and policy and alternatives."

NAFTA and other items on the agenda will subject Clinton and Foley to their biggest tests yet.

Angolan Troops Recoup in War

GANDA, Angola—When civil war resumed in Angola last year, UNITA leader Jonas Savimbi said one of the causes was that the government had begun a tribal war against his Ovimbundu people.

That explanation draws a wry smile from Col. Jose Manuel de Sousa, field commander of government forces advancing on Savimbi's headquarters in what may shape up as the critical offensive of the war. He is Ovimbundu, he explained, and so are the vast majority of his troops.

"When Savimbi carries on about ethnicity, it goes in one ear of our soldiers and out the other," added Sousa's boss, Gen. Armando da Cruz Neto, who commands government forces in Angola's central plateau where the Ovimbundu people predominate.

Savimbi is seen by his detractors as a demagogic strongman who exploits tribalism to fuel a conflict whose real roots go no deeper than his personal desire for power and aggrandizement.

The Ovimbundu are the largest of Angola's three main tribes, forming 38 percent of the population. They are the least educated and most rural Angolans. People of the second-largest tribe, the Mbundu, live along the coast and have had much more contact, including intermarriage, with the Portuguese who settled in Angola and ruled it as a colony for centuries. Most top officials of the government are Mbundu, although Prime Minister Marcelino Moco is Ovimbundu.

Despite inevitable class and sociological tensions, this is a country with virtually no history of tribal warfare. "I have been here 18 years and I have never seen any ethnic or racial problems," said Bishop Oscar Braga, Catholic bishop of Benguela Province.

In the early days of the renewed war, there were reports of tribal massacres on both sides during house-to-house attacks in such cities as Lobito, Luanda and Benguela. Many analysts have said, however, that citizens were targeted for their political affiliation rather than their tribal background.

Savimbi won in the early fighting because his troops never fully demobilized during the U.N.-sponsored truce that preceded last year's election. The poorly disciplined government forces did not so much demobilize as desert.

The government has begun rebuilding, with fresh draftees and young generals. Last month, government forces retook this town halfway between Benguela and Huambo, ending a 10-month UNITA occupation.

During a brief tour of "liberated" Ganda, de Sousa displayed the village market which, though filled with war-weary, wretched-looking peasants, did at least have food. There were potatoes, tomatoes, corn, chicken, cattle, eggs, salt and cooking oil. People were not starving, he explained, an observation supported by the head of the local Catholic Church, the Rev. Pedro Mutchinda.

— Paul Taylor

Export Controls On Computers To Be Relaxed

Decision by Clinton Is Part
Of an Effort to Revamp
Cold War-Era Controls

By ANDY PASZTOR
And JOHN J. FIALKA

Staff Reporters of THE WALL STREET JOURNAL

President Clinton has decided to substantially loosen export restrictions covering as much as \$20 billion of anticipated computer sales, as part of a broad review of Cold War-era export controls.

Mr. Clinton's action, according to administration and industry officials, will affect the newest generation desktop models and mainframe computers now classified as "supercomputers" by the government. The decision is one element of a secret, governmentwide reappraisal of U.S. efforts to control the spread of nuclear, chemical and biological weapons and the missiles that carry them. The move has been telegraphed to allies, but faces growing opposition in Congress.

The policy taking shape is designed to help U.S. firms sell certain high-technology items abroad while offering countries more effective incentives to halt the spread of weapons of mass destruction. The overall approach, according to one draft summary, is to "balance our non-proliferation requirements and our commercial needs" in ways that are "essential to curbing proliferation."

Administration and industry officials said the decision on computers, avidly sought by the computer industry and likely to be announced in the next few weeks, will immediately affect only computer sales to Western Europe and other U.S. allies. But the step is likely to pave the way for further easing of export controls on computers, telecommunications equipment, satellite technology and other items destined for former states of the Soviet Union, Eastern Europe and Third World markets. By making such technology more readily available for peaceful purposes, the initiative is intended to encourage those governments to cease work on nuclear arms or other weapons of mass destruction.

Proposed Changes

The proposed policy changes, which have been approved by agency heads and explained to foreign governments, include:

- Opening U.S. stockpiles of excess plutonium and highly enriched uranium, which have been removed from nuclear warheads, to inspection by the International Atomic Energy Agency. The move is aimed at encouraging other nations, particularly Russia, to adopt similar moves that would tend to discourage the recycling of such materials back into weapons.

- Permitting a larger number of developing nations that have agreed to forgo weapons of mass destructions to have access to some space-launch technology for peaceful purposes.

- Relaxing trade restrictions on some computers, fiber-optic technology and other "dual use" items that are available elsewhere in the world and refocusing remaining restrictions on U.S. technologies that are still unique. Dual use items are those that have civilian and military applications.

Mr. Clinton, according to government and industry officials, in the past few days instructed White House aides to exempt from export licensing requirements many of the faster, more powerful desktop computers and workstations the industry plans to begin shipping early next month.

International Business Machines Corp. and other U.S. computer makers have quietly stepped up pressure on the White House and various Cabinet agencies to take such a step, arguing that delays in obtaining export licenses are likely to cost billions of dollars in lost sales because foreign competitors will soon offer comparable technology world-wide. The industry also claims that if existing export restrictions on computers remain in place, the Commerce Department simply won't be able to handle the anticipated flood of export license requests — perhaps 20 to 25 times above current levels.

Computer firms have urged the White House to lift licensing restrictions immediately on sales of computers able to perform as many as 110 million operations a second, a measurement known as "MTOPS." While Mr. Clinton hasn't finally agreed to that, his administration is leaning toward giving the industry es-

Please Turn to Page A16, Column 1

Continued From Page A2

entially what it wants.

"White House aides have promised that we will be very pleased by the response," one industry official said Friday. Aaron Cross, public policy director for IBM's federal programs in Washington, said, "It is extremely important that the administration step up to the plate now and hit a home run."

In addition, computer companies want "supercomputers" to be defined as machines that operate at 2,000 MTOPS, about 10 times faster than today's government standard. Cabinet officials already are prepared to go to at least 500 MTOPS, but Mr. Clinton instructed his aides to see how close to the industry's preferred level the benchmark should be set. An announcement may coincide with a foreign trade study expected to be released at the end of the month by the Commerce Department.

The drive to roll back restrictions is being championed, in part, by top Pentagon officials whose predecessors only a few years ago fought vehemently to retain stringent export controls despite the collapse of the Soviet Union. "We're seeing a more user-friendly Defense Department," said Greg Garcia, a top trade official for the American Electronics Association. The State and Commerce departments also appear to have emerged as winners in the bitter bureaucratic turf wars, overcoming traditional opposition from lower-level military and intelligence officials.

The administration's game plan calls for getting the new computer limits adopted by the Coordinating Committee on Multilateral Export Controls, a group of 17 countries set up to voluntarily restrict sales to Communist countries of products with potential military uses. But that promises to be a very tricky process.

Meeting on Cocom's Direction

The White House is preparing for a pivotal international meeting in the next few weeks to decide Cocom's future direction and organization. In the area of telecommunications, for example, Clinton administration aides are mulling looser restrictions on fiber-optic technology for different regions. American Telephone & Telegraph Co., which hopes to make China a major market, has been among the companies most publicly demanding looser export rules. Chairman Robert E. Allen recently said that tens of billions of dollars' worth of contracts are at stake, and "American companies ought to have a share of that." But some U.S. officials fear

that unilateral action by the U.S. on too many fronts could prod Germany, Japan and other allies to resist proposals to restructure Cocom.

Although the steps contemplated by Mr. Clinton don't legally require congressional approval, the president usually seeks a consensus with leaders in Congress who specialize in these issues. Some members are complaining that the White House has departed from past practice and that they first learned details of the proposals from foreign governments.

The opposition on Capitol Hill is aiming at the changes in space-launch vehicle technology and the stockpiling of nuclear materials because they would provide nations with the opportunity for a rapid transition to nuclear weapons and missiles. While it can serve as nuclear power-plant fuel, plutonium is the primary explosive used in nuclear weapons. The technology in space launch vehicles is virtually indistinguishable from that for long-range, highly accurate ballistic missiles.

The opposition's strength became evident this month when the Senate passed a resolution calling for "strict interpretation" of laws restricting space technology and other items. The resolution, pushed by senior Democrats including Sens. Sam Nunn, Jeff Bingaman, John Glenn and Claiborne Pell, notes such limits have been used to provide "timely warning" by requiring rogue nations to launch lengthy and costly development programs to obtain high-technology items.

Late last week, according to several officials involved, the White House was considering sending Vice President Al Gore to the Hill to fend off critics.

Henry Sokolski, a former Pentagon official, said the Clinton administration's approach is risky because it shows "a kind of flip optimism about our ability to trust other countries and know in advance who will present headaches and who won't."

Petroleum Development Corp.

BRIDGEPORT, W.Va. — Petroleum Development Corp. said it funded a drilling partnership with investor subscriptions of \$3 million, and began drilling an additional 17 wells in north-central West Virginia.

This brings total subscriptions for the 1993 drilling program to \$8.5 million, and total gas wells drilled this year to 45.

The oil and gas company said it plans to form two more partnerships this year, one on Nov. 15 and one on Dec. 31.

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9.20.93

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COVER STORY

Clinton's hurdle: Skepticism

Continued from 1A

Callers want to know how things would change if they own small firms or are on Medicare. Those happy with their coverage fear they'll lose out.

"I am very happy with my current health insurance," said Jim Babbitt of Newberg, Ore. "I thought it out, I purchased it myself. ... What happens to my coverage?"

But Clinton's biggest hurdle might be overcoming skepticism about government's ability to create a health-care system that works — without breaking the bank.

Take Larry Riggs, who works in an Elkhart, Ind., trailer factory: "With the government getting involved in the health part of this, what makes them think it is really going to work? Nothing else the government has gotten into has gotten cheaper."

Or listen to Denise Corcoran, a Tucson, Ariz., pharmacist and mother of three: "Given the fact the national debt has reached \$4 trillion, how can we, as a nation, afford right now to fund a health plan?"

Corcoran says she and her husband, an internist, fear the economic legacy the overhaul's \$700 billion price tag could leave for their kids:

"When you stop and figure out the bottom line, we don't, as a country, have the money to do any of it."

Riggs misses the days when his insurance covered virtually everything. "It would be nice if it was like it used to be, when I paid \$5 for an office call, then walked out," he says.

But he says he just doesn't trust government to straighten out the health-care mess without making it messier: "Everything they touch they foul up with bureaucratic red tape and their own greed."

Clinton may never be able to convince skeptics, but he argues that only government action can control costs and cover everyone.

More specifically, his aides say federal red tape will be minimal because states will set up the networks that deliver care. Eventually, they promise, spending will drop, easing the deficit and creating jobs.

Still, callers like Larry Hays of Nashville are wary. He wonders why Clinton proposes "cooperative purchasing groups when there is absolutely no experience or track record as to whether these things will do any good or not. In fact, what he's probably going to do is create another middleman, more bureaucracy, more inefficiency and increase the cost of health care even further. ... It's foolish and it needs to be stopped."

Many who called with questions are small-business owners fretting about Clinton's plan to require them to cover their workers. Many are retirees worried about diminished or more expensive coverage.

The administration says it is aware of those concerns and the political trouble they could cause on Capitol Hill. It has added sweeteners — in the form of subsidies and phase-ins — for small businesses. For senior citizens, it added prescription drug benefits and home- and community-based long-term care.

But it may be harder for Clinton to soothe those worried about losing their doctors.

"What is the cost, if your doctor is not part of a national or regional network and you want to continue to go to him?" asked Jerry Kuminecz, a Houston engineer.

"The impression I got (is) you have to pay all the costs for such a doctor if he's not part of a network, which to me sounds horrible. A lot of people are not going to want to give up their personal doctors."

Theoretically, Clinton's plan would allow patients to follow their doctor to any health-care plan the doctor chooses to join. But it's likely, especially if the doctor doesn't want to join an HMO-type program, Kuminecz would end up paying more to stick with his current physician.

Others outlined what they termed flaws in the plan.

Marlene Matulis of Worcester, Mass., called after reading that Clinton's benefits package, because of overall cost, won't include baseline mammograms, which are key to early diagnosis of breast cancer.

"I am 40 years old, have breast cancer, and I think mammography ought to be done, at baseline, at the age of 31. He's eliminating that from the health-care system," she said. "I question that."

William Albros of Mount Lake Terrace, Wash., asked about the care of his wife, Judy, who has multiple sclerosis. "We employ part-time individuals to assist her. ... Will this care be covered under the Clinton plan? If not, would I be required to provide medical insurance for the part-time caregivers who work cumulatively approximately 100 hours a month?"

Eventually, Clinton's plan would make the Albros eligible for home-based help, regardless of their income. But Albros would have to pay for his employees' coverage, based on the number of hours they work.

Perry Smith, who repairs furnaces and air-conditioners in Auburn, Ala., asked: "Why do I have to pay for somebody else's health costs? How much more do I have to pay? My wife and I could lose our home."

Clinton may provide more answers when he speaks to a joint session of Congress at 9 p.m. ET Wednesday. But he'll talk more about broad principles than details.

"I will ask the Congress to provide every American with comprehensive health care benefits that cannot be taken away," he said in his Saturday radio address. "I will ask Congress to work with me to reduce cost, increase choices, improve quality, cut paperwork, and keep our health care the finest in the world."

He'll have to lay out his ideas persuasively to prove himself to Dick McClay of Dearborn, Mich.

"I'm not confused about the health-care program," he said. "Clinton and his wife are. Every day they come up with something different. And if they ever settle on it, then maybe we can evaluate it."

Evaluations from Clinton's toughest critics — people like McClay — will begin Thursday morning.

Special interests make first strike on the air waves

By Richard Wolf
USA TODAY

President Clinton's nationally televised speech Wednesday unveiling his health-care reform plan won't be the first encounter with the issue for millions of TV viewers.

Rather than waiting for Clinton, consumer and business interests, with a multibillion-dollar stake in health care, have taken to the airwaves to deliver their views.

The rush to get on TV began this month, when the health insurance industry opened a \$1.7 million advertising campaign. Its 30-second spot shows a worried couple poring over claim forms at a kitchen table as a voice warns, "Things are going to change, and not all for the better."

No sooner had the ad hit viewers' living rooms than two defenders of Clinton's plan, the Democratic National Committee and the liberal lobby Families USA, had spots denouncing it.

"After years of denying people coverage and jacking up prices, the insurance industry is scared that change is coming,"

the DNC ad says. "Tune in on Sept. 22 and listen to the president's plan yourself. The insurance companies may not like it, but the president didn't design it for them."

Lobbyists are sparing no expense:

► The Health Insurance Association of America's campaign is the most prominent and has caught the most flak from Clinton's defenders. The group's concern: Clinton's proposal to create health alliances to sell insurance amounts to a new monopoly. "Having choices we don't like is no choice at all," the woman in the ad laments.

"We're saying, 'Take a close look at this. It doesn't really give you more choices,'" says former Republican representative Bill Gradison, association president.

► Ads by both Families USA and the Democrats' National Health Care Campaign say the insurance lobby ad is misleading.

"Health-care reform will absolutely guarantee your right to choose your doctor," says the Families USA ad. "It will crack down on insurance companies' red tape and overcharges, improve quality, and give you real security."

Information at every turn

Even if you don't watch TV, you won't escape the selling of health reform.

At your doctor's office, you may see pamphlets from the American Medical Association outlining what you should ask about reform.

At the supermarket, you may see grass-roots organizers like the American Association of Retired Persons or Families USA handing out information.

In the mail, you may get targeted letters from interest groups that have your name on their mailing lists.

Newspapers soon will be carrying ads from a variety of interest groups, outlining the pros and cons of health-care reform.

And when members of Congress go home, such as during the upcoming Columbus Day holiday, there will be town meetings and information sessions on how reform will affect you.

— Judi Hasson

Also in the debate:

► The American Hospital Association ran ads in *The Washington Post* outlining its agenda and warning lawmakers not to succumb to partisan politics and those trying to block reform.

► The American Medical Association plans ads in weekly magazines urging universal access to health care.

► The American Association of Retired Persons today airs a TV spot on CNN and Washington-area network affiliates and has a full-page newspaper ad in more than 20 cities.

The message of the three-day blitz, costing nearly \$1 million: Reform should include coverage for prescription drugs and long-term care. "If we're going to have health-care reform, let's get it right," the TV spot concludes.

Worried about a tax on liquor, the Distilled Spirits Council has run ads in *The Washington Post*, the Washington edition of *The New York Times* and the Capitol Hill newspaper *Roll Call* denouncing the proposal. "Our ads are targeted at policy wonks," says Elizabeth Board, director of public issues. "We think we have a very good case."

Despite proposals to increase the excise tax on tobacco by as much as \$1 a pack, however, the Tobacco Institute has avoided the ad blitz, preferring to make its case privately.

Because most Americans don't smoke, says spokesman Thomas Lauria, "Mass appeals aren't going to do it for us."

The risk in all the advertising, lobbyists acknowledge, is that the public will get confused and disgusted with health-care reform before Clinton and Congress can reach a compromise.

"I think you're going to see so many bloody-nose ads, hit-you-back ads out there," says Rick Wade, a senior vice president at the hospital association. "I think some of it is unseemly."

Set on Illegal Immigrants

■ **Medicine:** White House says hospitals will be paid to care for the undocumented. But draft of reform plan shows a separate fund would not cover costs.

By SHERYL STOLBERG and EDWIN CHEN
TIMES STAFF WRITERS

A1

WASHINGTON—Although illegal immigrants will not receive insurance under President Clinton's health care reform package, hospitals will be paid to care for them with a separate pool of money set aside by the federal government, Administration officials confirmed Sunday.

But the amount of money initially in the pool appears to be woefully inadequate to meet state health care costs for illegal immigrants.

Only \$1 billion is proposed nationwide for a fund that would include illegal-immigrant health care in 1995, according to a draft of the Clinton plan that began circulating in Congress last week. That is less than California alone will spend this year. The state is home to half of the nation's estimated 3 million illegal immigrants.

Moreover, the fund could also be drawn on by states for general public health projects, according to Ira Magaziner, director of the Administration's health care task force.

Nevertheless, Magaziner said the Administration intends to maintain the level of health care illegal immigrants currently receive under programs funded by Medicaid (called Medi-Cal in California) and by local communities.

"We don't want to lessen care for undocumented people compared to what they receive today," Magaziner said during a briefing for reporters.

However, he added, "we don't feel we can give them a health security card," which will guarantee coverage to all citizens.

Sunday's briefing, one in a series of sessions attended by Magaziner and other planners, came as the Administration was putting the finishing touches on its sweeping proposal to overhaul the nation's health care system and provide medical coverage for 37 million Americans who are now uninsured.

Clinton's reform agenda calls for the creation of large insurance-purchasing alliances, made up of consumers, that shop for the best insurance plans on behalf of members.

It seeks to expand access to medical services, streamline paperwork, offer quality care and control runaway costs by setting a budget for the nation's health care expenditures.

Although the plan would not provide coverage for illegal immigrants, other federal laws require hospitals and doctors to treat virtually anyone who is poor and seriously ill—a mandate that has enabled hundreds of thousands of immigrants to obtain free care, particularly in states like California.

Please see **POLICY**, A8

POLICY: Plan for Illegal Immigrant Care Outlined ✓

Continued from A1

that have large immigrant populations.

Thus, the Clinton plan poses a paradox: How can these hospitals treat large numbers of illegal immigrants, who lack insurance, and at the same time meet stringent spending requirements that will be imposed by insurers under federally mandated limits on premiums?

To avoid this financial squeeze, Magaziner said, the government will set up a "separate payment stream . . . that will not be restricted to the budget."

The money, Magaziner said, would come from a special program designed to improve the public health. This public health initiative, which would begin by spending \$1 billion a year in 1995 and increase to \$4 billion by 1999, would concentrate on regional health priorities, such as preventing the spread of tuberculosis and AIDS, and stemming violence in the inner city.

Several questions remain unanswered, however, including how much money would be set aside to fund health care for illegal immigrants and whether this money would match what states currently spend.

In California, one recent study concluded that illegal immigrants accounted for the fastest-growing part of the Medi-Cal budget, rising from \$299.4 million in fiscal 1990 to a projected \$880 million this fiscal year. This does not include the many millions of dollars that counties have spent on medical care for illegal immigrants.

The net effect of Clinton's separate funding arrangement is that illegal immigrants will continue to receive care as they always have, often in crowded public emergency rooms. But by declining to give them a health security card, the Administration will not appear to be sanctioning illegal immigration.

The plan does require employers to provide insurance for all their employees, whether they are here illegally or not. So it is conceivable that some undocumented workers would be covered. At the same time, the plan would protect these workers against deportation by preventing insurers from sharing information with the Immigration and Naturalization Service.

In the briefings and on television talk shows Sunday, Administration officials

sounded both hopeful and ready to negotiate on the overall health care plan.

They trumpeted not only the benefits of reform but also their willingness to compromise with Republicans, who last week offered an alternative plan that found much common ground with the Clinton package.

Declaring that Congress and the White House are on the brink of an "historic breakthrough," David Gergen, the President's chief counselor, said: "We are on the verge of passing for the first time in our history a national health care bill that will provide universal coverage to all Americans."

Yet at the same time, speaking on NBC-TV's "Meet the Press," Gergen said the White House is "open" to negotiations with members of Congress who hold different views. "It's going to be a tough fight," he said, but the Administration believes that enactment of comprehensive health reform is now "politically realistic."

Clinton's plan would require all employers to pay at least 80% of the cost of the health insurance premiums of every worker. The employee would have to pay the remainder.

Speaking on CNN's "Newsmaker Sunday," Magaziner conceded that, under the plan, some consumers and business would have to pay more than they do now.

"People who are not now paying anything will certainly pay more. And their employers, who are not now paying anything, will certainly pay more," he said, adding: "We think everybody should have responsibility and pay something for health care."

Magaziner also expressed optimism about passage of health care reform, calling the Republican proposal—which strikes the requirement that employers pay for insurance—"a very constructive contribution" to that process.

On CBS-TV's "Face the Nation," Sen. John H. Chafee (R-R.I.), author of the GOP health care reform agenda, sounded a conciliatory note as well, saying that while Republicans dislike the employer mandate, their opposition to it will not be a "non-negotiable demand."

That would not be "the proper way to go into negotiations," Chafee said.

Times staff writers Robert A. Rosenblatt and Irene Wielawski contributed to this story.

Why? - I worry about this -

And Don't Forget That Armies Are, Primarily, for Fighting Wars

Peacekeeping, disaster relief, sending signals—all are supplementary functions.

By HARRY G. SUMMERS JR.

An indicator of the vacuity of strategic thought among civilian critics of the military is the recent popularity of Abraham Lincoln's cynical remark during the Civil War that if Gen. George McClellan did not want to use the army, he would like to borrow it for a while.

Directed at Joint Chiefs of Staff Chairman Colin Powell and other senior military leaders, it is meant as a condescending putdown of the military's reluctance to become involved in "peacekeeping" operations in Bosnia. What it really reveals, however, is that the critics are as ignorant about military history as they are about military strategy.

Lincoln did not want to "borrow" McClellan's Army of the Potomac to mount "peacekeeping" operations in the Balkans, even then being swept by uprisings and insurrections against the decaying Ottoman Empire. Lincoln did not intend to use the army for social engineering. He did not intend to "send signals." He wanted to "borrow" it to perform a fundamental military task, a task that the Army of the Potomac had been created to do.

What Lincoln wanted that army to do was engage Gen. Robert E. Lee's Army of Northern Virginia, defeat it on the field of battle and in so doing break the Confederacy's will to resist. But McClellan could not see that. "The problem with McClellan," wrote historian T. Harry Williams in words that fit many of today's military critics, "was that he liked to think of war as bloodless strategy, as moves on a gigantic chessboard."

McClellan's sentiments were echoed a

century later by Robert Osgood, one of the more influential academic strategists, who preached that "limited war is an essentially diplomatic instrument, a tool for bargaining with the enemy." Osgood's delusion that "military forces are not for fighting but for signaling" is reflected in the series of threats of military action that the U.S. has issued over Bosnia.

It was not until Lincoln finally brought Ulysses S. Grant from over the mountains, fresh from his victories at Vicksburg and Chattanooga, to oversee the Army of the Potomac that he found a general who understood what armies are about.

"Some people seem to think that an army can be whipped by waiting for rivers to freeze over, exploding powder at a distance, drowning out troops or setting them to sneezing," said Grant. "But it will always be found in the end that the only way to whip an army is to go out and fight it." That is precisely what Grant did.

One hundred twenty-seven years later, Grant's successor would reiterate that fundamental military philosophy. "Our strategy to go after [the Iraqi] army is very, very simple," said Powell in January, 1991, on the eve of the ground campaign in the Persian Gulf War. "First we're going to cut it off, and then we're going to kill it."

To confuse Colin Powell with George McClellan, as today's critics have done, is to raise complacent stupidity and smug foolishness to new levels. It is the critics themselves who, like McClellan, would do everything with the army except fight it. And it is Powell and the other senior members of the joint chiefs who, like Grant, know what military forces are for.

"Notwithstanding all the changes that have taken place in the world, notwithstanding the new emphasis on peacekeeping, peace enforcement, peace engagement, preventive diplomacy, we have a value system and a culture system within

the armed forces of the United States," Powell said earlier this month. "We have this mission: to fight and win the nation's wars. . . ."

"Because we are warriors, we are also uniquely able to do some of these new other missions that are coming along—peacekeeping, humanitarian relief, disaster relief. We can modify our doctrine, we can modify our strategy, we can modify our structure, our equipment, our training, our leadership techniques, everything else, to do these other missions. But we never want to do it in such a way that we lose sight of the focus of why you have armed forces—to fight and win the nation's wars."

Grant would have been proud that his principles have survived.

Col. Harry G. Summers Jr. holds the 1993-94 Oppenheimer Chair of Warfighting Strategy at the Marine Corps University.

Boony
putting game
B

THE PRESIDENT HAS BEEN

9-20-93

SUNDAY, SEPTEMBER 19, 1993

LOS ANGELES TIMES

Military Tower a Beacon for Discord

Minnesota: Dairy farmers battle plans to build a \$1-million radio transmission device. But Pentagon may construct it before Congress can act.

By LAURA BAENEN
ASSOCIATED PRESS

LASTRUP, Minn.—Farmers who live along the gravel roads of central Minnesota worry more about balancing their own budgets than the international balance of power.

But they did hear that the Cold War was over.

So they were puzzled to learn that the Air Force plans to build a \$1-million radio tower in Jeron Kapsner's cornfield to help keep military leaders in touch in case of a nuclear war.

It's made residents of this dairy-farming region unlikely recruits in a congressional battle to cut military spending. But the military may build the tower this month even as Congress considers whether to pull the plug on the program.

"I think they just kind of move ahead with blinders on. It looks like they pay no attention to Congress," said Gloria Stumpf, who lives across the road from the Kapsners.

resolution opposing the project. "It's a waste of money," Stumpf said. "We have to balance our checkbooks and watch our money, and it doesn't seem like the government has to."

Of course, opponents are motivated by more than selfless concern for the federal deficit. They worry that the tower will mar their rolling prairie and woodland views, harm their health and their cows—despite studies rebutting that claim—or make them a target for an enemy attack.

Jeron and Gladys Kapsner also regret their decision to rent 11 of their 420 acres for the tower.

The county commissioners voted against it, the neighbors all don't want it, so I really don't want it. You've got to live in this area," Kapsner said.

The Kapsners won't say how much they will earn in rent, but say it isn't worth it.

"What is money when you haven't got neighbors?" Kapsner said.

The Kapsners recently told the government they wanted to cancel the lease agreement, but Kapsner said a government lawyer threatened to take them to court.

"We were going to, but I don't have no money to fight something like this," he said.

The Pentagon says 29 additional towers, including the Kapsner site in Morrison County 90 miles northeast of Minneapolis, are needed to close gaps in an existing system of 54 towers in the Ground Wave Emergency Network, or GWEN.

GWEN is designed to survive in case an enemy delivers a high-altitude nuclear attack, which would generate an electromagnetic pulse that would short out conventional communications.

But when the 1994 defense authorization bill comes up for a vote, Rep. Barney Frank (D-Mass.) has said he will propose terminating GWEN, including the tower on Kapsner's farm.

Rep. Martin Sabo (D-Minn.) wants to prohibit construction of any additional sites in the 1994 defense appropriations bill because he thinks the towers are too expensive and unnecessary.

The Congressional Budget Office estimates that terminating the program would save about \$41.2 million over the next five years. The Pentagon says cancellation would cost the government \$11.8 million for removing equipment and restoring land at existing sites.

Assistant Defense Secretary Emmett Paige Jr. told Sabo and two other Minnesota congressmen in June that the Pentagon will need GWEN "as long as our nuclear forces are required to be placed on alert at some future date in response to an aggressor."

That's the argument that puzzles folks who live near the tower site.

"Do they think there is some other country that has the capability of bombing us? I feel no threat of a Cold War," said neighbor Rotanne Welle. She says residents have written congressmen, Air Force officials and Defense Secretary Les Aspin with no success. The county board also passed a

THE PRESIDENT HAS SEEN
9.20.93

should we do
something about
this — B



THE PRESIDENT'S SECRET

9.20.93

United States Department of State
The Chief of Protocol
Washington, D.C. 20520

de Beane

12 Rahm

September 15, 1993

Dear Mr. ~~President~~:

I want to write you a brief note to say what wonderful jobs Rahm and George did on the Treaty signing ceremony. They were organized, forceful and pleasant at the same time. They never panicked and always treated everyone with respect. This respect was returned. You are indeed lucky to have them.

Best,

Molly

The President
The White House

CC GS/Rahm

Thauley Be

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN

9-20-93

SEPTEMBER 16, 1993 03 SEP 16 P5:55

RECOMMENDED TELEPHONE CALL

TO: SENATOR DAVE DURENBERGER

DATE: SEPTEMBER 16, 1993

RECOMMENDED BY: STEVE RICCHETTI

PURPOSE: To congratulate Senator Durenberger on his impending retirement from the Senate. The Senator announced today that he would not seek reelection in 1994.

BACKGROUND:

TOPIC OF DISCUSSION: Wish the Senator well with his future plans. Thank him for his support in the Senate.

CONTACT PERSON AND TELEPHONE NUMBER(S): Howard Paster
x2230

DATE OF SUBMISSION: September 16, 1993

ACTION: _____

M. L. B. 130

NH
duplicate
Per Sam

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
9.20.93

September 14, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER *HP*

SUBJECT: CALLS ON NAFTA

Attached please find a list of calls to be made on NAFTA from Air Force One. The list was compiled by USTR in consultation with Representative Bob Matsui. Also attached is a fact sheet prepared by USTR outlining the specific concerns of several of the Members.

Representative Matsui has specifically asked that you urge Representative William Jefferson to support NAFTA sometime during the trip. Representative Jefferson could be a key ally on the Ways and Means Committee.

**RECOMMENDED PHONE CALLS
ON NAFTA
September 15, 1993**

SENATE

POSITION

Sen. Christopher Dodd (D-CT)	Leaning Yes
Sen. Edward Kennedy (D-MA)	Leaning Yes but concerned about the impact of NAFTA on labor.
Sen. Carol Moseley-Braun (D-IL)	Undecided Concerned about how NAFTA will affect agriculture (broom- corn brooms) and home appliances.
Sen. Bob Kerrey (D-NE)	Undecided
Sen. Tom Harkin (D-IA)	Undecided USTR personnel met with him last week to discuss the supplemental agreements, but he is still truly undecided.

HOUSE

POSITION

Rep. Steny Hoyer (D-MD)	Undecided Ambassador Kantor met with him last Wednesday to discuss NAFTA.
Rep. Norm Mineta (D-CA)	Undecided He is concerned about agriculture (sugar, wine/brandy), the tariff phase-out on flat glass, and transportation/trucking.
Rep. Henry Waxman (D-CA)	Undecided He is concerned about agriculture (sugar, wine/brandy), and the impact of NAFTA on the environment.
Rep. Robert Torricelli (D-NJ)	Leaning Yes

Rep. Louise M. Slaughter (D-NY)	Undecided
Rep. John M. Spratt (D-SC)	Undecided He may raise the issue of a tobacco tax to pay for health care.
Rep. Charles E. Schumer (D-NY)	Undecided
Rep. Joseph Kennedy (D-MA)	Undecided Ambassador Kantor will meet with him on Wednesday to discuss NAFTA.
Rep. George Brown (D-CA)	Undecided He is concerned about the impact of NAFTA on agriculture (wine/brandy) and labor issues, (temporary Mexican labor), and the supplemental agreements.
Rep. Howard Berman (D-CA)	Undecided He has concerns about how NAFTA will affect agriculture (wine/brandy) and labor (agricultural guestworkers).
Rep. Dick Durbin (D-IL)	Undecided He is concerned about how NAFTA will affect agriculture (broom-corn brooms).
Rep. Martin Frost (D-TX)	Undecided
Rep. Dan Glickman (D-KS)	Leaning yes
Rep. Nancy Pelosi (D-CA)	Undecided She is undecided about agriculture (sugar, wine/brandy), the tariff phase-out on flat-glass, and the environment supplemental agreement.
Rep. Lucille Roybal-Allard (D-CA)	Undecided She is concerned about the supplemental agreements.
Rep. Tom Sawyer (D-OH)	Leaning yes

NAFTA: PRODUCT ISSUES

(The President can naturally refer any issue to Mickey Kantor or another appropriate cabinet officer)

Home Appliances

Currently, major home appliances (stoves, refrigerators etc.) imported from Mexico enter duty-free into the United States (because of preferences under the Generalized System of Preferences). General Electric and Whirlpool have factories in Mexico and ship product to the United States.

U.S. exports of the same products currently face Mexican import duties of 20%, which will be phased out over ten years under NAFTA. On the other hand, under NAFTA, these Mexican products will continue to get duty-free treatment in the United States.

Some U.S. producers have complained about this "inequitable treatment" under NAFTA, while those producing in Mexico have been silent. Our answer has been: (1) the status quo is inequitable, and NAFTA levels the playing field, albeit phased over ten years; and we will seek (but can't promise at this point) Mexico's agreement to faster removal of the Mexican duties once this agreement is in place (NAFTA provides for such subsequent negotiations).

In addition, if U.S. producers feel imports from Mexico are a potential threat of injury, mechanisms are available under the agreement and through U.S. law to provide relief.

Wine

California wine producers are disturbed that under NAFTA, the 20% duty on U.S. wines is phased out over ten years. In contrast, Mexico has a free trade agreement with Chile which gives Chilean wines faster duty-free access to the Mexican market by 1997. u

Our answer has been that ultimately, everything will be at zero, but during the transition period, some inequities are evident. We will seek (but can't promise at this point) Mexico's agreement to faster removal of the Mexican duties once this agreement is in place (NAFTA provides for such subsequent negotiations).

Brooms

Our producers of broom-corn brooms are concerned that under NAFTA Mexican producers will receive free access to the U.S. market after twelve years. The industry is small and not very competitive. It already faces competition from duty-free brooms imported from CBI countries. The industry had sought exemption from the NAFTA.

NAFTA provides extremely high protection for broom-corn brooms

during the transition to free-trade in order to provide an opportunity to adjust to new market conditions. Mexico is granted a small, constant duty-free quota for twelve years. Additional shipments face a 32% duty, which is decreased only gradually over the twelve-year period.

THE WHITE HOUSE
WASHINGTON

9-20-93

SEP 17 P2:21

September 17, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Howard Paster *HP*
SUBJECT: Adjournment target

I. ACTION-FORCING EVENT

Majority Leader George Mitchell would like to adjourn the Senate by Thanksgiving.

II. BACKGROUND/ANALYSIS

I recommend you ask George Mitchell to come see you alone so you can press him to have an open mind on the Thanksgiving adjournment target. We really could use the extra time, although it runs directly counter to his notion of how to run the Senate.

If you could at least move him back into the position of thinking about it, that would be helpful. You will recall our earlier discussion about the importance of having this additional time for NAFTA and health care. Also, if he did agree to stay we could take off the entire week of Thanksgiving without losing much ground.

There is little chance Mitchell will reverse fields entirely at this time. On the other hand, we need to prevent him from becoming so committed that subsequent reconsideration would be impossible.

III. RECOMMENDATION

I recommend a private meeting with Mitchell.

IV. DECISION

☒ Agree ☐ Disagree ☐ Discuss

THE PRESIDENT HAS SEEN

9.20.93

THE WHITE HOUSE

WASHINGTON

33 SEP 18

P2.

What an idiot!
Application?
Don't want my vote?
Don't want to full it down

September 18, 1993

RECOMMENDED PHONE CALL

TO:

SENATOR PATTY MURRAY

DATE:

SATURDAY, SEPTEMBER 18th OR SUNDAY,
SEPTEMBER 19th

RECOMMENDED BY: HOWARD PASTER, GREG SIMON

PURPOSE:

SUPPORT FOR THE SPACE STATION IN SENATE
VOTE

BACKGROUND:

This will be Sen. Murray's first vote on the space station. We believe she is inclined to vote for it. Boeing has been selected as the prime contractor for the station. Our efforts to cut costs and to involve the Russians should also be persuasive to her.

The redesigned space station, which we refer to as Space Station Alpha, will save \$4 billion dollars over five years compared to what Space Station Freedom would have cost. Over the fifteen-year life of the program the savings will be \$18 billion due to decreased operations costs. We have committed to asking no more than a flat \$2.1 billion a year for the station program, not adjusting for inflation, in order to control the cost growth of the program. Your full statement announcing the redesigned station on June 17th is attached.

The Administration has already taken steps to re-invent NASA and cut its costs. A prime contractor -- Boeing -- has been chosen and a lead center -- Johnson Space Center in Houston -- has been designated to bring the program under control. NASA has begun implementing your directive to cut the number of people working on the space station by 30% through an early out program and through contractor re-alignment.

Following your summit with President Yeltsin in Vancouver, Vice President Gore and Russian Prime Minister Chernomyrdin reached agreement on cooperation in space and on energy matters. We have agreed to involve the Russians in the international space station through a series of steps beginning with greater U.S. work with the orbiting MIR space station and ending with a new MIR space module as part of the final space station. In the interim, we are studying with the Russians how best to use their involvement to accelerate construction of the station and to enhance its scientific capabilities. We are carefully working to identify new opportunities for U.S. contractors and to minimize any U.S. job loss from the cooperation with the Russians.

TOPICS OF DISCUSSION:

- Thank her for her support for the Administration on the matter of grazing fees. We are working with both Senate and House members to resolve this issue in accordance with our announced proposal. We want to be fair to small ranchers but still protect the land and charge a fair fee.
- This Administration said it would redesign the space station to achieve significant savings while preserving the scientific capabilities of the station and honoring our international commitments, and we have. We will save \$4 billion over five years compared to the old station design, and we will save \$18 billion over fifteen years compared to the old station. We have set a limit of \$2.1 billion annual appropriations on the space station program, not adjusted each year for inflation. We are serious about controlling the costs of the program.
- We have opened an historic opportunity to involve the Russians in the international station that will both enhance the capabilities of the station and help preserve world peace by directing the Russians' space and rocket programs to peaceful purposes
- The space station is a key component of our civilian technology base. We cannot afford to retreat from this investment and expect to do well in the global economy.
- I encourage you to support the space station. The space program began as a symbol of confrontation with the Russians; now it can become a symbol of worldwide cooperation under our leadership.

CONTACT PERSON AND White House Operator
TELEPHONE NUMBER(S): 456-1414

DATE OF SUBMISSION: September 18th

ACTION: _____

THE PRESIDENT HAS SEEN

9.20.93

THE WHITE HOUSE

WASHINGTON

~~33 SEP 20 P5:04~~

33 SEP 18 P2:39

September 18, 1993

RECOMMENDED PHONE CALL

TO: SENATOR MITCHELL

DATE: SATURDAY, SEPTEMBER 18th OR SUNDAY,
SEPTEMBER 19th

RECOMMENDED BY: HOWARD PASTER, GREG SIMON

PURPOSE: SUPPORT FOR THE SPACE STATION IN SENATE
VOTE

BACKGROUND:

Sen. Mitchell has opposed both the space station and the SSC as too expensive. He has told Sen. Johnston that he will never, ever support the SSC. However, there is a chance that he could support the space station now that this Administration has cut its costs and brought the Russians into the program.

The redesigned space station, which we refer to as Space Station Alpha, will save \$4 billion dollars over five years compared to what Space Station Freedom would have cost. Over the fifteen-year life of the program the savings will be \$18 billion due to decreased operations costs. We have committed to asking no more than a flat \$2.1 billion a year for the station program, not adjusting for inflation, in order to control the cost growth of the program. Your full statement announcing the redesigned station on June 17th is attached.

The Administration has already taken steps to re-invent NASA and cut its costs. A prime contractor -- Boeing -- has been chosen and a lead center -- Johnson Space Center in Houston -- has been designated to bring the program under control. NASA has begun implementing your directive to cut the number of people working on the space station by 30% through an early out program and through contractor re-alignment.

Following your summit with President Yeltsin in Vancouver, Vice President Gore and Russian Prime Minister Chernomyrdin reached agreement on cooperation in space and on energy matters. We have agreed to involve the Russians in the international space station through a series of steps beginning with greater U.S. work with the orbiting MIR space station and ending with a new MIR space module as part of the final space station. In the interim, we are studying with the Russians how best to use their involvement to accelerate construction of the station and to enhance its scientific capabilities. We are carefully working to identify new opportunities for U.S. contractors and to minimize any U.S. job loss from the cooperation with the Russians.

*No. He didn't say
we can't say
B.*

TOPICS OF DISCUSSION:

- This administration said it would redesign the space station to achieve significant savings while preserving the scientific capabilities of the station and honoring our international commitments, and we have. We will save \$4 billion over five years compared to the old station design, and we will save \$18 billion over fifteen years compared to the old station. We have set a limit of \$2.1 billion annual appropriations on the space station program, not adjusted each year for inflation. We are serious about controlling the costs of the program.
- We have opened an historic opportunity to involve the Russians in the international station that will both enhance the capabilities of the station and help preserve world peace by directing the Russians' space and rocket programs to peaceful purposes
- The space station is a key component of our civilian technology base, especially in California and Texas. We cannot afford to retreat from this investment and expect to do well in the global economy.
- I hope you will take a fresh look at this new space station and consider supporting it. The space program began as a symbol of confrontation with the Russians; now it can become a symbol of worldwide cooperation under our leadership.

CONTACT PERSON AND White House Operator
TELEPHONE NUMBER(S): 456-1414

DATE OF SUBMISSION: September 18th, 1993.

ACTION: _____

For Couples, Tough Insurance Choices

By TAMAR LEWIN

Denise Viviani, a 29-year-old Cleveland accountant, gets free health insurance for herself and her husband at her job. Her husband, Greg, a 34-year-old lawyer, receives \$25 from his law firm every month as a bonus for not carrying insurance through the firm.

"It's great for us," Mr. Viviani said. "The insurance I would get through the firm would be very expensive. This way, we've basically got free coverage, and her insurance is very good."

For many two-income families, choosing health insurance has been a kind of balancing act, a matter of weighing whose job, the husband's or the wife's, offers better coverage at a lower cost.

Under the Clinton Administration's sweeping health care proposal, that equation would dramatically change. And while many of the changes would be welcome to most families, some might not be.

For while the health care plan, with its promise of insurance coverage for every American, would be a boon for the millions who are uninsured or underinsured, it might be a mixed blessing for many two-income families who now enjoy excellent insurance coverage at almost no personal cost.

Reshaping of Insurance

The Clinton plan represents a profound reshaping of the health insurance most Americans now receive through their employers. For the first time, all employers would be required to pay part of their workers' insurance premiums — but at the same time, all but the largest employers would be stripped of the power to determine their workers' health insurance policies.

Instead, insurance plans approved by the state would be offered through new regional health "alliances." Each big city would have an alliance, as would suburban and rural areas. Companies with more than 5,000 employees could set up their own alliances.

For most families, the Clinton health

plan would simplify insurance questions. In most cases, all members of the family would enroll in the same health plan under their local alliance, without any worry about whether the children were covered, or what would happen if the spouse with the best insurance plan decided to change jobs.

Mr. and Mrs. Viviani, for example, would both be eligible for any of the health plans offered by the Cleveland alliance. Since Mrs. Viviani works for a large company, she might also be eligible for plans offered by a corporate alliance. If so, the couple would be allowed to choose which alliance to register with.

Whatever plan they chose, though, Mr. Viviani would likely lose his \$25-a-

A health plan with mixed blessings for 2-income families.

month bonus, since his firm would have to pay insurance premiums to the new Cleveland alliance, no matter how much Mrs. Viviani's company paid.

The Vivianis might also have to start paying part of their insurance costs out of pocket. That cost would depend both on what kind of plan the family chose and on the average cost of insurance premiums in the Cleveland alliance.

Choice for Employers

Generally, companies would be required to pay at least a prescribed minimum — 80 percent of the average premium for its alliance's plans — for each worker. They would pay more for workers with families than for single individuals without families. Self-employed people would have to pay the full cost of their own premiums but

would be eligible for subsidies if they were low earners.

Mrs. Viviani's company might choose to continue to pay the full cost of the family's insurance under the Clinton plan, just as it has in the past. But if it did not, Mr. and Mrs. Viviani would have to pay the difference between their employer's contribution and the actual premium for the plan they chose.

Every health plan offered under the Clinton proposal would be required to include the same generous benefit menu, covering everything from children's eyeglasses to immunizations, hospital care and prescription drugs. One important way in which the plans would differ would be in the doctors the subscribers would be allowed to consult.

More Choices, More Money

Every alliance would be required to offer at least one plan with a free choice of doctors — but usually, such plans would require members to pay far higher costs than plans under which members would have a limited group of doctors.

"For families with a pediatrician the kids love, a gynecologist the mom loves and a cardiologist the husband loves, there are probably going to be some hard choices about just how much it's worth to them to go on seeing those doctors," said Diane Rowland, senior vice president of the Kaiser Foundation, which finances health care research.

White House policy experts working on the plan caution that it is subject to change as it winds its way through the legislative process. And, they said, many fine points remain unresolved. For example, those drafting the plan said they had not yet decided whether alliances would be required to allow members of a single family to choose different health plans.

And there are many open questions about just what would be defined as a family: How would divorced couples that share custody of the children be treated? What would happen when a married couple separated? What about gay families, or unmarried couples with children?

In most cases, divorced couples would be treated as two separate units, and the children would be covered with the parent with whom they lived. One issue not fully resolved is how the Clinton proposal would affect those families in which a divorced man is paying for the insurance of his former wife and children of his first family, as well as his current wife and new children.

Most likely, White House staffers said, the man's employer would pay premiums only for the new family, while the former wife could buy her own, or, if she were poor, get subsidized coverage.

Insurance and Geography

In most cases, the insurance would be offered only where the family lived,

but students covered by their parents would be allowed to sign up for health coverage where they attended school.

For some families, the geographical basis of the Clinton plan might be a problem: if a family lived in southern New Jersey, and registered for health coverage with the local alliance, it might be expensive for the husband who commuted to work in Manhattan, and always used Manhattan doctors, to continue that pattern.

If the husband or wife resided permanently in a different part of the country from the rest of the family, coverage might be even more complicated.

As a general rule, the White House staff experts said, families would be expected to switch their coverage when they moved for more than six months. If they were planning a visit of three months or less, their home policy would pay for their emergency care in the place they were visiting. And if they would be away for three to six months, they could choose whether or not to

switch their insurance coverage.

One clear result of the Clinton plan, regarding families, would be to end the now-common practice of overlapping coverage. Of course, in many two-income families, only one spouse's job offers insurance. But many other two-income families have double-insured on purpose, to buy an extra layer of protection in a society where coverage has been apt to disappear just when it is needed.

Phyllis Torda, of Washington and her husband, Martin Dickinson, both work for small nonprofit groups, and each of them buys health insurance for the whole family.

End to Double Insurance

"Our son has asthma, and we were scared that if we were in a position where only one of us had the insurance, and then that one tried to change jobs, the new policy might exclude him," said Ms. Torda, the director of health policy at Families USA, an advocacy group that is lobbying for the Clinton health plan. "So we're paying a little

extra for double insurance."

Under the Clinton plan, that would no longer be necessary, since health plans would not be allowed to exclude people based on their health histories.

"It would be a big relief not to have to worry that we can't get coverage for our son," she said.

Some families with overlapping insurance policies agree with the White House position that it is an inefficiency that should be ended.

Steven Siegelbaum, a medical researcher in New York, has a health insurance policy covering himself, his wife, and his two children.

But his wife, Amy Bedik, an executive at a New York film production company, said she has never been able to convince her company to stop paying for the individual insurance policy it provides her.

"It's completely wasteful, and I've never used it, but whenever I've asked about dropping it, the company has said they couldn't," Ms. Bedik said. "It makes sense for the Clinton plan to end that kind of overlap."

THE PRESIDENT HAS SEEN
9.20.93

HAC/tra

If this is true, we
haven't been saying
so - If not we need
to scrutinize it

This is basically
a good piece I think

4/4

Pharmaceuticals

More Customers, Lower Margins



Most brand-name drug makers are trimming their earnings estimates as a growing number of managed-care buyers insist on discounted prices. But drug-company gloom also has to do with unpromising research pipelines as patents are expiring on blockbuster products.

The change in the market is private-sector driven," said Paul A. Brooke, a pharmaceutical analyst at Morgan Stanley. He cited managed-care plans that use electronic systems and mail-order pharmacies, both of which routinely order the lowest-priced product.

Makers of generic drugs should thrive, at least until heavy competition ratchets down their already narrow profit margins.

The good news for the pharmaceu-

tical companies is the Clinton proposal to add coverage of outpatient drugs for people eligible for Medicare and make the drugs a standard benefit for all health plans, so that they would be tax deductible. The added drug benefits would cover 70 million potential customers.

The bad news in the Clinton proposals is in the cost restraints: 15 percent rebates to the Government on sales to the 30 million Medicare patients, who are the main users of prescriptions. A further rebate would be required on products whose prices rose faster than general inflation. And the Clinton plan proposes a requirement to "negotiate" with Federal officials over the prices of new drugs, under the threat of rejection for Medicare reimbursement.

Fighting criticism that they charge too much, most drug companies are trying to show the cost benefits of their products. Merck & Company, for example, produces numbers to argue that its Proscar treatment for enlarged prostate glands that are not cancerous is an economical alternative to an \$8,000 to \$10,000 operation.

The big drug makers are also scrambling to develop over-the-counter products, which are not included in most health coverage and so can be sold at whatever price the market will bear. Warner-Lambert and Wellcome P.L.C. are the latest to form a joint venture to share marketing of over-the-counter drugs.

A number of brand-name drug makers also make low-priced generic drugs. And in a move that astonished most analysts, Merck, the world's largest drug maker, announced this summer that it would become a managed-care player by acquiring Medco Containment Services Inc., the largest mail-order pharmacy and discount-drug distributor.

Another loser, at least for now, is biotechnology companies working on new drugs. Uncertainty over where the Government is going on health care has dried up access to capital for these companies, which typically have few cash-generating products to support their research budgets.

Consultants

Many Questions, Many to Answer



Employee-benefits consultants, who occupied a hot corner of the consulting market in the 1980's, are expecting explosive growth in the health care revolution.

Some large firms, including William M. Mercer, Foster Higgins and KPMG Peat Marwick, are offering their managed-care expertise to hospitals and physicians' groups as well as employers — and plan to do so for regional health alliances promoted by Mr. Clinton.

The American Medical Association is offering an "800" number that members can call for names of 80 consultants eager to be "physician advocates," who could advise doctors on business arrangements many will be making for the first time.

Lawyers

New Constraints, More Lawsuits



Many members of the medical community might end up losers, but many lawyers, particularly in the field of health law, could be winners. The new constraints on a historically independent profes-

sion could lead to all kinds of battles.

Alice Gosfield, a Philadelphia lawyer who is a former president of the National Health Lawyers Association, ticked off some of the issues. Lawyers will be called in to advise on business-law and antitrust questions as hospitals and medical groups merge and regional purchasing alliances are formed.

There will also be disputes involving increased efforts to combat fraud and abuse, and over the rights and obligations of small businesses, which would be obliged to buy health insurance for their workers. There will be lawsuits by doctors and hospitals who have been excluded by a health plan. Doctors and hospitals that get low marks on health care "report cards" may claim breach of confidentiality, defamation and unlawful interference with a business. Patients and doctors will sue to get paid for care that a health plan has rejected as inappropriate.

"As large plans exclude physicians or reduce reimbursement or coverage, physicians and patients call lawyers and file lawsuits," said Mr. Johnson of the American Medical Association. "Trial lawyers will come out real well," he added.

Although unhappy patients would have to submit disputes to mediators appointed by each health plan before suing, they could still file malpractice lawsuits seeking unlimited damages for pain and suffering. Legal experts said the system would create even more work for lawyers, who would represent patients in the mediation.

In Health-Reform Battle, Insurers Are Resisting White House Efforts to Fit Them With a Black Hat

By RICK WARTZMAN

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — Bill Gradison, president of the Health Insurance Association of America, recalls the message he received from Clinton health guru Ira Magaziner in February: "He told me that the White House's pollsters had found that attacking the industry would help sell" the president's health-care package.

Mr. Magaziner is quick to add that he also told Mr. Gradison that, despite the pollsters' findings, the White House had no intention of going after anybody. "We're interested in a positive dialogue," he says.

Nonetheless, seven months after their conversation, dialogue has turned into diatribe on both sides. War has broken out between the White House and the nation's insurers, a war that is already being fought in expensive television commercials for each side, and one that is bound to intensify after Mr. Clinton formally unveils his proposal later this week.

As political villains go, the insurance industry is a dandy. Other polls confirm the findings of the White House experts that the public regards the industry as a major culprit in the nation's health-care woes. So unpopular is the insurance industry that White House officials are even using it to tar other opponents, suggesting, for example, that one reason the National Federation of Independent Business has blasted the president's plan is that many of its members are in the insurance industry. The small business group says that fewer than 15,000 of its 610,000 members are in the industry.

Moreover, any comprehensive health-care overhaul could hardly fail to take on the insurance industry; proponents of the Clinton plan acknowledge that the least efficient and flexible insurers could well find themselves knocked out of the business under a reformed system.

But the battle is hardly one-sided. Anticipating this day would come, the industry has been steadily increasing its political contributions to members of Congress. And Mr. Gradison's 350-member trade association has already launched a \$1.7 million advertising drive to convince people that the coverage provided by the president's proposal wouldn't protect them as much as their current policies.

"The government may force us to pick from a few health-care plans designed by government bureaucrats," says a television spot running in Washington, Los Angeles, New York and on the Cable News Network. "If we let the government choose, we lose."

On Friday, the Democratic National Committee announced that it would begin airing its own ad to counter the insurers' "mischaracterizations and distortions." Families USA, a consumer group that is supporting the White House, also has put together a TV commercial challenging the insurers' assertions: "That's right, the big insurance companies are spending millions to protect their profits and undermine health-care reform," it declares. And a coalition of consumer groups, busi-

nesses, labor unions and others is demanding that the insurers' commercial be pulled from the air.

White House officials are irritated that the insurers began their onslaught even before the president's speech. "They jumped the gun, which I don't think is very smart," says Paul Begala, a political adviser to the president.

For their part, the insurers note that while Hillary Rodham Clinton extended an olive branch to the American Medical Association in June, she did so largely by criticizing the insurance industry's "micromanagement" of doctors. A White House briefing book that was handed out to lawmakers before the August congressional recess also singles out an "insurance industry that runs roughshod over consumers and small businesses."

"We didn't attack until we had been targeted," says Julia Norrell, an active Clinton supporter during the presidential campaign who is now a registered lobbyist for the health insurance association.

Regardless of which side instigated the fight, it's clear that the Clinton camp isn't about to let opponents' charges go unanswered for very long, something it failed to do in the debate over the president's economic package earlier this year. This time, "we're going to do anything we can to stop those who have an interest in protecting the status quo," says Democratic media consultant Mandy Grunwald, who produced the Democrats' TV ad.

But portraying the interest groups as obstacles to change may not be so simple. Rather than rejecting the president's entire proposal, many of the administration's adversaries are taking a more reasonable tack, contending that they really are for health reform and, in some cases, are in agreement with much of the administration's blueprint.

Mr. Gradison's group, for example, argues in a new print advertisement aimed at Washington policy makers that it favors many of the main elements of the Clinton proposal: cradle-to-grave health coverage for all Americans, regardless of whether people get sick, are unemployed or change jobs; mandatory contributions from all employers toward their workers' health premiums; government subsidies for those who can't afford coverage; and reduced paperwork and more price and quality data for consumers.

"To the surprise of those who want to make us their scapegoat, here's where we stand," says the ad.

The insurance association's problems with the Clinton scheme lie mostly in the degree of government control that would be exerted over the new health system. The insurers oppose "flat community rating," whereby they wouldn't be allowed to charge people higher premiums based on factors such as age and smoking habits. The administration says it would make "risk adjustments" to compensate those health plans that take on a disproportionate share of costly clients. But Mr. Gradison is skeptical that the sketchy solution outlined in a draft of the Clinton proposal would work.

The group also opposes government-imposed caps on how much insurers could raise their premiums each year, labeling these limits "artificial controls on price." And it objects to the idea that people would purchase their coverage exclusively

through regional alliances, the restriction that prompted its TV ad about choice. The White House, for its part, argues that its plan would increase rather than diminish most people's ability to choose.

Mr. Gradison's group doesn't speak for the entire industry. The nation's five biggest insurers, Aetna Life & Casualty Co., Cigna Corp., MetLife, Prudential Insurance Co. of America and Travelers Corp., have formed their own coalition, which has been more restrained in its comments about the Clinton proposal. To help plot their political strategy, the five big insurers have hired Oldaker, Ryan & Leonard, a newly formed consulting firm that includes the former staff director for the House Ways and Means Committee and a former aide to the Energy and Commerce Committee.

The insurance association, meanwhile, early this year tapped Mr. Gradison, who had been a widely respected Republican member of Congress for nearly two decades. It also has hired Goddard Clausen/First Tuesday, a Malibu, Calif., media firm that successfully beat back initiatives opposed by the insurance industry in California and Arizona. Under First Tuesday's

Political Insurance

Contributions to congressional candidates by the Health Insurance Association of America's political action committee:

ELECTION CYCLE	CONTRIBUTIONS
1979-80	\$12,450
1981-82	34,375
1983-84	45,320
1985-86	130,200
1987-88	175,879
1989-90	156,125
1991-92	232,177

Source: Clinton Action analysis of Federal Election Commission records

direction, the insurance association is building a grass-roots organization called the Coalition for Health Insurance Choices to support the insurers' brand of reform. It was also First Tuesday that created the "choice" TV ad, which it will carry into new markets soon, targeting specific members of Congress.

Mr. Gradison says the insurers know they will take some hits in the fight. "We're being accused of everything except child abuse," he says, adding that when President Clinton formally unveils his plan Wednesday night, "We expect to get it right between the eyes."

Handwritten notes:
Hole
Will smoking
be shown along with
the other factors with
which we control our
lives —

THE PRESIDENT HAS SEEN
9.20.93

THE WHITE HOUSE

WASHINGTON

September 14, 1993

23 SEP 14 P3:30

RECOMMENDED TELEPHONE CALL

TO:

Governor Mike Sullivan (D-WY)
1-307-777-7435

DATE:

9/15 or 9/16/93

RECOMMENDED BY:

Joan Baggett and Linda Moore, Political Affairs

PURPOSE:

To encourage the Governor to enter the 1994 Wyoming Senate race.

BACKGROUND:

Senator Malcolm Wallop (R) announced last week that he will not seek a third term. His announcement has fueled speculation about who will run as the Democratic and Republican standard bearers. Senators Graham, Kerrey and Bryan (all former Governors) have already called Sullivan.

If Governor Sullivan enters the Senate contest, Wyoming will be one of our best prospects for picking up a Republican Senate seat in 1994. Sullivan is very popular. He won a second term in 1990 with 65% of the vote.

If the Governor chooses to run for the Senate and not seek a third term as Governor, the Democrats are in a strong position to hold onto the statehouse. Wyoming Democrats have an excellent candidate in Secretary of State Kathy Karpan. She is popular and eager to run.

Possible candidates on the Republican side include former Defense Secretary Dick Cheney, Cheney's wife Lynne, former Chair of the National Endowment for the Humanities, and Rep. Craig Thomas. Dick Cheney is considered to be the most formidable by far, though most believe he will forego a Senate race for a Presidential bid.

TOPICS OF
DISCUSSION:

If Governor Sullivan decides to run, he can count on the Administration, the DNC and the DSCC to pull out all of the stops to help him win. The DSCC is in a position to contribute the maximum allowable amount to his campaign and will do so. Sullivan can also count on Administration officials' help with fundraisers and other campaign events.

Sullivan may express concern that he, as a former executive, will become frustrated if he is unable to accomplish things in Washington. You may

Handwritten notes:
I had a great
tel. with Sullivan
9/15/93
B

wish to point out that you could use the help of a former Governor -- someone who understands the problems people face at the state level and will tackle them with innovative, non-bureaucratic solutions -- in the U.S. Senate.

DATE OF
SUBMISSION:

September 14, 1993.

ACTION:
