

THE WHITE HOUSE

WASHINGTON

SEP 17 12:06

SEPTEMBER 17, 1993

RECOMMENDED TELEPHONE CALL

TO: SENATOR AND MRS. WENDELL FORD

DATE: SEPTEMBER 18, 1993

RECOMMENDED BY: STEVE RICCHETTI

PURPOSE: To congratulate Senator and Mrs. (Jean) Ford on their fiftieth wedding anniversary.

BACKGROUND:

TOPICS OF DISCUSSION: A brief call to congratulate the Fords on their fiftieth wedding anniversary.

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

DATE OF SUBMISSION: September 17, 1993

ACTION:

Chron

GS I have read several articles that say
The new proposal is not consistent w/ the policy

THE PRESIDENT HAS SEEN

9/20

Nunn 2, Clinton 0

(announced -
I was told it was
what's the deal?

By Tom Stoddard

After nine months of debate in Congress, at the Pentagon and across the country, President Clinton's promise to end discrimination against gay men and lesbians in the military is about to yield an ignominious defeat. Remarkably, the President seems not to care at all.

In January, he pledged to issue an executive order "which would end the present policy ... of exclusion from military service solely on the basis of sexual orientation." He publicly reaffirmed that pledge at least five times.

In July, to much fanfare, Mr. Clinton unveiled not an executive order overturning the policy, but a directive signed by Secretary of Defense Les Aspin that merely reformulated the current ban, limiting the scope of official investigations. He characterized it as an "honorable compromise."

Earlier this month, the Senate approved a proposal to supersede this meager compromise and imposed, as a part of its defense reauthorization bill, an updated version of the old discrimination policy. The House is likely to follow suit this week. And the White House says the President does not oppose the bill. George Stephanopoulos, the aide who handles this is-

Tom Stoddard directed the Campaign for Military Service.

sue, said the proposal was "consistent" with the President's wishes.

The proposal, drafted by Senator Sam Nunn, obliterates even the small protections contained in July's directive. The directive, at least, barred "inquiries or investigations solely to determine a member's sexual orientation." Senator Nunn's proposal wipes out any such limitation.

Indeed, the Nunn language encourages probes and purges. It contains a long list of Congressional "findings" designed to insure the complete exclusion of gays. "The presence in the armed forces of persons who demonstrate a propensity or intent to engage in homosexual acts," goes one of the findings, "would create an unacceptable risk to the high standards of morale, good order and discipline, and unit cohesion that are the essence of military capability."

The proposal, like the President's so-called compromise, requires the discharge of any lesbian or gay man who does or says anything that implies a "propensity or intent" to engage in homosexual acts, a definition as sweeping as any earlier formulation of the ban.

Regardless of what the spin doctors in the White House claim, the Nunn proposal is not consistent with Mr. Clinton's earlier stands. It is an utter capitulation to Mr. Nunn, and the White House lacks the honesty to admit it.

The Administration made defeat inevitable. It largely refused to lobby Congress. It resisted explaining or

promoting the President's position to the public. And it declined to oversee the Pentagon's drafting of a directive. Until June, the White House had no one in charge of the issue. In May, in an apparent attempt to convince the public that he had only a peripheral interest in the subject, Mr. Clinton boasted that he had devoted only two and a half hours to it.

Why this embarrassment over an issue the President himself had brought to center stage? These self-described New Democrats were afraid of looking like "old" Democrats, who were supposedly too con-

Another cave-in on gay rights.

cerned with so-called special interest groups. And they worried about the President's standing with the Pentagon leadership, who appeared suspicious of him.

As a result of his failure of leadership — and the political cover provided him by Congressman Barney Frank, among others — lesbians and gay men in the military are about to confront the worst of all possibilities: an unprecedented declaration by Congress that they pose an "unacceptable risk" to our national security. What's "honorable" about that? □

cating, once fettered broadcasters with restrictions like the fairness doctrine. No one would have dared suggest a similar rule for newspapers, magazines or movies. A law requiring liberal or conservative periodicals to publish opposing views would be unthinkable, as would a Federal agency ordering Oliver Stone to produce a more "balanced" film on the Kennedy assassination or forcing theaters to offset "JFK" with films depicting alternative accounts of the events.

Restricting expression, even in the name of balance, is inconsistent with our party's commitment to First Amendment freedoms.

In a 1974 case involving The Miami Herald, the Supreme Court unani-

Legislation pending in Congress would revive the so-called fairness doctrine, which the Federal Communications Commission repealed in 1987. The bill would require every radio and television station to "afford reasonable opportunity for the discussion of conflicting views on issues of public importance." A laudable journalistic standard? Without question. An appropriate subject for Federal regulation? No.

The Founding Fathers knew that freedom of expression is the bedrock of liberty. They wrote: "Congress shall make no law . . . abridging the freedom of speech or of the press."

But our Government, hesitant to extend First Amendment principles to a powerful new way of communi-

Mario M. Cuomo, Governor of New York, has a statewide monthly radio call-in show.

Yet some of our most capable and brightest Democratic leaders, people like Senator Ernest F. Hollings and Representatives John D. Dingell and Edward J. Markey, would count-



mously struck down such an attempt to mandate balance. A Florida statute granted political candidates the right to have newspapers publish replies to published attacks. Justice Byron White wrote: "This law runs afoul of the elementary First Amendment proposition that government may not force a newspaper to print copy which, in its journalistic discretion, it chooses to leave on the newsroom floor."

Shouldn't this principle apply with equal force to electronic journalism? To justify different treatment for broadcasters, proponents of the fairness doctrine point to an alleged scarcity of the publicly licensed airwaves. Whatever strained justification some thought there was for the doctrine in 1949 has dissipated with time and the

advancement of technology. Scarcity has been replaced with 10,000 radio stations and more cable channels than there is programming to fill them. All-news and talk show formats have proliferated. Diversity of viewpoints is virtually assured by the explosion in outlets for informational programming.

The fairness doctrine chilled as much dialogue and debate as it encouraged. If I ran a radio or TV station, I might avoid a controversial point in order to avoid entanglement with government. The F.C.C. has compiled more than 60 reported instances of broadcasters' quashing programming on such topics as the nuclear arms race, religious cults and municipal salaries for fear of triggering fairness doctrine obligations.

The constitutionality question ought to be left to the courts. But as policy, the doctrine is unwise.

Precisely because radio and TV have become our principal sources of news and information, we should accord broadcasters the utmost freedom in order to insure a truly free press.

True progressives ought not be unnerved by the popularity of conservative talk show commentators. To safeguard our cherished freedom of expression, they should resist the temptation to stifle distasteful views and concentrate on sharpening their own.

Rudolph Giuliani is now proposing changes in the way New York City deals with the homeless, just as Mayor Dinkins has begun to institute changes of his own. But judging by the rhetoric from both candidates, the present debate is unlikely to yield workable solutions to this immensely frustrating social problem.

A more probable outcome is that the Mayor, worried about appearing inhumane, will continue to approach change too tentatively; and that Mr. Giuliani, in his appeal to the middle class, will focus his energies on setting a tough tone rather than on finding credible solutions.

Because Mr. Giuliani's proposal requires several changes a mayor cannot control, it reads more like a campaign declaration than a realistic policy prescription. For instance, he would set a limit on shelter stays — 90 days. He would then spend more money on intensive treatment for people he calls the "chronically homeless," who would be allowed longer stays.

Is 90 days enough for everyone else or would that limit simply recycle people to the streets? The question may be moot, because to impose a 90-day limit, the city would have to go to court and seek

relief from a consent decree that demands it provide shelter to anyone in need for unlimited periods.

And then there is money. Where will the funding come from to provide the counseling, drug programs and other services Mr. Giuliani prescribes for the "chronically homeless"? And will the state ease some of its rules, or provide larger allowances so that families approaching their 90-day deadline can afford an apartment?

Both Mr. Dinkins and Mr. Giuliani are moving in the same direction. They agree that the system will have to be curtailed if it is to accomplish its original objective: helping the needy. The Dinkins administration has introduced an ambiguously defined policy to deny shelter to those who don't need it because they could live with relatives or friends. Both candidates favor using nonprofit groups to provide homeless services.

Conceivably, both men could also push the debate toward intelligent policy solutions. If they do, the whole city could benefit — including the homeless, the working poor who often lose out to people who abuse the homeless system, and millions of average New Yorkers frustrated with costly, failed policies.

THE PRESIDENT HAS SEEN 9/20

65
So we have a ^{studio} portion
of the families do it
I've always leaned toward
it but now makes a pretty
good case —
B.

The Task of Purging Haiti's Army

With ousted Haitian President Jean-Bertrand Aristide scheduled to return to power at the end of October, the Clinton administration's human rights policy faces a defining moment. Now that Robert Malval, Aristide's new prime minister, has taken office, the administration is poised to begin providing trainers and aid to the Haitian army.

Clinton officials say they want to "professionalize" a force that has been responsible for mass murder, torture and arbitrary detention since the September 1991 coup. But they have yet to insist that the soldiers behind these crimes be dismissed from the army and their abuses ended before the spigot of U.S. assistance is turned on. Whether President Clinton is willing to issue this demand will reveal the strength of the "democracy" that he says is the centerpiece of his human rights policy.

How best to reform an abusive military regime has been hotly debated for more than a decade. The Reagan and Bush administrations be-

lieved the solution lay in elected government—what they called "democracy." Because they saw elected government as the best guarantor of human rights, they opposed anything that might impede a quick transition from military rule, including efforts to establish accountability for the military's gross abuses.

But this willingness to disregard past human rights violations came at a cost, to the victims and their families, whose grievances were ignored, and to the new governments, whose efforts to build the rule of law were undermined by a precedent of impunity. Seeing no price to pay for their crimes, security forces in U.S.-backed "democracies" often continued to employ political violence, unchecked by the formal relinquishment of power. Moreover, with the emergence in recent years of such elected tyrants as Serbia's Slobodan Milosevic, it has become obvious that elections alone cannot protect human rights.

The Clinton administration took office trumpeting a more sophisticated

approach to human rights protection. It, too, offered a "democracy" program, but it stressed not only elections but also the need to build democratic institutions, such as an independent judiciary, a professional corps of prosecutors and a law-abiding police force. But this program has yet to be put into practice. Haiti, with its murderous and recalcitrant army, provides the first tough test.

So far, the administration appears to believe that it can reform the Haitian army and its equally brutal police division simply by sending U.S. trainers and aid. The administration vows that no human rights abuser will receive U.S. training, but it has no practical plans to vet participants. Nor, like its predecessors, is the administration supporting efforts to hold military officials accountable for their abuses.

At a congressional hearing in July, Lawrence Pezzullo, the administration's point man on Haiti, argued that it should be up to Haitians whether to rid the army of abusive members. But since Haitians must deliberate under the barrel of a gun, that neutrality amounts to an endorsement of the status quo. Unless Washington exerts its considerable leverage, the army is unlikely to allow its mass murderers to be purged, despite President Aristide's insistence.

The Clinton administration's apparent faith in the ability of U.S. trainers to transform an abusive military is profoundly misplaced. As similar efforts in El Salvador and elsewhere have shown, no message from the head of a classroom, no matter how eloquently delivered, will prevail over the lesson of impunity that is shouted each day that those responsible for murder and torture retain their official positions.

In Haiti, the task of purging the army is particularly urgent because violence is accelerating against Aristide supporters who dare to meet & demonstrate. The apparent goal of the soldiers behind this repression is to ensure that even if Aristide regains power, he will lack the organized backing he needs to proceed with military reform and to subject the army to civilian rule. If U.S. aid goes forward while this abuse continues, the U.S. government will become an accomplice in the army's violence while tacitly accepting its highly circumscribed view of Haitian democracy.

Training without accountability and an end to abuses is simply not enough to ensure respect for human rights. The long-term process of building democratic institutions will never succeed if, in the meantime, abuses are tolerated and abusers go unpunished. If his democracy policy is to merit the label, President Clinton should announce that no trainers or aid will go to the Haitian military until, at minimum, political violence ends and those responsible are dismissed from their posts.

The writer is acting executive director of Human Rights Watch.

William Raspberry

One That Fell Out of the Sky

At the beginning of last week, Jesse Jackson was predicting that the historic peace accord between Israel and the Palestine Liberation Organization would open the way for improved relations among a whole variety of erstwhile disputants: Arabs and Israelis, Israelis and black South Africans, African Americans and American Jews.

By week's end, Jackson and other black leaders were scrambling to control the consequences of a domestic peace accord that took them by surprise: the widely reported rapprochement between the black leadership mainstream and the Nation of Islam.

It isn't that they don't want better relations with Minister Louis Farrakhan, leader of the group known as the Black Muslims. They do. Their nervousness is over the fact that this tentative peace, unlike the Israeli-PLO accord, is not the result of careful negotiation, tactical concession and mutually altered priorities. This one fell out of the sky during a Thursday afternoon Congressional Black Caucus forum on race in America.

Participants in the forum included Jackson, Farrakhan, Reps. Kweisi Mfume and Maxine Waters and Ben Chavis, head of the NAACP. Much of the afternoon featured attempts by the panelists to promote their particular takes on the problems of black people in America. The exchanges were, from time to time, somewhat pointed, but the theme was unity without the necessity of uniformity.

Then Chavis, the new head of the NAACP, broached a subject that the others had studiously avoided: the exclusion of Farrakhan from the recent 30th anniversary celebration of the March on Washington and Farrakhan's subsequent blast, in the Nation of Islam's newspaper, Final Call, charging the march's leadership with knuckling under to outside forces.

"It was a mistake not to have Minister Farrakhan speak at the march on Washington," said Chavis, clearly entranced by the calls for unity. "Somebody needs to have the courage to say that. It was also a mistake, Minister Farrakhan, for your publication to denounce brothers who did not present you to speak. But I would like to discuss that with you in private, because I love you and respect you."

The audience loved it. They loved it even more when Farrakhan, thanking Chavis for his statement, offered a definitional clarification.

"A mistake," he chided, "is an unintentional departure from right. An error is an intentional departure from

that which is correct. It was more than a mistake. It was an error. I've never [before] used my words, my pen or my speech to attack other black leaders, but I believe it was necessary to write what I wrote. If that disturbed us to the point where we will go in the back room and iron out our differences, then black people will be all the better for my exclusion from the march on Washington and my rebuke in the Final Call. . . .

"When we have this meeting in closed session, may we iron out whatever differences we may have and make a pledge to each other that we can say in public that we will never let somebody outside of our family determine what goes on inside our family. And we will tell those who wish to exclude a member of the family from participating with the family to keep their mouth out of our family business."

It was, in fact, a stirring rhetorical moment. The problem, as black leaders acknowledged over the weekend, is that apart from differences in emphasis and approach for solving common problems, Farrakhan brings with him the baggage of antisemitism. He denies that he is antisemitic; most Jews take it as a matter of fact. And their perception has plagued both Jackson's political ambitions (they wanted him to publicly distance himself from Farrakhan) and the attempts of mainstream blacks and Jews to repair their traditional alliance.

For Farrakhan, all this may be a sign of wimpishness among black leaders who, if they were *real* men and women, would refuse to "allow an enemy to both of us to get between us." For the black political-civil rights establishment, on the other hand, Jewish support is critical. Moreover, such pragmatic considerations aside, most of them simply don't subscribe to Farrakhan's notions about Jews, and they are troubled by his apparent fixation with Jews.

But they are also intrigued by the prospect of a unity that could link mainstream activists with the disaffected masses that Farrakhan can, on short notice, turn out by the thousands. Can they bring Farrakhan into the camp without triggering the defection of other critical allies?

My guess is that they can't—unless the controversial minister can get over his obsession with Jews and, like Arafat and Rabin, make the clear-cut and public utterance that can suspend disbelief. If he insists on going his own unreformed way, taking his occasional shot at Jews and equating black discomfiture with wimpishness, it's hard to see how last week's shining show of unity can turn out to be more than just another flash in the pan.

THE WHITE HOUSE
WASHINGTON

F20 P2:55

LTURC

Don't forget
BW's request
for Nutrition Therapy
inclusion

B.

Robert D. Novak

Labor Power Plays

Rep. Robert Matsui of California, whose unenviable mission is to sell the North American Free Trade Agreement to fellow House Democrats, was rebuffed when he approached his party's 66-member freshman caucus. He found the rookies locked up against the treaty by organized labor.

Why spurn a new Democratic president and embrace a declining labor movement? Because the AFL-CIO exerts exaggerated power to pressure first-term congressmen. Unsophisticated and insecure, most of them represent heavily Democratic, often black districts. Unbeatable in general

companies back home in Hartford, Conn., opposed the treaty. The White House blames union pressure.

Rep. Mel Reynolds, representing a black Chicago district, is susceptible to that pressure. He is a freshman who arrived in Washington acclaimed for ridding Congress of the execrable Gus Savage in the Illinois Democratic primary. But there is another primary next year, and labor has refused to guarantee his endorsement. Will he risk punishment from labor by helping his president ratify NAFTA? Not likely.

Rep. Jim McDermott of Washington, his labor contributions radically diminished after his support last year for NAFTA, has retreated to neutrality. Rep. Mike Kopetski of Oregon told the daily Congressional Monitor that his support for NAFTA has ended relations with and contributions from the Machinists Union.

Such power plays enrage Democratic NAFTA supporters, but they say not a word critical about labor. In contrast, there are no limits to ugly statements from labor's owned-and-operated members of Congress.

On CNN Sept. 11, Rep. Marcy Kaptur of Toledo, Ohio, declared that Clinton had hired Daley as a "fix-it" man "to come and try to buy off the Democrats" with ambassadorships, bridges and "money for their next campaign." Four days later, Sen. Donald Riegle of Michigan suggested conflict-of-interest by Secretary of State Warren Christopher because his former law firm represented Mexico. The Clinton camp turned the other cheek, choosing not to reply.

There are important Democrats who have not let labor's tail wag the party dog. Matsui leads for NAFTA despite longtime union support in Sacramento, one of California's strongest labor towns. Presidential candidate Clinton, under heavy union pressure, opted for progress and growth by endorsing NAFTA. That was an act of statesmanship even if, understandably, he now flinches from cutting labor's barnacle off the Democratic ship of state.

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"The AFL-CIO is a barnacle on the Democratic Party."

elections, they are vulnerable in the primary to a modest infusion of union money. Veteran Democratic lawmakers from "safe" districts also are threatened, if to a lesser degree.

Thus, if President Clinton loses NAFTA, it won't be the doing of Ralph Nader, Jesse Jackson, Pat Buchanan or even Ross Perot. He can blame the AFL-CIO. With less than 16 percent of the nation's workers (many of whom voted for Ronald Reagan and now support Perot), organized labor cannot win elections but can undermine the first Democratic president in 12 years.

The AFL-CIO is a barnacle on the Democratic Party. Behind the scenes in the administration, it is admitted that Bill Clinton has a rare opportunity to do something really daring: attack labor's obscurantist opposition, thereby winning popular support for NAFTA while cutting away the labor barnacle.

There is no chance of that happening, but neither has there ever been any chance the AFL-CIO would help Clinton on NAFTA. Chicago kingpin Democrat William Daley, named to coordinate ratification, has ties to labor and heads a union-owned bank. But when he contacted friends in the labor movement, they told him opposing NAFTA is a matter of "solidarity."

Behind this rigor is the disreputable concept that the United States can trade fairly only with its economic equals, not Mexico. But the White House knows what AFL-CIO leaders are about. "They want to be sure that after 13 years, they can show they still have clout," a presidential adviser told me (asking anonymity, as Clinton aides always do when they talk about labor). "They must win, whatever happens to the president."

But Clinton's team has not been prepared for labor's effectiveness playing on this limited field. The president's men were stunned when the highly respected Rep. Barbara Kennelly, despite NAFTA support from insurance

THE PRESIDENT HAS SEEN ^{7/20}

W. C. C.

might be time
to let back at
labor soon for
their families -
not other members

B.

9/20 cc Ann Stead
THE PRESIDENT HAS SEEN
MTC
N/A

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OFFICE OF THE PRESIDENT

September 7, 1993

N/A
add Brum & Don's
to division notes
Cmt

President Bill Clinton
White House
Washington, D. C. 20500

Dear President Clinton:

Congratulations to you and Secretary of State Christopher on your leadership to
bring a lasting peace to the Middle East.

Sincerely,



Bruce C. Corwin

BCC/jc

THE WHITE HOUSE
WASHINGTON

DATE: 9/20

NOTE FOR: *MACK*

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

Information ☐

Action ☒

*Bill Burton
call me
John*

Thank you

PODESTA
the President
Secretary

cc:

If Mach
thinks he
should be
invited

1. ... covers street, Suite 900

then he
should send
note to
Ann Stock

Mach - v. nice letter
- intriguing ideas
concerning OPEC ~~lobby~~ network to lobby
Mr. President
- also, idea about
OPEC rebate intriguing but then
skeptical given their problems
- need mis reply ~~to~~
he should probably be
invited to a dinner - you call -
B

THE PRESIDENT HAS SEEN

9/20/93



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Gerald C. Allen
Chairman of the Board

Mr. President -

After our meeting during the campaign on a bus after a New Orleans rally hosted by Senator Breaux I went away knowing Americans needed you to tackle the tough challenges our country faced. And you have done exactly what you said and promised you'd do in spite of the odds and public opinion facing you.

Mr. President, it's easy to keep borrowing and like caffeine it can make you feel good for a short time but our time was running out. All these difficult challenges you are approaching head on are difficult and I know the pressure it must put on you but our country is going to show its gratitude in the next election and that goes for our Congress and House members who are "getting up to reality." My father said if you don't find reality it will find you. I'll



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Gerald C. Allen
Chairman of the Board

Close that part of my conversation
by a recent book I read
about facing tough but rewarding
challenges. I think it was

Harry Truman who said -

"I wonder how far Moses
would have gone if a poll had
been taken in Egypt."

"What would Jesus have
preached if he'd taken a poll
in Israel?"

"Where would the reformation
have gone if Martin Luther had
taken a poll?"

It isn't the polls or public opinion of the moment that counts but right and wrong, leadership of men with fortitude, honesty, and a belief in what is right that makes epochs in the history of the world. It is my complete confidence in you and the dedicated direction you want to go Mr. President that makes me feel so good in supporting your direction for our country. I have enjoyed the DLC board and being a trustee of the DNC. Al From and Will Marshall are bright, dedicated individuals. There are several dialogues in



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Gerald C. Allen
Chairman of the Board

the works that I think are positive

1- Mack (an great friend) has called us an last minute help an calling an representative and Congressman about a vote. They were glad to hear from us after we called because most calls were made by Lobbying group. If we could organize each state through an representation in the DLC it could bring meaningful and organized support for pass of various bills as they come up.

2- No one in the DLC really understands oil & gas. I am talking to Senator Breaux on Monday about

forming an advisory committee to interface with Al + Will giving them advise and leadership from knowledgeable individuals in the industry. This committee could also interface with large organizations like the IPA (Independent Petroleum Association) and Tippo (Texas Independents) to name a few.

3) The Saudi's and other OPEC countries are worried continuously about facing an Import Tax. I do a lot of business with them and their conversations with me lead me to believe they would like to take a certain amount per barrel (.50¢ or so) and invest it in an country. This could be a



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Gerald C. Allen
Chairman of the Board

windfall for our country
economically. & I will be
visiting with Senator Breaux
and Senator Lieberman as we are
doing a ~~fund~~ fundraiser for
Jee on Monday. We have to
keep these good guys in office.
Mr. President my letter is
too long. I'm excited for
you and our country and for
my fine children & know you're
dedicated to taking them in
the right direction. God bless you.
With best wishes and

kindest personal regards

Very truly yours,
Denny

P.S. We've got one
helluva valuable and
capable guy in our
land commissioner and Chairman of
our Clean Air conversion opportunities
in Gary Mauro. He's also
one tremendously dedicated guy
to ~~q~~ the cause.

Mexico: Guernon

100 of good folk

well. Political black, Hispanic supporters (approaches)

PARTICIPANTS FOR BREAKFAST WITH SUPPORTIVE DOCTORS

Eduardo S. Alcantar M.D.: Assistant Director Disease Control Maricopa County Health Department; Phoenix, AZ

William Anderson, D.O.: He was recommended by the America Osteopathic Association; Southfield, MI.

David Annunziato, M.D.: he works at Nassau County Medical Center and a member of the Board of Directors of the American Academy of Pediatrics; East Meadow, NY.

John R. Ball, M.D.: Executive Vice President of the American College of Physicians; Philadelphia, Pennsylvania.

Alan Baskin, M.D.: He was a member of the Health Professionals Review Group; Montvale, New Jersey.

Robert Berenson, M.D.: He is one of our key surrogates for health care issues; he was a member of the Working Group.

Stanley Bergen, M.D.: President of University of Medicine and Dentistry of New Jersey; Newark, New Jersey.

Michael D. Bishop, MD, FACEP: Chairman of the Government Affairs Committee for the American College of Emergency Physicians; Bloomington, Indiana.

Ronald G. Blankenbaker, M.D.: He is a doctor at Erlanger Medical Center in Chattanooga, Tennessee.

James Block, M.D.: President and CEO of Johns Hopkins Health System at The Johns Hopkins Hospital; Baltimore, Maryland.

David Blumenthal, M.D.: He was a member of the Health Professionals Review Group; Boston, Massachusetts.

Laurence Bouchard, D.O.: He was recommended by the American Osteopathic Association; Naragansett, Rhode Island.

Rick Boxer, M.D.: He was a member of the Health Professional Review Group; Milwaukee, Wisconsin.

Thomas Berry Brazelton, M.D.: Professor of Pediatrics Emeritus at Harvard Medical School and Children's Hospital in the Children's Hospital Child Development Unit; Boston, Massachusetts.

James Bresch, MD: Northwestern University Hospital; Chicago, Illinois.

Janet Zeiler Bresch, MD: University of Illinois Eye and Ear Clinic; Chicago, Illinois.

Lonnie R. Bristow, M.D.: He is Chairman of the American Medical Association Board of Trustees; San Pablo, California.

Eric A. Buffong, M.D.: He was recommended by the National Medical Association; Jacksonville, North Carolina.

Richard O. Butcher, M.D.: He was recommended by the National Medical Association; El Cajon, California.

Robert Butler, M.D.: Chairman of Gerontology at Mount Sinai Hospital Medical School. He was very supportive during the campaign and helpful in outreach to older Americans; he was also under consideration for Director of National Institute of Health; New York City.

Cristine Cassel, M.D.: He is a member of the Board of the Board of Regents and Chief of Section of General Internal Medicine at the University of Chicago; he was recommended by the American College of Physicians; Chicago, Illinois.

Anna Chavelle: President of the Washington State Medical Association.

Benjamin Chu, M.D., M.H.: He was a member of the Health Professionals Review Group; New York City.

David K. Clawson, MD: Executive Vice Chancellor at the University of Kansas.

Clifton R. Cleaveland, M.D.: He is President-Elect of the American College of Physicians; Chattanooga, Tennessee.

Linda Hawes Clever, M.D.: He is a member of the Board of Regents and Chairman of the Department of Occupational Health at California Pacific Medical Center; he was recommended by the American College of Physicians; San Francisco, California.

Jordan J. Cohen, M.D.: Dean of the School of Medicine at the State University of New York at Stonybrook; Stonybrook, New York.

- William Coleman, M.D. PhD: President-elect of the American Academy of Family Physicians; Scottsboro, Alabama.
- Michael Collins, MD: He was recommended by the Catholic Health Association; Westwood, Massachusetts.
- George D. Comerchi, M.D.: He is Vice-President Elect of the American Academy of Pediatrics and works at the Desert Hills Center for Youth and Families; Tucson, Arizona.
- Louis Z. Cooper, M.D.: Director of Pediatrics at St. Luke's Roosevelt Hospital Center; New York City.
- Kevin Cunningham, M.D.: He was a member of the Health Professionals Review Group; Des Moines, Iowa.
- Joseph C. Czarsty, M.D.: He is the Treasurer for the American Academy of Pediatrics; Oakville, Connecticut.
- Bob D'Alessandri, M.D.: He is a member of the Health Professionals Review Group; he works at West Virginia University Health Sciences Center; Morgantown, West Virginia.
- Ezra C. Davidson, Jr., M.D.: Department of Obstetrics/ Gynecology; King-Drew Medical Center; Los Angeles, California.
- John Delfs, MD: Director of Geriatric Medicine and ElderCare Program at the New England Deconess Hospital; Boston, Massachusetts.
- Iris Del Toro, M.D.: Group Health Cooperative of Puget Sound, Redmund, Washington.
- Anthony DeSpirito, M.D.: He is a member of the American Academy of Pediatrics Board of Directors; he workds at Jersey Shore Medical Center; Neptune, New Jersey.
- Ron Dozoretz, M.D.: He was a member of the Health Professionals Review Group; Norfolk, Virginia.
- Steve Eckstat, D.O.: He is a member of the Health Professionals Review Group; Des Moines, Iowa.
- E. Stephen Edwards, M.D.: He is the Chair of the American Academy of Pediatrics Council on Government Affairs; Raleigh, North Carolina.

Joseph T. English, M.D.: Chairman of the Department of Psychiatry at St. Vincent's Hospital and Immediate Past President of American Psychiatric Association; New York City.

Philip J. Fialkow, M.D.: He is the Vice President for Medical Affairs and Dean of the University of Washington School of Medicine; Seattle, Washington.

Kevin Fickenscher, M.D.: He was a member of Health Professionals Review Group; Kalamazoo, Michigan.

Michael Fine, M.D.: Hillside Avenue Family and Community Medicine, Providence, Rhode Island.

Arthur Flemming, M.D.: He is Chairman of the Save our Security Coalition; he has issued a statement of support for your health care reform effort; Washington, D.C.

John A. Flowers, M.D.: He was recommended by the National Medical Association; Pine Bluff, Arkansas.

Janet Freedman, M.D.: She was a member of the Health Professionals Review Group; Mt. Kisco, New York.

Marsha Fretwell, M.D.: Little Compton, R.I.

H. Jack Geiger, M.D.: The Logan Professor of Community Medicine, The City University of New York Medical School, The Sophie Davis School of Biomedical Education, New York City.

Joseph Giardano, M.D.: Professor and Chairman of the Department of Surgery at George Washington University Medical Center, Washington D.C.

Stephen Gleason, D.O.: He was Chair of the Health Professionals Review Group and has been actively working to mobilize support in the provider community around the country; he is one of our key surrogates; Des Moines, Iowa. He was also actively involved in flood relief efforts.

Robert Graham, M.D.: Executive Vice President of American Academy of Family Physicians, Kansas City, Missouri.

Pedro Jose Greer, M.D.: He is a member of the Health Professionals Review Group; Miami, Florida.

Lloyd Greig, M.D.: Beverly Hills, California.

Paul Griner, M.D.: President of the American College of Physicians and General Director of Strong Memorial Hospital; Rochester, New York.

Rolf M. Gunnar, M.D.: Chair of the Board of Regents and Director of Medical Affairs for MacNeal Hospital; he was recommended by the American College of Physicians; Riverside, Illinois.

Ralph W. Hale (MD): Executive Director of the American College of Obstetricians and Gynecologists, Washington D.C.

Margaret Hamburg, M.D.: Commissioner of the New York City Department of Health; New York City.

Ray L. Henderson, M.D.: He was recommended by the National Medical Association; Indianapolis, Indiana.

C. Earl Hill, M.D.: Department of Family Medicine, Baltimore, Maryland.

Hugh Hill, MD. J.D.: He was a member of the Health Professionals Review Group; Bethesda, Maryland.

David C. Hohn, M.D.

Richard S.(Pete) Hollis (MD): President of American College of Obstetricians and Gynecologists

John Howe, MD: President of the University of Texas Health Science Center at San Antonio.

Renee Jenkins, M.D.: Chair of the American Academy of Pediatrics Committee on Community Health Services; he works at Howard University Hospital; Washington D.C.

Lawrence Jindra, M.D.: He was a member of the Health Professionals Review Working Group; Floral Park, New York.

Michael M.E. Johns, M.D.: Vice President for Medicine and Dean of the Medical Faculty at the Johns Hopkins University School of Medicine; Baltimore, Maryland.

Robert Johnson, M.D.: He is Chair of the American Academy of Pediatrics Committee on Careers and Opportunities and works at the New Jersey Medical School; Newark, New Jersey.

Gloria Johnson-Powell, M.D.: She was a member of the Health Professionals Review Group; Boston, Massachusetts.

Daniel Juarez, M.D.: Internist in San Antonio.

Robert Keller, M.D.: Executive Director of Maine Medical Assessment Foundation.

William Kelley, M.D. Executive Vice President for the Medical Center and Dean of University of Pennsylvania School of Medicine; Philadelphia, Pennsylvania.

Luella Klein, M.D.: She was a member of the Health Professionals Review Group; Atlanta, Georgia.

C. Everett Koop, MD, Sc.D.: He is Co-Chair of the National Ready to Learn Council; Bethesda, Maryland.

Andrew Kumpuris, MD: He was a member of the Health Professionals Review Group, Little Rock.

Edward L. Langston, M.D.: He is a on the Department of Family Practice Residency at Memorial Health Care System and a member of the AAFP Board of Directors; Houston, Texas.

Leonard Lawrence, M.D.: He is Associate Dean for Student Affairs at the University of Texas Health Science Center at San Antonio; San Antonio, Texas.

W. David Leak, M.D.: He was recommended by the National Medical Association, Westerville, Ohio .

Robert Lehman, M.D.: He works at DePaul Hospital in Norfolk, Virginia.

Jack Lewin, MD: He was a member of the Health Professionals Review Group; Honolulu, Hawaii.

Edward Loniewski, D.O.: Chairman of the American Osteopathic Association Council on Federal Health Programs; Redford, Michigan.

Osvaldo Lopez, M.D.: Chairman of the Department of Orthmology at the Illinois MAS Medical Center and President, Latino Medical Association of Chicago.

Betty A. Lowe: She is Vice-President of AAP and affiliated with the Arkansas Children's Hospitals.

Paul A. Marks, M.D.: President and CEO of the Memorial Sloan-Kettering Cancer Center, New York City.

Shirley Marks, M.D.: University Park Hospital, Tyler, Texas; she was suggested by the National Medical Association.

Walter J. McDonald, M.D.: Associate Dean for Education School of Medicine at the Oregon Health Sciences University and Chair of the Board of Governors for the American College Physicians, Portland, Oregon.

Read McGeehee, M.D.: St. Mary's Hospital , Richmond, Virginia.

John S. McIntyre, M.D.: President of the American Psychiatric Association, Rochester, New York..

Robert E. McAfee, M.D.: President-Elect of the American Medical Association, South Portland, Maine..

Morris B. Mellion, M.D.: Immediate Past President of AAFP; Omaha, Nebraska.

Robert Michels, MD: Dean of Cornell University Medical Center and Provost for Medical Affairs for Cornell, The New York Hospital.

James J. Mongan, M.D.: Executive Director of the Truman Medical Center and Dean of the University of Missouri - Kansas City School of Medicine; Kansas City, Missouri.

Susana Morales, M.D.: Assistant Clinical Professor of Medicine at Columbia University College of Physicians and Surgeons, New York City.

Jeff Morris, MD,MPH: He was a member of the Health Professionals Review Group; Encinitas, California.

Thomas Nickels: Executive Director of the American College of Emergency Physicians, Washington, D.C.

James Nuckolls, M.D.: Blue Ridge Health Associates; Galax, Virginia.

Clyde W. Oden, O.D.: President and CEO of Watts Health Foundation; Inglewood, California.

Gilbert Omenn, M.D.: School of Public Health and Community Medicine at University of Washington; Seattle, Washington.

Herbert Pardes, MD: Vice President for Health Sciences and Dean of the Faculty of Medicine at Columbia University.

Howard Pearson, M.D.: President of AAP; New Haven, Connecticut.

Edmund Pellegrino, M.D.: Georgetown University Hospital; Bethesda, Maryland.

Raul Perea-Henze, M.D.

Robert Petersdorf, M.D.: President of the American Association of Medical Colleges, Washington, D.C.

Mitchell Rabkin, M.D.: President of Beth Israel Hospital; Boston, Massachusetts.

Irwin Redlener, M.D.: Vice Chair of the Health Professions Review Group, New York City .

Neil Redlener, M.D.: Director of the Inpatient Psychiatric Unit at the University Hospital Boston University Medical Center, Boston, Massachusetts.

Arnold Relman, M.D.: He was a member of the Health Professionals Review Group and is affiliated with Harvard University; Boston, Massachusetts.

Carolina Reyes, M.D.: She is a gynecologist and obstetrician focusing on high risk pregnancy; Los Angeles, California.

Susan Reynolds, M.D.: She was a member of the Health Professionals Review Group; Malibu, California.

Perry Rigby, MD: Chancellor of Louisiana State University Medical College.

Elena Rios, MD, MSPH: She was a member of the Health Professionals Review Group; Sacramento, California.

Carolyn B. Robinowitz, MD: She is Senior Deputy Medical Director at the American Psychiatric Association, Washington D.C.

Richard Rockefeller, MD: He is Senator Rockefeller's brother; Falmouth, Maine..

Allan Rosenfield, MD: Dean of Columbia School of Public Health, New York City.

Melvin Sabshin, M.D.: Medical Director of the American Psychiatric Association, Washington, D.C.

Joe. M. Sanders, Jr, M.D.: Executive Director of AAP; Elk Grove, Illinois.

David Satcher, MD: President of Meharry Medical College; Nashville, Tennessee.

Jane Green Schaller, MD: Professor and Chairman of Pediatrics at Tufts University School of Medicine; Boston, Massachusetts.

Lawrence Scherr, MD, MACP: He was a member of the Health Professionals Review Group; Manhasset, New York.,

Howard Shapiro,M.D.: Director of Public Policy for American College of Physicians, Washington, D.C.

Steven P. Shelov, MD: Professor and Vice Chairman of Pediatrics at Einstein College of Medicine; Bronx, New York.

Kenneth Shine, MD: He is a member of the Health Professionals Review Group, Washington, D.C.

Aaron Shirley, MD: Project Director of the Jackson-Hinds Comprehensive Health Center; Jackson, Mississippi.

David M. Siegel, MD: Member of the Government Affairs Committee for American College of Emergency Physicians.

Ciro Valent Sumaya, M.D.: The University of Texas Health Science Center; San Antonio, Texas.

Rosemarie Sweeney: Vice President for Socioeconomic Affairs and Policy Analysis for the American Academy of Family Physicians, Washington, D.C.

Eric Tangalos,MD: He is affiliated with the Mayo Clinic and a member of the Health Professionals Review Group; Rochester, Minnesota.

Gerald E. Thomson, M.D.: Chair of the Health and Public Policy Committee for the American College of Physicians, member of the Board of Regents and Associate Dean for the College of Physicians and Surgeons at Columbia University, New York City.

James S. Todd, M.D.: Executive Vice President of the American Medical Association; Chicago, Illinois.

John P. Tooker,M.D.: Chair-elect for the Board of Governors of the American College of Physicians and Assistant Chief of Medicine at Maine Medical Center; Portland, Maine.

Al Truscott, MD: Medical Director of Group Health Cooperative of Puget Sound; Seattle, Washington D.C.

Reed Tuckson, MD: He is a member of Health Professionals Review Group; Los Angeles, California.

John M. Tudor, Jr., M.D.: President of the American Academy of Family Physicians; Salt Lake City, Utah.

David Valdez, M.D.: Memorial Medical Family Practice Center; Corpus Christi, Texas.

Yvonnecris Smith Veal, M.D.: She was recommended by the National Medical Association; St. Albans, New York.

Robert Waller, MD: CEO of the Mayo Clinic; Rochester, Minnesota.

Tracy Walton, Jr., MD: She was recommended by the National Medical Association, Washington, D.C.

James R. Weber, M.D.: Chair of the Board of Directors of the American Academy of Family Physicians; Jacksonville, Arkansas.

Jack Wennberg, MD, MPH: Director of the Center for the Evaluative Clinical Sciences and Professor of Epidemiology at Dartmouth Medical Center; Hanover, New Hampshire.

Jerry M. Wiener, M.D.: President-elect of the American Psychiatric Association and Chairman of the Department of Psychiatry and Behavioral Science at George Washington University, Washington D.C.

Robert Williams, MD: President of the American College of Emergency Physicians; Harbor Springs, Michigan.

Stanley Yarnell, MD: He was a member of the Health Professionals Review Group; San Francisco, California.

Kneeland Youngblood, MD: He was a member of the Health Professionals Review Group; Plano, Texas.

Joseph Zanga, MD: He is a member of the Board of Directors of the American Academy of Pediatrics and works at the Children's Medical Center; Richmond, Virginia.

John S. Zapp, American Dental Association.

Barry Zuckerman, MD: Professor and Chairman of the Pediatrics Department at the Boston University School of Medicine; Boston, Massachusetts.

Suite 250, 700 Thirteenth Street, N.W., Washington, DC 20005, Telephone 707 393 1650 or 800 633 9400

ATTACHMENT 2

American College of Physicians

September 10, 1993

Dear Colleague:

President Clinton is expected soon to reveal the details of his vision for changing the nation's health care system. The changes will be sweeping, affecting the very mission to which we have devoted our lives — improving the health of our fellow citizens.

The President's vision of a new health care system has been joined and informed by the American College of Physicians. ACP has worked intensively to make Administration leaders listen and heed the knowledge only physicians can provide because they are on the front lines of medicine. This is what we told the President:

- All Americans must have access quickly to continued high-quality care without worry of losing it.
- The nation's health depends on a redevotion to the doctor-patient relationship. End the wasteful and insulting distraction to medical care by obtrusive second guessing and burdensome regulation.
- Physicians must be able to choose their practice arrangements and patients must be able to choose their providers. Both public and private financing is necessary.
- The cognitive core of health care delivery — evaluation and management skills — has been seriously undervalued and improved compensation in Medicare is needed immediately. Restore generalism to its central role in the practice of medicine.
- Strong, effective malpractice reform is essential, reform that will relieve physicians of the terrible burden of frivolous lawsuits and constant worry.

To these and other messages delivered by the American College of Physicians, the President listened.

In many meetings with the Administration, ACP has learned a great deal about the President's plan. When it is unveiled on Sept. 22, it is expected to call for health care access and health security for all Americans. Under the proposal, everyone would have continuing access to a nationally guaranteed benefits package regardless of employment status. Both individuals and employers would be required to contribute to the cost of care. There would be no more free-riders and no more cost-shifting.



Page 2

To restore generalists to their proper role in health care delivery, the plan is expected to contain mechanisms that substantially increase the Medicare relative values of evaluation and management services within two to three years. Strong financing incentives would stimulate an increase in the proportion of generalist residency slots, eventually balancing the mix of generalists and specialists.

The plan would refocus quality monitoring from peer review organizations and penalization to continuous quality improvement with physician involvement. Burdensome regulations such as the Clinical Laboratory Improvement Act would be substantially eased. A uniform claims form would simplify insurance filing.

Relief from anti-trust restraints expected in the proposal would allow the development of physician-centered, integrated systems of care. Doctors would choose which plans and how many to join or form their own. Patients, not their employers, would choose their health plans through regional health alliances. Payment would come from a variety of sources, both public and private, not from the government alone.

Finally, substantial tort reform is expected in the plan, along with related proposals to reduce the threat of malpractice lawsuits.

The nation is asking its physicians to embrace unprecedented change in their profession. The American College of Physicians says we can do more than that. We can *lead* and manage the change and, as physicians on the front lines of the system, we *should* lead and manage the change. Indeed, our willingness to work responsibly toward this end has given us a place at the negotiating table and tremendous influence over the direction of reform.

Based on continuing discussions with the Administration, we have reached the preliminary conclusion that the President's approach begins to answer the fundamental needs of the profession — access, choice, restored professionalism and renewed generalism. After a final look at plan language and consultation with the Board of Governors and the Board of Regents, the College expects to voice support for the Administration's reform proposal, allowing ACP to continue influencing the direction of reform.

Still, we will continue close monitoring of key issues as they wind through Congress:

- The pace with which universal access is adopted. While some phase-in is necessary, we cannot accept an adoption period so prolonged that continued cost-shifting subverts reform.
- Congressional handling of malpractice reform. Pressures on members of Congress, particularly the Judiciary Committee, to dilute tort reforms will be intense.
- Physician governance and leadership of medical policy in health plans. Focus on the physician-provider relationship is crucial to quality and to the success of reform, and the College will seek to strengthen these provisions in legislation.
- Enhancement of primary care reimbursement under Medicare. We will continue to seek mechanisms in the legislation to achieve our goal of doubling payment for evaluation and management services.

Page 3

- Checks on government and corporate bureaucracy. Neither can be allowed to subvert hassle reduction and administrative simplification. The College will seek additional measures to reduce hassle beyond those in the President's plan.

While it is immensely complex, the time for health care reform is now, and the best opportunity for success is a moderate approach such as that proposed by the President. It offers the best vehicle for obtaining consensus and avoiding extreme alternatives, whose supporters are well-organized and primed to pressure Congress. To move a reasonable reform plan through Congress, and to defend and retain those provisions most important to us, it is imperative that physicians be seen by the public as a force for change, even as we seek modifications.

The College intends to move forward so that we can maintain what we cherish most — choice, quality and professionalism. The vision of reform we have developed, and the vision which the Administration has embraced, captures the best of our current system and helps it evolve into the 21st century. While the overall degree of impending change is unprecedented, the new health care system will not mean a great deal of immediate modifications in the way most of us practice. Fee-for-service medicine will co-exist along with the growth of integrated service networks, physician-centered and professionally minded.

Our profession is the highest of callings. We are asked everyday to make life and death decisions as commonly as others decide when to schedule a meeting. By helping to lead America through the struggle to a better, more responsive health care system, we answer this calling on the noblest plane and we ensure our continued ability to manage the inevitable change.

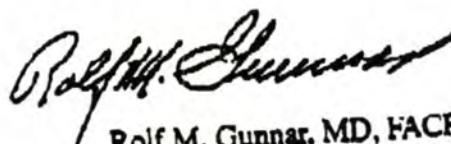
As dedicated internists, we ask each of you to study the Administration's proposal for reform and others as they develop in Congress and to form a responsible answer to this central policy question: What approach will best serve the combined interests of our profession and our patients? As the College answers this question, we want to stay in close touch with your views. This summer, we solicited the views of the 5,000-member Health Care Reform Network on key elements of the proposal emerging from the Administration. The responses were very positive. This month, the College is conducting a random sample survey of the entire membership, the second member poll on health care reform in three years. Additionally, we ask you to write us or your governor with your views.

Informed by your contributions to date, the College has concluded that the plan soon to be released by the President forms the basis for a uniquely American health care system that serves the combined best interests of all. In line with College policy, and with your continued support, we will work toward enactment of comprehensive reform.

Sincerely,



Paul F. Griner, MD, FACP
President



Rolf M. Gunnar, MD, FACP
Chair, Board of Regents

THE
CATHOLIC HEALTH
ASSOCIATION
OF THE UNITED STATES

September 17, 1993



The Honorable Bill Clinton
President of the United States
The White House
Washington, DC 20500

Dear Mr. President,

The Catholic Health Association of the United States (CHA) applauds your determination to initiate an historic endeavor to tackle the demanding, complex, and emotional issue of healthcare reform. You have set the terms of the debate and demonstrated the bold presidential leadership required to elevate healthcare reform to a national priority.

We share your conviction that reform is imperative, and we welcome this first significant endeavor in a quarter of a century to restructure the nation's healthcare system.

CHA, whose more than 1,200 facilities and organizations nationwide constitute the largest group of not-for-profit healthcare institutions under a single form of sponsorship, has been pointing to this day since 1986 when we called for universal coverage in a redesigned healthcare system.

As you and the First Lady have said on many occasions, and CHA concurs, a reformed delivery system is crucial not only for meeting social and human needs, but also for correcting the underlying economic forces that are threatening the healthcare system itself and the nation's economic prosperity.

Based on a preliminary review of your proposal, CHA is in basic agreement with many of the details. There are striking similarities to the vision of healthcare reform outlined in CHA's own reform plan, *Setting Relationships Right: A Proposal for Systemic Healthcare Reform*.

Features common to both plans include: universal coverage achieved quickly; substantial uniform benefit package; continuous coverage; many protections for the poor; overall expenditure control; progress towards more equitable, stable financing; and progress towards more appropriate government/private roles.

NATIONAL HEADQUARTERS

4455 Woodson Road
St. Louis MO 63134-3797

Phone 314-427-2500
Fax 314-427-0029

CLINTON/2

In the coming weeks, CHA will carefully evaluate in greater detail your proposal against CHA's vision of systemic healthcare reform. Where appropriate and necessary, CHA will pursue modifications during the legislative process that are faithful to the ethical values of the Catholic healthcare ministry.

We realize it is now incumbent on all stakeholders in the system, i.e., consumers, providers, big and small businesses, government, labor, insurers, pharmaceuticals, etc. to seize this moment and work toward solutions that are in the common good.

We pledge to join you in doing everything in our power to bring the cause of healthcare reform to successful fruition as this nation takes the first step on what is sure to be a journey of a thousand miles.

Sincerely,

Sr. Maryanna Coyle SC

Sr. Maryanna Coyle, SC
Chairperson, Board of Trustees

John E. Curley, Jr.
John E. Curley, Jr.
President and CEO



Habitat for Humanity International

Building houses in partnership with God's people in need

September 10, 1993

President Bill Clinton
The White House
1600 Pennsylvania Avenue
Washington, DC 20050

Dear Bill,

I have learned about your good visit to Homestead, Florida earlier this week. I understand that you talked to one of our key Homestead Habitat for Humanity leaders, Robin Adair. Also, I understand that Robin requested funding for land and infrastructure for the ambitious project we are undertaking there to build 200+ houses, in what is being called the "Dade County Model Community" project.

As you know, Bill, Habitat for Humanity does not seek government funding for the actual building of the houses, but we do aggressively seek funds for "setting the stage", which include the purchase of land and infrastructure.

As I'm sure you know, I had an excellent meeting with Secretary Cisneros in July, and other Habitat for Humanity staff people have met with him and his staff. We are encouraged by the positive signals we have received from Secretary Cisneros and his people.

I just want to thank you for the encouragement you expressed to Robin Adair. If you can help us "set the stage", we will be able to get on with the building of the 200+ houses much faster. Maybe you, Hillary, and Chelsea would like to come down and work for a day helping to build the houses.

Linda joins me in sending our very best to your whole family.

With appreciation,

Millard Fuller

MF/mr

cc: Henry Cisneros
Robin Adair
Gene Crumley
Tom Jones

cc: C. Rocco

Scheduling

CRasco

Pls follow up w/
Cisneros on this -
This would be a big
plus on Hurricane
follow up - R

Schedule
poss - good idea

OK NH ✓
HHC ✓
ANN STUCK ✓
TW 9/20

ARKANSAS COLLEGE

OFFICE OF THE PRESIDENT

Scheduling - this is a
 friend - I should do a copy of this
 President Bill Clinton, Spring 1993
 a year in Ark. - but
 sure this is on -

Dear Bill,

The Trustees of Arkansas College have
 voted to award you the degree of doctor
 of humane letters, honoris causa. I trust
 you will be in a position to accept
 this acknowledgment of your remarkable
 accomplishments.

I have been in touch with your appropriate
 office and of course, scheduling is a very
 complex matter. It appears that this
 commencement is not possible; perhaps
 plans could be made now in a preliminary
 way for commencement 1994.

Thank you for what you and Helen
 are doing for our country.

Very truly,
 Dr. S. J. S. S.

Scheduling ✓



THE PRESIDENT HAS SEEN

Date: Saturday, ~~August~~^{Sept} 18, 1993

9/20

Time: 10:00 p.m. - 1:00 a.m.

Location: Washington Convention Center
Lobby 1 & 2
9th Street Entrance
Washington, DC

from Wilson
PACBC — B

Pepsi-Cola, Kentucky Fried Chicken, Pizza Hut, Taco Bell
and Frito-Lay products will be served. Miller Beer will also be featured.

Great Music and Dancing!

Please present invitation at the door
(This invitation is not transferable)



Richard Scrushy

Bob EAKINS

Bob Oatenzio

Charles Laverly

Health CARE

1/2m to camp

DALE BJIMBERS
ARKANSAS

THE PRESIDENT HAS SEEN

9/20

COMMITTEE:
APPROPRIATIONS
ENERGY AND
NATURAL RESOURCES
SMALL BUSINESS

United States Senate

WASHINGTON, DC 20510-0401

September 15, 1993

The Honorable Al Gore
Vice President
The White House
Washington, D. C. 20500

Dear Al:

I have a golden opportunity for you to prove that reinventing government can work.

The Department of Agriculture is about to promulgate a rule that requires all raw ground meat and ground poultry packaging to contain new handling instructions by October 15. All other raw meat and poultry products would have to come into compliance by January 15, 1994. In February meat and poultry processors must add metric weights to all of their packaging as well as the traditional American pounds and ounces. On July 1 they must add nutritional information on all packaging. This plan would require processors to change their packaging four times in less than nine months.

The people with whom I have spoken in the industry applaud the purpose of these requirements and feel it is in their best interest to put handling instructions as well as nutritional information on their packages. They also believe they can comply with the October 15 deadline on raw ground meat and poultry without devastating disruption. However, to impose the January 15 deadline on the other products will result in chaos. When you consider the number of meat and poultry processors in the country, some which produce as many as 5,000 to 6,000 different products, all trying to place orders for new packaging materials from the same limited number of packaging manufacturers, you can see it will be extremely difficult, if not impossible, to comply. In addition, Tyson Foods tells me that the October 15th deadline on all products would have cost them about \$30 million. Changing the packaging again in February and then again in July will end up costing the industry several hundred million dollars.

The Honorable Al Gore
Page Two
September 15, 1993

It makes imminent good sense to postpone everything, except the deadline of October 15 on raw ground meat and poultry, to July 1, giving all these processors an opportunity to get their packaging materials, with all the new required information, and while the cost will not be insignificant, it would pale compared to a January 15th deadline.

I believe this is a prime example of a government bureaucracy imposing an unnecessarily egregious burden on business. The processors are not dragging their feet. They simply don't want to needlessly spend hundreds of millions of dollars to come into compliance, when very little, if any, harm would result from such a short delay.

I would appreciate your thoughts on this.

Sincerely,



Dale Bumpers

DBdjn

9/2-0
THE PRESIDENT HAS SEEN

Mails
7/9 on money laundering
Run - looking for
up, in good idea - P/S John
Pencan ~~RE~~
RR

Congress of the United States
House of Representatives
Washington, D. C. 20515

The Honorable William Clinton
President
United States of America
The White House

Personal and Private

35/Pack
an int. sec.
w/ the how to
Gif. - used -



Congress of the United States
House of Representatives
Washington, D. C. 20515

Fortney Pete Stark
Thirteenth District, California

September 16, 1993

Dear Mr. President,

I want to help you achieve health reform and share these thoughts privately.

I have grave concerns that the proposal I reviewed simply could not function. There are fatal flaws in the design and the economic assumptions on which it is based. My memo outlines specific problems concurred in by experts at CBO, AARP and Brookings. These defects will become painfully clear under public scrutiny.

Mr. President, I strongly urge you to avoid the specifics of this plan in your address to the Nation. We both stated and believe that healthcare reform is critical to our Nation's future. Now we must deliver. We can and we will if you allow the legislative process some leeway. Otherwise, I fear the faults of this particular plan will devastate our Party and your reelection in 1996.

Sincerely, Peter Stark

Perhaps Ms. Hafner should talk to a few more women engineers to see that coming across as a nerd is the least of their problems.

JUDITH P. OPPENHEIM
Naperville, Ill., Aug. 29



Nancy Doniger

To the Editor:

Your article failed to spell out how a person with the appropriate talent actually gets started in engineering. The article does emphasize one important factor. All of these women developed their interest in and drive for engineering as children. But it takes more than that.

An internship or other hands-on training at the college level is important. Getting that requires lucky connections or a special ancestry or background that gets a person into special programs. A lot of talent is shut out at this level if not earlier. Also, the amount of money required to get through school, then to relocate to a new job, is much greater than anybody ever says.

I am still chuckling about Ms. Winner thinking that she had been accepted to M.I.T. because she was a female from the west. She was an electrical engineer's daughter.

DONA ANN DEMAN
Livonia, Mich., Aug. 29

The writer holds a B.S.E. (engineering science) from the University of Michigan.

In Defense of the A.D.R.

To the Editor:

Regarding your assessment of fees on American depository re-

States Government agencies, and Nations on issues of economics and migration involving developed and developing countries.

too might be specially taxed. Industrial migrations — with their specter of

to the Federal Government — achieve a better social outcome for all.

Price of Family Values Just Went Up

THE PRESIDENT HAS SEEN ^{9/20}

By JONATHAN MARSHALL

WONDERING whether to tie the knot with your Significant Other? Better check with the I.R.S. first. Since Congress passed the new tax bill, you may no longer be able to afford marriage, especially if you are a low-income worker eligible for the earned income tax credit.

Poor working Americans, along with the rich and the elderly, just got hit with a steeply higher "marriage penalty" — the excess tax that two individuals pay when they wed and discover that they are entitled to a smaller combined deduction, and fall into a higher tax bracket, than when they were single.

Even granting that two can usually live more cheaply than one, millions of people will now find that upholding "family values" through marriage is more costly than ever.

Affluent couples, who paid a maximum marriage penalty of \$1,857 under the old law, may pay as much as \$14,800 under the new law, for example. Many older middle-class citizens will be hit harder by the new penalty too, thanks to a complex formula for taxing Social Security income.

But the least known, and perhaps most severe, marriage penalty hits struggling low-income

Jonathan Marshall, a married man, is economics editor of The San Francisco Chronicle. Alexander Polinsky of Tax Analysts of Falls Church, Va., assisted with this article.

workers. In trying to help such workers with a \$20 billion expansion of the earned income tax credit, Congress has unwisely made it much more costly for them to say their vows.

This credit reduces the tax bill of low-income workers, sometimes by so much that they get a rebate from the I.R.S. But, in bestowing the credit, Congress applies the same income eligibility limits to singles and to couples. This saves money, allowing the Government to cover more single workers with the credit. But it also puts many married families at a huge disadvantage.

A 'marriage penalty' in the new tax law punishes the poor.

This disadvantage existed under the old law, but by raising the maximum credit, the new law sharply aggravates the problem. The higher maximum credit gives single workers much more to lose when, by combining incomes through marriage, they become ineligible for it.

Take the case of a single man earning \$15,000 a year and a woman with one child who earns \$11,000 a year. Under the new law, the man will owe \$1,397 in Federal income taxes but the woman will get a

check from the I.R.S. for \$672, thanks to the credit. If they marry, however, their income will exceed the ceiling and make them liable for \$2,513 in taxes — \$1,788 more than they would pay singly.

If the man also has a child, things get even worse. Separately, the couple will enjoy tax rebates totaling \$2,582. Together, they will owe taxes of \$1,560. Their total penalty comes to \$4,142, or 16 percent of their combined income. That's enough to test anyone's commitment to marriage.

Somehow, this wrenching feature of the new tax law has gone mostly unnoticed. But when scholars are alerted to the issue, many react with alarm. "It's enormous" in terms of percentage of income, said Marvin Koster, an economist at the American Enterprise Institute. "It could affect people's decision to marry."

The earned income tax credit enjoys bipartisan political support, and deservedly so. For many Americans, it both reinforces the incentive to work and provides the resources they need to raise children out of poverty. But in its new form the credit is flawed by ill-considered provisions, unintended consequences and an absence of critical scrutiny.

Low-income Americans should not have to make an emotionally difficult choice between marriage and money.

This new credit will not keep most Americans from walking down the aisle. But surely politicians who pay lip service to "family values" could come up with a less punitive formula for workers struggling to live by them.

THE PRESIDENT HAS SEEN 9/20

THE WHITE HOUSE
WASHINGTON

09 SEP 13 P1:55

September 18, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER *HP*
SUBJECT: SPACE STATION LETTER FOR SENATE VOTE

Recommendation

That you sign the letters to Sens. Byrd, Hatfield, Mikulski and Gramm attached. The staff contact for any questions is Greg Simon on the Vice President's staff at x6222.

*9/20
original ltr
given to
Kristin Schneeman
w/ Greg Simon
for dispatch
cc: Paster ✓
NH ✓ FW*

THE WHITE HOUSE

WASHINGTON

September 20, 1993

Dear Madam Chair:

I wanted to convey to you my strong support for NASA's space station program as an important science and technology investment for the United States, and as a symbol of peaceful international cooperation.

At a time when the long-term economic strength of the United States depends on our technological leadership, we must invest in technology but invest wisely, making the best use of every dollar. Earlier this year, I directed NASA to redesign the Space Station Freedom program to significantly reduce costs while preserving its critical science and space research capabilities and honoring our international commitments. This initiative includes redesigning NASA itself to improve performance, streamline the bureaucracy, and reduce management costs. As a result, the redesigned space station program -- Space Station Alpha -- will save more than \$4 billion over the next five years and \$18 billion over the two-decade life of the program compared with the costs of funding the previous Space Station Freedom program.

Since its inception, the space station program has represented an important international partnership between the United States, Canada, Europe, and Japan. We now have an historic opportunity to include Russia in this endeavor, thereby achieving an important step in putting the Cold War behind us, and adding a positive new dimension to the development of an international space station. Our cooperation with Russia in space is the leading edge of the new relationship that President Yeltsin and I began in Vancouver -- a partnership where both countries can win from working together on projects that will shape the future.

There is no doubt that we are facing difficult budget decisions. However, we can not retreat from our obligation to invest in the future. I believe strongly that NASA and the space station program represent important investments in that future, and that these investments will yield benefits in medical research, biotechnology, advanced materials processing, and other critical technology areas that will create new jobs and improve the quality of life here on earth. It is an investment in tens

of thousands of good, high-paying U.S. jobs, an investment in maintaining the strong technology base essential to the economic and national security of this nation, and an opportunity to invest in peaceful international cooperation.

I strongly urge the support of the Congress for this important program.

Sincerely,

A handwritten signature in dark ink, appearing to read "Barbara A. Mikuslki". The signature is fluid and cursive, with a large initial "B" and a long, sweeping underline.

The Honorable Barbara A. Mikuslki
Chair
Subcommittee on VA, HUD,
and Independent Agencies
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

September 20, 1993

Dear Senator Hatfield:

I wanted to convey to you my strong support for NASA's space station program as an important science and technology investment for the United States, and as a symbol of peaceful international cooperation.

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I strongly urge the support of the Congress for this important program.

Sincerely,

A handwritten signature in cursive script, appearing to read "Paul Cantor".

The Honorable Mark O. Hatfield
Ranking Member
Committee on Appropriations
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

September 20, 1993

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I strongly urge the support of the Congress for this important program.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. Byrd", with a long, sweeping horizontal stroke extending to the right.

The Honorable Robert C. Byrd
Chairman
Committee on Appropriations
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

September 20, 1993

Dear Senator Gramm:

I wanted to convey to you my strong support for NASA's space station program as an important science and technology investment for the United States, and as a symbol of peaceful international cooperation.

At a time when the long-term economic strength of the United States depends on our technological leadership, we must invest in technology but invest wisely, making the best use of every dollar. Earlier this year, I directed NASA to redesign the Space Station Freedom program to significantly reduce costs while preserving its critical science and space research capabilities and honoring our international commitments. This initiative includes redesigning NASA itself to improve performance, streamline the bureaucracy, and reduce management costs. As a result, the redesigned space station program -- Space Station Alpha -- will save more than \$4 billion over the next five years and \$18 billion over the two-decade life of the program compared with the costs of funding the previous Space Station Freedom program.

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to POTUS
9/20/93

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COST ESTIMATES IN HEALTH CARE REFORM

UNPRECEDENTED PROCESS OF OUTSIDE REVIEW: The health care financing analysis undertaken by the administration has been rigorous. We tapped the best analytical talent inside and outside the federal government to get it done. In creating the analytical foundation for our estimates, there was an unprecedented degree of outside review of our assumptions and methodologies from nationally recognized consulting and accounting firms and from Fortune 500 companies. That's why we're so confident that our estimates are ~~both credible, and conservative.~~

Urban Institute modelers and a team of non-government actuaries and health economists followed the model building and estimating process throughout, and offered analysis and suggestions. They immersed themselves in the models early on, made significant contributions to the methodologies finally used, and came away impressed with the amount of analytical rigor underlying the models and with our commitment to accuracy and prudence.

UNPRECEDENTED INTERGOVERNMENTAL SCRUTINY AND COOPERATION:

In addition to the outside groups, a team of actuaries and health economists from all the branches of government that do financial analysis and cost estimating set up a working group back in February, and have been working together ever since. They have shared data and worked through assumptions and methodologies in much greater detail than has ever been done before. You know, a lot of the people involved in this effort have been working on health care numbers their whole professional life, and they'll tell you they've never been part of anything like this.

Estimating a complete health care system overhaul is obviously an immensely complex task. Reasonable people can differ about assumptions, so our team tried to consistently err on the side of conservatism.

THIS PROCESS GIVES US STRONG CONFIDENCE IN OUR NUMBERS:

The process and rigor give us strong confidence in the numbers in the current draft. The savings estimates are under continuing review by OMB, Treasury and HHS as adjustments are made to the plan based on our continuing consultation. Policy and technical adjustments will of course will be made as any major policy like this goes through the normal process of review, but we will continue to maintain the high standards we have proceeded by so far.

THESE NUMBERS ARE CONSERVATIVE IN THAT THEY LEAVE OUT CATEGORIES OF PROBABLE SAVINGS: All of the savings we believe are achievable through competition, through cutting bureaucracy, through cracking down on fraud, and through a new stress on prevention -- are not counted in our tables as savings estimates. Despite the evidence of lower costs in parts of the country where these reforms have taken hold, despite the fact that virtually everyone agrees that there's enough waste and bureaucracy in the system to wring out several billion dollars by streamlining paperwork, we claim no savings from these initiatives so that the credibility of our numbers and the standards of our rock-solid process will be beyond reasonable dispute.

Health Security Plan

How We Pay For Health Security

Summary

To pay for health security for Americans, we're going to spend our health care dollars wisely and ask everyone to take some responsibility. The old way to finance this kind of program would have been to simply raise taxes. But the President rejected that route. He believes that we can spend our health care dollars smarter, eliminate waste and demand responsibility of every American.

Here how we'll pay for it:

The vast majority of the money comes from the same place it comes from today: employers and individuals. But under the health security plan, every employer and every individual will be asked to contribute to health care. Everyone takes responsibility, and everyone gets security.

To finance the rest of reform, we'll:

- Achieve new savings in Medicare and Medicaid and reinvest that money in new benefits.
- Recover the money that hospitals and doctors write off today when they give care to people who can't pay for it.
- Raise sin taxes.

Taken together, those sources can finance the health security plan. And we'll also go after two big sources of savings: the paperwork that has buried our system -- estimated to cost about \$100 billion each year (which we do not even count on to finance our plan) - and health care fraud, which cheats our nation of \$80 billion annually.

Approach

The Health Security plan is a uniquely American solution to an American challenge. We believe that it's time to stop raising taxes to pay for huge federal programs -- and start spending our money right and letting the market drive prices down.

Some people believe that we should have a government-run system financed by a massive tax increase. The President specifically rejected that route. He believes that we should not raise taxes on hard-working Americans when there is another, better path to pay for health care reform.

The new way builds upon our current private health care system. Most Americans today get their health care through employers -- and that will continue. But now every employer and individual will be asked to take responsibility. By spreading the responsibility and spending Federal health care dollars wisely, we can guarantee every American a comprehensive package of health benefits that can never be taken away.

Elements

- **Employer/employee responsibility.** The Health Security plan asks every employer and employee to take responsibility for health care. It replaces today's unfair system that raises prices for those who are responsible and cover their employees while giving others a free ride. [Note, that Nixon's health proposal included an employer mandate and was sponsored by Packwood.]

Take, for example, the garage owner who insures his employees and the car wash proprietor down the street who doesn't. When one of the workers at the car wash ends up in the emergency room without insurance -- and gets treated -- the garage owner and his employees take the hit. That's not right, and it's got to change.

We recognize, of course, that small businesses that currently offer no health coverage could have trouble making the adjustment if there was no measure designed to help them. That's why the Health Security plan offers them discounts and caps what they have to pay.

- **Federal program savings.** The Health Security plan tries to slow the unrestrained growth of Medicare and Medicaid and reinvest the savings in new benefits: prescription drugs and long term care. Even with the savings in the plan, Medicare and Medicaid will rise at twice the rate of inflation. [Only those people earning \$100,000 or more will pay higher premiums.]

- **"Uncompensated care."** Providing health security for every American will eliminate what the experts call "uncompensated care." In everyday life, it's what happens when someone who can't pay for health care or lacks insurance walks into an emergency room and is treated. The hospitals and doctors eat the cost, and pass it on to insured patients -- one of the reasons you might pay \$26 for an aspirin in the hospital. The Federal government picks up its share, too. By guaranteeing comprehensive benefits that can never be taken away, the Health Security plan lets us all benefit from the money that we'll recover.

- **New revenues.** New revenues will be raised through so-called sin taxes, which require people whose health costs are higher than the rest of us to pay more for products that are health hazards. It's also possible that we'll ask the biggest corporations to pitch in a little extra to help fund the research centers and academic hospitals that support all of us.

- **Other savings.** Administrative costs and excessive paperwork drive doctors and nurses crazy -- and help drive the costs of health care through the roof. Some estimate that just managing the paper and records and billings for health care costs Americans \$100 billion every year. The Health Security plan streamlines and modernizes the way health care services are paid for -- and should yield significant savings.

The Health Security plan will crack down on the explosion in health care fraud, which is cheating American taxpayers out of \$80 billion a year. The plan imposes stiff, new penalties on those who game the system. Getting tough will yield new savings that can be reinvested in what Americans deserve: high quality care. And, we don't even count on these savings to pay for the Health Security plan.

SAVINGS

Highlights:

We know this can work. There's no reason why our international competitors spend so much less than we do on health care - - yet they insure all of their people and they provide richer benefits. There's evidence out there in places that have gone to competition, that providers can and will cut their costs substantially and quickly.

California hospitals have kept their growth rates well below the national average - - 9% versus 30% over 1983-1990.

The State of Minnesota has kept its annual rates of increase 2% below statewide trends for the last two years - - primarily as individuals have chosen lower-cost plans.

Germany and Japan have been able to keep the growth in their health care costs down to GDP while ours have been growing at 9% and 10%.

The Mayo Clinic has kept its growth down to 3.9%.

Health care spending can be reined in to meet the budget caps through cutting out the waste in the current system - - streamlining administrative overhead and increasing the productivity of doctors, nurses and other health care workers.

The major cost containment mechanisms under reform come from increased efficiencies through competition. Budgeting the rate of growth in the health care premium acts as a backstop to the competition - - a commitment to downward pressure on costs that can further bolster competitive savings.

Washington State and Minnesota have recently passed health reform legislation that combine principles of managed competition with strict cost containment measures. In Minnesota, the rate of growth in health care spending must decline by at least ten percent a year for five years, beginning in 1993.

Giving incentives to providers to deliver more cost-effective care and reducing administrative costs can free up dollars to both insure all Americans and make their health care more affordable.

The reform proposal first takes cost out of the system by:

- **Changing the incentives in the insurance market to compete on**

quality and efficiency rather than avoiding high-cost patients

- **Prepaying health plans, changing the incentive from "doing more" to "doing it better"**

Under today's system, doctors get paid for each test and procedure they perform. That means, the more they do, the more they get paid. Under reform, health plans work under a fixed prepayment - - a budget that provides discipline - - changing the incentive from doing more to competing on quality and efficiency.

In Northern California, Kaiser Permanente members have 25% fewer hospital days per capita than other residents.

- **Reducing variation in practice patterns within and between communities through research and better information exchange**

Boston residents get twice as much care (costing \$300 million more annually) than residents in New Haven, Connecticut. The difference in spending is not due to a difference in the quality of care patients receive.

Open-heart surgery that costs \$21,000 in one Pennsylvania hospital costs as much as \$84,000 in another hospital in the same state. And, the lower-cost hospital had better outcomes.

- **Streamlining administration**

Under today's system, as much as 30-40% of the premiums paid by small firms support the overhead of brokers, insurance agents and underwriters. Large firms pay significantly less for administration - - closer to 5-7% of premiums. Under reform, firms with 5,000 or fewer employees join health alliance where administrative and purchasing functions are consolidated. Economies of scale result in a lower administrative burden for the system as a whole.

A growing share of the health care dollar pays for processing paper and complying with regulations. For every one doctor hired at a hospital, there are four administrators. Under reform, a single claims form replaces the hundreds of different forms. A standardized benefits package, and standardized reimbursement rules, procedures and regulations scale back administrative overhead.

- **Making consumers cost conscious**

Under today's system, consumers often do not know how much health care costs. Employers pay their premiums; insurers pay the tab. Under

reform, consumers, not their employers, decide among health plans based on price and quality. Choosing higher-cost plans means consumers have to pay more out-of-pocket. Choosing lower-cost plans drives providers to find ways to become more efficient.

In 1988, the state of Minnesota changed its contribution from 100% of the state fee-for-service plan to 100% of the low-cost plan serving a given county. Due in large part to consumer switching, annual rates of increase have been at least 2% below statewide trends for the last two years. Estimated system savings are \$23 million over the last three years, and \$12 million in 1993 alone.

- **Strengthening consumer bargaining leverage**

The Health Insurance Plan of California (HIPC) received bids that were as much as 55% lower than the same plan offered by the FEHBP.

In Orlando, the 78-member Central Florida Health Care Coalition succeeded in negotiating better prices with regional hospitals that enabled the Orange County School Board to keep 20 teaching jobs it had planned to cut. The coalition persuaded hospitals to analyze why costs and quality of care differed for patients with the same illnesses. With this information, costs per hospital discharge fell 2%.

An Enforceable Budget - the Back-up Engine for Cost Control

While there is ample evidence that lower cost growth will be driven by competition and increased efficiency, the health security proposal builds in a back-up measure to cost control: an enforceable budget.

The budget is met through capping the growth in premiums individuals and businesses pay for the comprehensive benefits package, similar to the caps proposed by Kassebaum, Danforth and enacted in the State of Washington.

JOBS AND HEALTH CARE

Comprehensive health care reform is a necessary element in a comprehensive economic growth strategy to bring down long-term economic growth, reduce the deficit, and create jobs. Today, the rising cost of health care is a hidden tax on employers -- hurting businesses, depressing wages, limiting job creation and threatening our competitiveness. The bottom line is this: most businesses provide health care to their workers, and health care reform will lower their health care costs -- allowing them to create jobs and increase wages.

While no one may be able to give you a precise estimate of the overall job impact, there is no question that for small businesses to manufacturers like Chrysler and US Steel, costs will be controlled and money will be freed up for job creation. The Wall Street Journal said that "for many small businesses, saddled with escalating health care costs, President Clinton's health care package comes as an unexpected windfall." Studies show that the fastest growing small businesses are the ones that provide health insurance. In addition, there will be jobs created in the health care industry, particularly for nurses and home health workers who will be providing more care.

1. HEALTH CARE IS ONE ELEMENT IN A COMPREHENSIVE ECONOMIC GROWTH AND JOBS PLAN:

Health care reform is one element in a comprehensive economic growth plan to lower the deficit, lower interest rates, and create jobs. The current system is hurting job creation, because rising health care costs have served as a hidden tax on employers leading to less job creation and less wage increases. Does anyone dispute that we would have better job growth in our country if we kept costs at the level that our competitors do?

2. NEGATIVE JOB STUDIES HAVE BEEN BOGUS. THEY FAIL TO ANALYSE THE SUBSIDIES AND OTHER DETAILS OF CLINTON PLAN:

The current studies put out by the NFIB are bogus studies that do not consider the discounts provided to low-wage small businesses nor the positive effects that lowering health care costs will have on businesses that currently provide insurance.

3. THE CLINTON PLAN WILL LOWER COSTS FOR MANY BUSINESSES, LEADING TO HIGHER WAGES AND MORE NEW HIRES.

Most businesses provide health care, and we are going to lower their costs, which will make it easier for them to hire future workers and give wage increases to their existing workers.

4. SMALL BUSINESSES WHO PROVIDE COVERAGE WILL HAVE LOWER

NOTES ON JOBS AND HEALTH CARE

Page 2

COSTS:

Most small businesses provide health care to their workers -- paying high administrative costs and bear tremendous risk if even a single worker in their business gets sick. Small businesses pay as much as 35% more than big businesses. And it is uncontroversial that our plan will lower health care costs for these small businesses, giving these firms more money to hire more workers and pay their existing workers higher wages. So this will be a job creator for small businesses that do provide health insurance.

Listen to the lead of the Wall Street Journal on Monday. "For many small businesses, saddled with escalating health care costs, President Clinton's health care package comes as an unexpected windfall." [*Small Business See Burden Getting Lighter*," Wall Street Journal, 9/13/93]

5. ***WILL HELP THE FASTEST GROWING SMALL BUSINESSES:*** Studies show that the fastest growing small businesses are the ones that offer health care insurance to their workers. These firms will see their costs go down under the Clinton plan. So health reform will help those firms that are creating the most jobs and growing the fastest.
6. ***MANUFACTURING JOBS WILL BENEFIT:*** Manufacturers -- the employers that pays the highest wages to average people -- have been forced to lay off workers and that our health care reform will have a dramatic effect on lowering the costs of manufacturers and making it easier for them to compete and create new jobs. Currently, American automakers pay \$1100 more per car than their competitors in Japan. Making this part of our economy stronger is especially important because it creates more exports, which is key to greater job creation.
7. ***INCREASED HEALTH CARE JOBS:*** There will be job creation in for health care workers that serve people -- instead of pushing paper. Joshua Weiner, a health economist at the Brookings Institution, predicts that the Health Security Act will create 750,000 home health care jobs, and that overall the plan will be a job creator. (Reuters, "Health Care Reform Impact on Jobs," 9/16/93)

NOTES ON JOBS AND HEALTH CARE

Page 3

8. ***HAWAII – LOOK AT THE EVIDENCE:***

Since Hawaii asked all employers to provide insurance for their employees in 1974, the unemployment rate has dropped to one of the lowest in the nation (2.8% in 1991), and small business creation rates have remained high (the number of employers grew almost 200% from 1970 to 1991). In addition, only 2% of Hawaii's "rainy day" fund -- set up to assist the smallest businesses -- has been used. [The Hawaii Department of Health, June 8, 1993]

9. ***NO MORE JOB LOCK OR MEDICAID LOCK:***

People who are in jobs they want to leave but can't for fear of losing their benefits will be freed to switch jobs or start a small business, meaning more jobs and greater productivity. And tens of thousands of people on welfare will no longer have the disincentive of Medicaid benefits without the guarantee of future benefits to keep them from taking a job.

10. ***MINIMUM WAGE - LOOK AT THE EVIDENCE:***

Because we limit the amount that any small business employer would have to pay, health care reform is the equivalent to a modest increase in the minimum wage for those firms that currently do not provide health insurance. Yet, studies by economists at Harvard and Princeton show that increases in the minimum wage do not hurt job growth, and that in fact, it can make it easier to hire people. These were not abstract studies: these were real world studies of real small businesses and restaurants in Pennsylvania, Texas and New Jersey. Real studies that would again support that health care will certainly not cost jobs, and will create many new jobs in manufacturing and growing small businesses.

Health Security Plan

"If you like your insurance today..."

Summary

People who like their health insurance today have a lot to gain from the health security plan. First -- and most important -- they'll get something that no amount of money can buy in today's insurance market: security. Lose your job? You're covered. Want to change jobs? You're covered. Your child gets sick? You're covered. You just can't guarantee that today.

People who like their health insurance today will also get increased choices, the chance to stop trading wage increases for the same health benefits, and preventive care benefits that will keep them healthy. Even those Americans who are satisfied with what they've got now have plenty to gain. And they'll probably pay less for better care.

Today

Millions of Americans have worked hard to get the solid health benefits that they enjoy today. Almost all of us have been forced to trade increases in our wages in order to maintain the same health benefits we had the year before. Or worse. And millions are locked into their jobs; they want to find better jobs but can't leave because they fear losing health insurance and not being able to get a new policy.

Even those with excellent health insurance packages live in constant fear of losing that protection. Insurance companies hold all the cards: they can drop you for almost any reason. If you move, change jobs, or get sick, your insurance can disappear over night and, if someone gets seriously ill, bankrupt your family.

Health Security

The Health Security plan gives every American -- even those who like their health insurance today -- something no amount of money can buy today: guaranteed security. All Americans will receive a Health Security Card that guarantees a comprehensive package of benefits that can never be taken away. No ifs, ands, buts or fine print. No longer will American families be asked to make significant decisions -- about where to live, work or how to care for a sick relative -- based on discriminatory insurance rules.

The plan also:

- **Protects you if you lose your job.** Let's say your company offers you a Cadillac health plan today. That's great. But what happens if the company has to cut back and you lose your job? You lose that Cadillac plan and end up naked in the middle of the road.

- **Increases your choices.** Today only one of every three companies that employ fewer than 500 people offers employees a choice of plan. And rising health care costs and the bottom line are putting choice out of the reach of more people everyday. The Health Security plan guarantees you a choice of at least three plans in every area: a traditional fee-for-service plan like many people have today, a network of doctors and hospitals, and an HMO-type plan. You -- not your boss or a benefits manager -- choose from whom and how you'll get care.
- **Helps restore lost wage increases.** The Health Security plan will give millions of American workers their first real chance for wage increases in years. For two decades rising health care costs have robbed American workers of wage increases they need and deserve. If we do nothing, health costs for an insured worker will rise from 1 in 5 to 1 in 4 dollars in just seven years. By giving business the bargaining power it needs to get affordable health care and helping provide for retirees -- whose health costs are killing some big manufacturers -- the Health Security plan helps workers.
- **Guarantees preventive care.** By providing a full range of free preventive care benefits, the Health Security plan offers all but a few Americans something new: care to keep them healthy, rather than coverage for after they get sick. Preventive care benefits include such things as physicals, immunizations, mammograms and Pap smears.

SCENARIOS

Summary

Listen, nobody can tell you exactly what you'll pay for health care when the program takes effect. Obviously, it will vary depending on where you live and which plan you choose.

Individuals: As a rule, most individuals and families -- in which at least one person works -- will pay a maximum of 20% of the average health plan premium in their area. Those who choose a lower cost plan -- from among the range of plans offered -- will pay a little less than the 20%. Those who choose a more expensive plan will pay a little more, as they do today. On average, nobody will more than ___% of their income. For example, a family of four that earns \$40,000 will pay an average of \$75 a month for their health premium.

The individual/family contribution is based on the actuarial value of the premium -- not on income level. [There are discounts, of course, for low wage or unemployed individuals/families.] So, an individual earning \$30,000 per year will pay the same premium as an individual earning \$300,000 per year.

Summary: *About two thirds of people will pay the same or less under reform. Of the other third, most will pay more for better benefits and a relatively small percentage -- mostly young, single and healthy -- will pay more for similar benefits.*

67% pay same or less for more

- Most people getting insurance today -- including employees of small and large firms -- will pay less for their benefits.

20% pay more for better benefits

- This includes people who have no insurance today as well as those who currently have bare-bones or catastrophic coverage.

13% pay more for the similar benefits

- The vast majority of this group are young, single, healthy individuals who today are "experience-rated" and will be "community-rated" under reform. A very small percentage are people -- of all ages and health status -- who belong to large pools of relatively healthy people..

Worksheet for Individuals

I. Average Premiums [preliminary estimate; not accounting for state differences]

Two parent family with children	\$4,500
Single Parent Family with Children	\$3,900
Married Couple, no children	\$4,000
Individual	\$2,000

Low Wage: If you earn less than 150% of poverty, you will be eligible for a discount on your 20% share of the premium. If you don't work and have income less than 250% of poverty, you are eligible for a discount on the 80% (employer share) of your premium.

II. Out-of-pocket costs

It is difficult to estimate exactly how much any individual or family will pay in out-of-pocket costs because people's health care needs vary widely.

- Annual Out-of-Pocket Limits:
Nobody will pay more than \$1,500 dollars in out-of-pocket costs per year and no family will pay more than \$3,000.
- Deductibles:
[The amount you pay out-of-pocket until your insurance kicks in]
Some plans -- such as HMO's and certain arrangements within networks -- will have no deductible. Fee-for-service plans and looser network arrangements will have a \$200 deductible for individuals and a \$400 deductible for families.
- Co-payments:
[What the patient pays for each medical service received]
Some plans -- such as HMO's -- will have a small (\$10) co-payment per doctor visit. Others -- such as fee for service plans -
- will have a 20% co-payment, up to the annual limit of \$1,500 per individual and \$3,000 per family.
- Lifetime Limits:
There will be **no lifetime limit** on your insurance. Today, 60% of the plans have a limit on the total amount their insurance will cover. Many plans impose arbitrary limits on certain treatments and services, like mental health.

III. Scenarios

	<i>TODAY</i> (Average Monthly Payment)	<i>REFORM</i> (Average Monthly Payment)	<i>Monthly Difference</i>
Two Parent Family Two children Two incomes: \$55,000	\$90	\$75	\$15 (-17%)
Two Parent Family Two children One self employed: \$40,000	\$90 with 25% deductibility	\$75 with 100% deductibility	\$15 (-17%) not including tax savings
Two Parent Family Three children Two incomes: \$80,000	\$90	\$75	\$15 (-17%)
Married Couple No children Income: \$100,000	\$79	\$67	\$12 (-15%)
Single Parent Three children Income: \$20,000	\$77	\$65	\$12 (-16%)
Single Person Income: \$25,000	\$28	\$33	-\$5 (+18%)
Uninsured Family One Income: \$25,000	\$0	\$75	\$75 --
Unemployed Family No income	\$0	\$0	--

IV. Companies

Employers will never pay more than 7.9% of their average worker wages [*sounds better than "percent of payroll"*] or 80% of the average weighted premium per worker -- whichever is less.

Companies with less than 50 employees -- with average worker wages lower than \$24,000 -- are eligible for discounts on their share of the premium. This can be as low as 3.5 % of their average worker wages (i.e., for a minimum wage firm).

PAYMENT SCENARIOS

As a rule, most individuals and families in which at least one person works will pay a maximum of 20% of the average health plan premium in their area. Those who choose a lower cost plan -- from among those offered in the area -- will pay a little less than the 20% average. Those who choose a more expensive plan will pay a little more, as they do today. Employers who currently pay 100% of health benefits may continue to do so.

- **Two parent family with children:** Two parent families with children -- whether one or both parents work -- pay a maximum of 20% of the family premium offered by the average plan in their area. If both parents work, they choose how to pay their family's share. They can have the share deducted monthly out of either paycheck or write a check to the local alliance.
- **Couple:** Working married couples -- whether one or both spouses work -- pay a maximum of 20 percent of the average plan premium. They can have the share deducted monthly from either paycheck or write a check to the local alliance.
- **Single-parent family:** Working single parents with children pay a maximum of 20 % of the average plan premium for a single parent policy.
- **Individual:** Working single people pay a maximum of 20% of the average premium for an individual policy in their area.
- **Part-time worker, with no unearned income:** Part-time workers pay a maximum of 20% of the average plan premium for their policy type in their area.

EXCEPTIONS

Exceptions are provided for: (1) the self-employed and independent contractors; (2) part-time workers who have unearned income; (3) families with incomes below 150% of the poverty level; and (4) seasonal workers.

1. **Self-employed/independent contractors:** The self-employed and individual contractors can deduct from their taxes 100% of their health care costs. As with any small business, they pay the employer share. They also pay an individual share. If a firm earns less than \$24,000 a year, it is eligible for subsidies.

2. **Part-time workers with unearned income:** Part-time workers with unearned income pay a maximum of 20% of the average plan premium for their policy type -- individual, couple, two parent, or single parent family. The number of hours someone works determines how much of the premium is paid by the employer and how much by the individual. For example, an employer would pay 40% of the premium for someone who works half-time. Payment of the remaining 40% of the premium depends on how much a person makes in unearned income, with subsidies provided on a sliding scale for those whose incomes are below 250% of the poverty level.
3. **Families with incomes below 150% of the poverty level:** Families at this level are eligible for discounted premiums and pay a maximum of 20% of the employee's share of the average plan premium. This applies to individuals making \$10,455 annually; couples with incomes of \$14,145; families of three earning \$17,835; and families of four with incomes of \$21,525.
4. **Seasonal workers:** Seasonal workers pay a maximum of 20% of the average plan premium in the area where they reside.. Those whose incomes are 150% of the poverty level or below are eligible for discounted premiums. If they have unearned income and are not working, seasonal workers are treated the same as part-time workers.

Unemployed and non-working: Unemployed individuals and heads of household who make less than 150% of the poverty level are eligible for individual subsidies on a sliding scale. Those with unearned income pay all or part of what would normally be the employer's share of the premium. Those whose incomes are 250% of the poverty level or less -- pensioners, for example -- are eligible for discounts on what would be the employer's share. They are not eligible for individual subsidies, and pay the normal individual share of the health premium.

PAYMENT SCENARIOS - INDIVIDUALS AND FAMILIES

TWO WORKER FOUR PERSON FAMILY

- Today* Debbie Brown is a special events coordinator who lives in San Diego, California with her husband, a real estate developer, and their two children. Their combined income is slightly over \$75,000 a year. Their share of their current premium is \$2,940.
- Reform* The Browns may choose to enroll in any plan offered in their alliance area and will pay the difference between what the premium costs and the 80% share contributed by employers in the alliance. For example, plans are offered in the alliance area which cost \$4,300 a year, \$4,500 a year and \$4,700 a year. Since 80% of the average premium is \$3,600, the Browns may pay either \$700, \$900 or \$1,100, depending on the plan in which they choose to enroll. Even if they choose the highest priced plan, they will spend \$1,840 less than they do now. The Health Security Plan guarantees that there will always be a health plan available to families like the Browns for no more than 20% of the average annual premium.

SINGLE WORKER 4 PERSON FAMILY

- Today* Debbie and her husband decide that she should stay home with the children. Because she is no longer working, their combined annual income decreases to \$39,000.
- Reform* Since the family premium rate is based on the average number of workers per family in the alliance, the contribution made by Mr. Brown's employer and the expenditures made by the Brown's themselves will not change despite their decision.

PART-TIME WORKER WITH PENSION

- Today* Marjorie Smith is a 53 year old widow living in Tampa, Florida. Immediately after her 48 year old husband died, she retained coverage under her husband's group health insurance policy through COBRA. When her COBRA policy ended, she was forced to convert her policy to an individual policy. She works 15 hours a week at the library and earns \$7,500 a year. She receives \$12,500 a year from her husband's pension. She has a pre-existing heart condition and

pays \$6,000 a year in health insurance premiums

Reform

Because Marjorie works 15 hours a week (considered half-time), her employer is responsible for contributing half of the employer's share. She is responsible for paying the other half of the employer share out of her non-wage (pension) income only. Since her non-wage income is less than 250% of poverty, she is eligible for a government subsidy towards this share of the premium.

Assuming that the average annual individual premium in the alliance area is \$2,000, the library will be responsible for \$800. Marjorie will be responsible for the remainder, although she will be subsidized by the government.

Marjorie also must pay the difference between the 80% share and the premium price of the plan in which she chooses to enroll. Because her combined income is greater than 150% of poverty, she is not eligible for a subsidy. If she chooses to enroll in a plan with the alliance average premium, she will pay \$400 per year.

Even if Marjorie were not to receive a government subsidy for her part of the employer's share, she would be paying \$1,200 a year - substantially less than the \$6,000 she is currently paying.

YOUNG SINGLE WORKER

Today

Bobby Jones is a 22 year old college graduate. He works for a small record store in Washington, DC where he earns \$18,000 a year. The record store does not provide health insurance for its employees. Bobby is young and healthy and has decided not to spend the money to get health insurance.

Reform

Bobby and his employer will be required to contribute toward Bobby's health insurance. Because Bobby works full-time, the record store will be responsible for paying towards his health insurance premiums. As a small business, they may be eligible for government subsidies.

Bobby will be responsible for paying the difference between the 80% employer share and the premium price for the health plan in which he chooses to enroll. He will not be eligible for a government subsidy, however, because his income exceeds 150% of poverty. If the average plan costs \$2,000 a year and Bobby enrolls in it, comprehensive health benefits will cost him \$400 per year.

HIGH INCOME TWO-PERSON FAMILY

Today Fred and Martha Sampson live in Chicago, Illinois. Fred earns \$100,000 a year as a journalist, Martha earns \$150,000 as a lawyer. They are healthy and have no children. Fred's employer currently pays 100% of their high-option premium in Blue Cross. Fred and Martha pay nothing for their health insurance.

Reform Both employers contribute to a couples policy. Fred's employer can decide to continue to pay 100% of the premium on his behalf, as well as provide a supplemental policy to cover additional benefits offered under the current policy. Martha's employer must begin to pay the contribution determined by the alliance for a couples policy. Her employer may also choose to cover her individual share, allowing the Sampson's to select a plan from the Chicago alliance without any cost to themselves.

If the average premiums for couples is \$4,000 -- even if their employers decide not to cover Fred and Martha's shares -- they can enroll in an average cost plan for \$800 a year.

LOW-INCOME SINGLE PARENT FAMILY

Today Rosa Fernandez is a 25 year old divorced mother of 3 in Secaucus, New Jersey. She earns \$18,000 a year working full-time as a secretary. Her employer does not currently provide health insurance. Her ex-husband works as a carpenter and has an annual income of \$22,000. He belongs to a union which provides health insurance to its members at an annual cost to members of \$1,200. He does not currently purchase health insurance. He provides annual child support payments of \$6,000 to Rosa.

Reform Rosa and her children will finally have health insurance. Because Rosa is a full-time worker, her employer pays the family premium contribution determined by the alliance. With an income less than 150% of the poverty line for a family of four (\$21,525), Rosa is eligible for a subsidy from the government. After contributions from her employer and the government, Rosa pays only the remainder of the cost the plan she selects from the northern New Jersey alliance.

For example, plans are offered in the alliance area which cost \$3,700 a year, \$3,900 a year and \$4,100 a year. Eighty percent of the average premium is \$3,120. Rosa receives a subsidy from the government for the difference between her employers contribution and the cost of the lowest cost plan or

\$680. Rosa can select the lowest cost plan and receive comprehensive coverage for her family at no cost to her or she can enroll in the other plans by paying \$200 or \$400, a year depending on which plan she chooses.

SELF-EMPLOYED SINGLE PARENT FAMILY

Today Ralph Cooper, a divorced father of two, is a free-lance artist in Ft. Worth, Texas. He works out of his home and earns \$24,000. He currently purchases a family policy. Under current law, only 25% of the cost of that policy is tax deductible.

Reform Ralph will be able to deduct the entire cost of his health insurance policy. As a self employed person, he must contribute both the employer share and the employee share of a single parent with children policy, estimated to cost \$3,900 on average. Self-employed people are eligible for the same caps as small businesses for the employer share of premium. Eighty percent of the premium would be \$3,120. With an income of \$24,000, Ralph is eligible for a discount. His employer share is capped at 6.5% of his income or \$1,560 saving him \$1,560. He owes the difference between the full 80% share and the cost of the policy he selects. For the average cost plan that would his family share would be \$780 a year, making his total cost \$2,340 a year.

TWO EARNER FAMILY (WITH SELF-EMPLOYED WORKER)

Today Ralph Cooper marries Kathryn White, an executive with Hewlett Packard, who earns \$75,000 a year. They receive family coverage through the HP plan.

Reform Hewlett Packard may choose to operate as a corporate alliance. If they do, Ralph and Kathryn can choose one of the plans offered through the Hewlett Packard corporate alliance or any of the plans in their local regional alliance selecting the plan which best meets their families needs from either alliance.

If Ralph and Kathryn choose a corporate-sponsored plan then HP pays 80% of the average contribution for their type of policy in their corporate alliance. Ralph pays a capped premium to the regional alliance as he did previously now based on the cost of a two parent family policy. They also pay the balance of the cost of the policy of their choice.

If they choose a regional alliance plan, Ralph pays the same capped premium contribution for a family policy with assistance from the government. Hewlett Packard pays 80% of the cost a family premium in the regional alliance. Ralph and Kathryn pay the difference between 80 percent of the cost of the average family premium and the cost of the plan they choose.

MEDICARE

SCORABLE AND SPECIFIC: The \$124 billion in savings from reducing the growth of Medicare mentioned in the current draft, are based on specific, scorable policy proposals. They are not based on any vague caps or assumptions that could be subject to dispute.

REDIRECTING MEDICARE SPENDING TO INCREASE BENEFITS: This proposal does not involve cutting Medicare-- it involves spending Medicare money differently, by reducing the growth in payments to providers and increasing benefits for older Americans. The savings in Medicare will be rechanneled so that benefits for seniors will increase through expanded coverage for prescription drugs, and through a new home- and community- based long-term care program. Seniors making over \$100,000 may pay higher Part B premiums, but because the lion's share of savings come from lowering the growth in some provider payments, the new benefits offered to seniors will dwarf any reductions in the growth of benefits needed to get the \$124 billion in savings. And what most older Americans pay -- their share of the cost of health premiums -- will actually decline as growth in the cost of Medicare comes under control, reducing annual cost increases not only for Medicare but also for Medigap policies.

REASONABLE LEVEL OF SAVINGS: The level of savings are reasonable and comparable to the savings called for in other major health reform alternatives as well as the most serious entitlement caps called for during the budget process. The \$124 billion in Medicare savings is an amount comparable to the health reform alternative offered by the Senate Republicans, which propose about \$100 billion in savings, and less than the savings called for by the more liberal single-payer proposals, which save more like \$150 billion from Medicare, and by less than the amount the Republican budget alternative would have likely achieved as scored by Congressional Budget Office.

THE SAVINGS ARE POLITICALLY ACHIEVABLE: The political viability of these savings have been questioned because of the controversy that normally is associated with Medicare savings. Yet, this is a different ball game. As mentioned above, this is not about reduction benefits for Medicare or shifting costs to the private sector, this is about redirecting savings to new and expanded benefits for the population these programs serve: the older Americans. As Majority Leader Mitchell has stated, if you take \$8 out of a persons pocket, and put back \$10, most people will think they are better off. And because it is done within the context of comprehensive health care reform, it will not shift costs to the private sector and will be part of a plan, that will increase health benefits to older Americans.

CONSISTENT WITH PAST POSITIONS: During the budget process, President Clinton stressed the need to stop the spiraling rise of health care costs, but stressed that it had to be within the context of health care reform so that reductions did not lead to hidden tax on premiums by shifting costs to the private sector or lead to reduction in benefits to middle class Americans. These reduction in the growth of Medicare will increase benefits and not shift costs due to the new health care reform and back-up control mechanisms.

QUESTIONS AND ANSWERS

Bureaucracy
Controlling Costs/Providing Quality Care
Doctor Choice
Rationing
Abortion
Rural
Veterans
Alliances

Q: Isn't this just creating more government bureaucracy and regulation?

A: No, it's today's system that's weighed down by bureaucracy and regulation. When the President and Vice-President visited a hospital here in Washington, they saw piles of forms that are eating up doctors' and nurses' time -- time that could be better spent with patients. In hospitals today, the number of administrators is increasing four times faster than the number of doctors.

The President specifically rejected a government-run system, opting instead for a system based on what we have today. His reform proposal will free doctors from the avalanche of paperwork, and streamline the system. It will create a single claims form, and it will reduce regulation of doctors and hospitals to cut the unnecessary paperwork for doctors and patients.

Q: What makes you think you can control costs and still provide quality care?

A: There's a lot of waste in today's system. There's no doubt we can do better. Look at Germany, for example. In 1990, the United States spent 99 percent more per capita on health than Germany. Germany spent just 8.1% of GDP on health care, while the United States spent 12.4%. But Germany has a lower infant mortality rate and slightly longer life expectancies for both males and females than the United States. So we're not getting good value for our health care dollar.

Q: Are people going to have the right to choose their doctor?

A: Yes. **You will be able to choose your doctor.** Everyone will have a choice of health plans. You'll be able to follow your doctors and nurses into a traditional fee-for-service plan, join a network of doctors and hospitals, or join an HMO. Your employer or insurance company won't decide how or where or from whom you get your care -- you will.

Q: When you force everyone into HMOs as a part of your plan, aren't you going to be "rationing" care?

A: First of all, let me emphasize that we are going to preserve and expand choice in the

health care system. Everyone will be able to choose their doctor. No one will be forced into anything -- there will be a traditional fee-for-service option in every region of the country. As today, it is likely to be a little more expensive than some other plans. But everyone will be able to choose from a variety of health plans -- which is something that most people can't do today. Today, only 1 in 3 companies with fewer than 500 employees offer any choice of plan. So we will see increased choice.

And we're going to maintain the finest quality of care in the world. We're going to guarantee everyone comprehensive benefits, including preventive care, so that we keep people healthy instead of waiting until they get sick. When opponents of the plan talk about "rationing," they're just trying to scare the American people.

Q: Does the plan cover abortion?

A: The comprehensive insurance package covers pregnancy-related services. Though abortion, like other types of surgery, is not specifically mentioned, most plans will cover it -- as they do now. Plans will cover abortions, as all procedures, when a doctor believes it is appropriate or necessary. Abortion coverage is not mandated, and a conscience clause allows doctors and health institutions, like a Catholic hospital, to exclude abortion coverage for moral or religious reasons.

What is new in this health plan is coverage for preventive care, including family planning, which should reduce the number of abortions which is our common goal.

Q: How are you going to help people in rural areas get care?

A: Right now, two-thirds of rural counties do not have enough doctors. It's no wonder. Rural doctors provide more charity care than any doctors in the country, and they often get paid late. In many cases, rural doctors can't even take a day off because there isn't another doctor for miles around.

The plan will include incentives for doctors to practice in rural areas. Specifically, it will expand the National Health Service Corps and their loan repayment program, increase incentives for medical schools to train more primary care doctors, and give states flexibility to develop programs that are more responsive to rural needs.

The plan will also help break the isolation of rural doctors by encouraging networks with regional medical centers, hospitals and other doctors. By sharing skills through technologies like interactive video, it will give rural residents access to the kind of care once available only at major medical centers. And it will use nurse practitioners and other health professionals to increase the availability of care.

In addition, the Clinton plan will give rural residents the bargaining power they need to get affordable coverage and access to high-quality care.

Q: What's going to happen to the Veterans' health system?

A: The VA health system will remain intact. And veterans will receive all the benefits they do today. The VA health system will also be able to organize their hospitals and clinics into health plans that will compete with other plans to enroll veterans.

Q: Don't the boards of the health alliances offer plenty of opportunities for political corruption?

A: No. First of all, the plan has very strict rules preventing anyone associated with the health care industry from serving on the board of an alliance. Only representatives of the employers and consumers who receive coverage through the alliance can serve on the board. The board and the alliance will be held accountable, with all its workings in full, public view. If any problems were to develop, there would be a powerful constituency -- everyone who gets health care in that region -- with an interest in solving the problem immediately.

The alliance's responsibilities are limited. It acts as a purchasing agent -- and makes sure health plans meet certain standards. It cannot reject any health plan which meets the standards specified in the law; it must accept all qualified plans.

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ago founded a Houston-based citizens' action group called Justice for All: "People used to know one crime victim. Now they know five—or they are one themselves." According to the National Victim Center, victim-advocacy groups have multiplied nearly eightfold since 1985.

The past two weeks, in fact, provided a frightening new list of victims who found themselves suddenly vulnerable in places they thought they would be safe—a burger joint, a mall, the courtroom, a car. Here is a brief catalog of unexpected mortality:

A CAUSE CELEBRE No one knew who "John Doe" was when they fished him from South Carolina's Gum Swamp Creek on Aug. 3. He had a bullet wound in his chest and no identification. Only two days later, after a car was found about 60 miles away, did clues and apprehensions start coming together. Last Friday, Chicago Bulls fans and friends went numb when they learned that John Doe was James Jordan, 57, the father of megastar Michael Jordan.

The senior Jordan disappeared after attending the North Carolina funeral of a friend on July 22. At the time, his family thought little of it: the elder Jordan often took off for days at a time without warning. Alarms began to sound on Aug. 5 when sheriffs in Cumberland County, North Carolina, found his car on a wooded back road. The red 1993 Lexus had been stripped of its tires, stereo system and vanity license plates. Though the windows were smashed, there was no evi-

Do you worry about being a victim of crime?

	City	Suburb	Rural
YES	59%	57%	43%
NO	39%	43%	54%

Has the amount of crime in your community increased in the past five years?

Increased	61%
Decreased	5%
Remained the same	30%

How much will increasing the number of police reduce crime?

Great deal/fair amount	80%
Little or not at all	18%

From a telephone poll of 500 adult Americans taken for TIME/OWN on Aug. 12 by Yankelovich Partners Inc. Sampling error is ± 4.5%.

Do you favor the death penalty?

YES	77%
NO	17%

Should there be a five-day waiting period before anyone can buy a gun?

YES	92%
NO	8%

Are stricter gun-control laws a necessary part of any anticrime bill?

YES	65%
NO	28%

Would you favor building more prisons, even if your taxes would be raised?

YES	60%
NO	35%

bling allegations that have dogged the superstar? James Jordan was an infectious affectionate man, known as Pops not only to his famous son but to friends as well. The most chilling possibility is that his death was just the result of another carjacking—and that this could have been anyone's dad.

MC DONALD'S MASSACRE Kirk Hauptmann, 18, had just bitten into his cheeseburger last Tuesday in the no-smoking section of the McDonald's in Kenosha, Wisconsin, when he noticed Dion Terres, 25. "I looked up and said, 'Oh, he's got a gun,' but I thought it wasn't real," says Hauptmann. Moments later, Terres yelled, "Everybody out of here!" and began shooting a .44-cal. Magnum pistol. As 10 panicked patrons dove for the exit door, Terres unloaded four shots. Two middle-aged customers were killed, and Hauptmann was shot in the right forearm. Terres turned the fourth bullet on himself, splattering his brain on the walls and ceiling.

Later police found a 40-minute tape in Terres' apartment.

The rambling message pointed to several possible motives. Terres spoke of being under psychiatric care a few years ago and admitted to fantasizing about killing people for more than a year. The tape made reference to several notorious mass murderers, including Jeffrey Dahmer and Ted Bundy. It also referred to a 1984 bloodbath at a McDonald's in San Ysidro, California—and police speculated that Terres' rampage might have been a copycat mas-

dence of foul play: no blood, no bullet holes, no ransom note. Then Cumberland County authorities learned of the John Doe corpse in a neighboring state.

Dental records confirmed the Jordan family's dread. Last week the FBI opened a kidnapping investigation, and a 16-year-old boy was arrested by sheriffs' deputies in connection with the stripped car. But as yet, the murder remains a mystery. What was the motive? Is there a link to the gam-



DANGER IN THE SAFETY ZONE

As violence spreads into small towns, many Americans barricade themselves

By JILL SMOLOWE

"PAGING DR. STRONG. PAGING Dr. Strong." When that seemingly routine message squawked over the public address system last Monday evening at the Corona Regional Medical Center, nearly all employees froze. Just weeks earlier, the 148-bed hospital in Southern California had established new security precautions. Staff members now knew the potentially deadly meaning of those six words: someone with a gun was in the building.

The terrifying drama that unfolded over the next 10 minutes has become all too familiar not only in America's hospitals but in virtually all public places once regarded as safe havens. At 6:20 p.m., Sophia White, 31, entered the facility and calmly made her way to the third-floor nursery where six infants lay. Drawing a .38-cal. revolver, White wildly fired six shots at nurse Elizabeth Staten, striking her in the abdomen and hand. The wounded Staten fled down a stairwell to the first-floor emergency room, with White in pursuit. "She caught up with Liz at the chart desk and pistol-whipped her. Then she shot her," says veteran nurse Joan Black, 62, who was in the triage area at the time. "She said [to Liz], 'You've destroyed my life. You've taken my husband and my kids. Prepare to die. Open your mouth.'"

As White took aim yet again, Black crossed the room and wrapped her right arm around White. "I figured if she could feel my body, maybe she wouldn't kill me," Black recalls. Tightening the hug, Black placed her left hand over the gun and began a soothing patter. "You're in pain. I understand, and we can work it

out." After five, maybe 10 minutes, White told Black she would give her the gun. Only after police handcuffed White did Black break down in sobs. "I don't know why the hell I did what I did," Black says. "It was just instinct." Instinct, that is, born of experience. "I've taken handguns out of the purses of little old ladies, and I've had people take a swing at me," she says. While this incident had no tragic ending—Staten survived the assault and is in stable condition—Black is wary of what may happen the next time. "You can't deny rapid access to an emergency room," she notes. "But nurses are terrified."

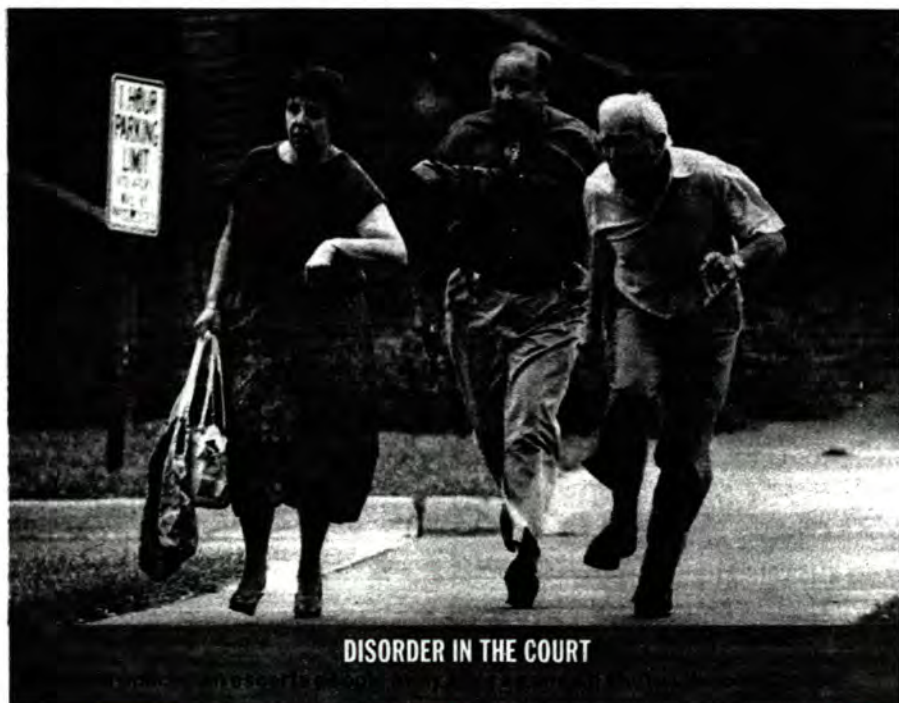
So, it appears, are most Americans. Bingeing on a diet of local news stories that

graphically depict crime invading once safe ports—schools, restaurants, courtrooms, homes, libraries—Americans are rapidly coming to regard the summer of '93 as a season in hell. Indeed, a spate of events in the past two weeks seemed to argue that no one and no place was immune, not a respected schoolteacher living in a small town in Texas, not even the father of a megastar athlete driving a car down the highway.

The epidemic of shooting spree in malls, McDonald's restaurants and movie theaters has fostered the perception that almost no place is safe anymore. Fear has led to a boom in the security industry and the transformation of homes and public places into fortresses. "People are worried more. They're worried sick," says Amitai Etzioni, a sociologist at George Washington University. "There is a new level of fright, one that is both overdone and realistic at the same time."

Newly released FBI statistics show two different trends in crime rates: occurrences of violence in cities and towns with populations under 1 million are nudging upward, while such incidents are declining in the densest urban enclaves. In a TIME/CNN poll conducted last week, 30% of those surveyed think suburban crime is at least as serious as urban crime—double the number who said that was true five years ago.

The broadening of targets to include suburban and rural preserves—and the savageness of the crimes that fill the news—has left far more Americans feeling vulnerable. "The fear is getting worse because there is no pattern to the crime," says James Marquart, a criminal-justice professor at Sam Houston State University. "It is random, spontaneous and episodic." These days, everyone has a story to tell. Says Pam Lychner, 34, who six weeks



DISORDER IN THE COURT

A CONVICT'S VIEW: "PEOPLE DON'T WANT SOLUTIONS"

Wilbert Rideau, 51, has been imprisoned since 1962 at the Louisiana State Penitentiary at Angola, serving a life sentence for murder. During that time, Rideau has gained renown as a journalist, author and advocate of prison reform. In a conversation with *TIME* Houston bureau chief Richard Woodbury, Rideau gave a scathing critique of the prison system:

Q. What do you think of Clinton's crime package?

A. Public fear is out of control, so he has to put more police on the streets. Boot camps can help, but often they're just another feel-good device for punishing criminals. I'd like to see more efforts aimed at really improving people. Crime is a social problem, and education is the only real deterrent. Look at all of us in prison: we were all truants and dropouts, a failure of the education system. Look at your truancy problem, and you're looking at your future prisoners. Put the money there.

Q. How have the increases in violent crime over the years contributed to a tougher mood in the country?

A. It's a self-fulfilling hypothesis. If you scare people enough and make them believe the world is crumbling around them, at some point they'll start reacting. The news media have helped set the tone of rabid crime, and the politicians just pick up the theme and go with the flow.

Q. What has been the fallout on prisons of this get-tough mood? Is their basic role changing?

A. Since the 1970s, they have increasingly become just giant warehouses where you pack convicts to suffer. Look around me in this place. It's a graveyard, a human wasteland of old men—most of them just sitting around waiting to die. Of the 5,200 inmates here, 3,800 are lifers or serving sentences so long they will never get out. America has embraced vengeance as its criminal-justice philosophy. People don't want solutions to crime, they only want to feel good. That is what politicians are doing, they're making people feel secure. They offer them a platter of vindictiveness.

Q. You don't feel that the tougher sentences are in any way a restraining influence on the criminal mind?

A. Not at all. The length of a prison sentence has nothing to do with deterring crime. That theory is a crock. I mean, I've lived with criminals for 31 years. I know these guys, and myself. That's not the way it works. When the average guy commits a crime, he's either at the point where he doesn't care what happens to him, or more likely he feels he is going to get away with it. Punishment never factors into the equation. He just goes ahead because he feels he won't get caught.

Q. Then what will stop violent crime?

A. Only one thing: the certainty of apprehension. If a criminal fears that he's going to get caught, he will think twice before he robs or steals. And it won't matter whether the sentence is one year or 100 years.

Q. What would have deterred you?

A. I've thought a lot about that. I know that if I hadn't been able to walk into a pawnshop and buy a handgun as easily as I did, I wouldn't have robbed that bank. That applies to just about everybody in this prison who ever held up anybody.



WILBERT RIDEAU

Nobody robs a place with a knife or a can of Mace. I was 19, an eighth-grade dropout. If I'd known that things weren't as helpless as I thought they were, that would have stopped me. I wouldn't have felt so frustrated.

Q. How would you go about paying for education programs you propose, given the cash-starved nature of most government budgets?

A. By shortening sentences. Sure, that's a hot button, but the public must come to realize that it can't enjoy its full measure of vengeance and expect at the same time to reduce bulging inmate populations. The citizenry must determine the minimum amount of punishment that it is willing to settle for, and then channel the millions it has saved into schools and preventive programs.

Q. Given the level of public outrage, how would you deal with those who do commit serious crimes?

A. You don't go handing out 99-year, no-parole sentences all over the place. That's ridiculous. States can't afford to keep locking people away for eternity. It takes \$1 million to house a lifer. Look at these convicts around me. They're old men at 50, like me, or even 40. The fire's been burned out of them years ago. Most of them you'll never have to worry about again.

Q. Isn't the notion of shorter sentences an incendiary idea in today's political climate?

A. Probably. But the public has been sold a bill of goods on prisons, just like it's been given a distorted, negative picture of recidivism and parole. Most of the guys in this prison will never return to Angola, I can tell you that from being here. And parole can and does work, and I would expand it. I'd much rather pay for parole officers to supervise nondangerous people than build \$100,000 cells.

ly steal them. The weapons of choice on the streets right now are made in America. Guns like the TEC-9, MAC-10 and MAC-11 semiautomatic, though inaccurate, are cheap, terrifying, easily hidden and handily converted to automatic. Sales have soared since 1989, when President Bush banned the import of semiautomatic assault rifles such as the Chinese-made AK-47 knock-off used by a deranged gunman to shoot schoolchildren in Stockton, California, in 1989.

CASH-HUNGRY NATIONS LIKE CHINA and the former Eastern bloc countries have found a niche market in guns that can slip in even under the new regulations. "As opposed to cheap, shoddy Saturday-night specials," says Jack Killorin, spokesman for the Bureau of Alcohol, Tobacco and Firearms, "you've got very high-quality firearms coming in at bargain-basement prices." A fine Czech Republic semiautomatic handgun called the CZ, formerly made for infantry use, sells for about \$250, in contrast to \$700 to \$850 for a comparable Austrian or Swiss handgun.

Far more significant would be a decision to ban the domestic production of semiautomatics, a move that Clinton supports in principle but that might be politically impossible. Though weakened by recent defeats over gun-control measures in New Jersey and Virginia, the National Rifle Association would muster all its forces to prevent such an infringement.

Attorney General Reno, however, is confident that stricter gun control is possible. "The NRA doesn't particularly care for me," she told *TIME* last week, "But it's important for the NRA to understand what this stuff has done to America. I just think the American people are sick and fed up with what assault weapons have done. I can remember the first time I saw an assault weapon. It is deadly. It is a horrible thing. The American people have come to realize what these weapons are doing on our streets. They are saying, Enough is enough is enough."

As politically promising as the crime bill is for Clinton, it does carry some risk. If the legislation falters once again, Biden and Clinton may decide to detach the Brady bill and pass it separately. But some supporters of the whole crime bill want to keep Brady attached, as a lure for liberals to vote for the entire package. Given the popular support for some kind of serious action, Clinton cannot afford to let this bill crumble into unrecognizable pieces, another victim of partisan gridlock. That would be a crime the public would be slow to forgive.

—Reported by
James Carney, Elaine Shannon and Nancy Traver
Washington

The Political Interest/Michael Kramer

Good Cops for Less

DID YOU NOTICE THE COPS STANDING BEHIND BILL CLINTON AS THE PRESIDENT unveiled his crime-fighting package last week? Almost all were from the neighborhood, from Washington and its surrounding suburbs. That's no big deal, of course; any blue will do for a law-and-order photo-op. But the absence of officers from all over the U.S. (the norm for decades whenever uniforms have gathered to support a President's latest war on crime) tells a tale. Clinton's proposals, a grab bag of familiar notions, were hastily introduced. That doesn't mean they're bad or ill conceived—the Administration worked on them for months—but the speed of their introduction is all about politics, a desire to trump the anticrime initiatives that Senate Republican leader Bob Dole announced on Aug. 4.

Unfortunately, Clinton has shortchanged one of the few truly new (and good) ideas in years—the Police Corps proposal authored by Adam Walinsky, a New York lawyer who served as Robert Kennedy's top aide. Like ROTC, the Police Corps would offer a swap. Each year, competitively selected high school seniors would win federal financing for their college education; in exchange, they would serve four years as local police officers after graduation. The corps promises four benefits:

1) Compared with regular cops, they would be a bargain. It costs about \$55,000 a year to pay and equip the average officer. Primarily because of reduced pension benefits, corps members would cost about a third less. 2) Many urban police forces have trouble attracting qualified minority recruits. A Justice Department survey has concluded that many inner-city youths would gravitate to the corps' service-for-college trade. 3) The infusion of college graduates would improve the overall educational level of local police forces. 4) Perhaps most important, says Walinsky, "a sizable number of civilians, the kinds of kids who are going to end up as lawyers or business leaders, will learn about police work firsthand and support it throughout their lives. And they, at least, will have ingrained the habits of self-defense and courage in a country dying from fear."

Candidate Clinton portrayed himself as the Police Corps's biggest fan and regularly crowed that he was the first Governor to create a Walinsky-style program—but Arkansas' college-for-service deal won't start until 1997. Now President Clinton has asked for \$100 million over four years for a total of about 3,000 corps members. "Given the crime wave," says Walinsky, "referring to this as a step in the right direction, as Clinton does, is like Franklin Roosevelt calling for 100 new tanks in 1941." Dole, who wants \$250 million for the same purpose, identifies the resistance: The police chiefs "want regular cops, the kind they're used to. They also want to spend on new, high-tech stuff," the wrong emphasis, says Dole, because "what we need are more cops on the beat," to deter crime by their presence and to catch those who aren't deterred.

Dole is right, concedes a White House aide, "but we didn't want to take on the chiefs. Maybe Congress will push us. In fact, we wouldn't mind the proposal of those other Senators," a bipartisan group urging a full-blown Police Corps that would cost about \$1.2 billion annually.

That's no small change, but it would be money well spent. "We're losing the streets," says Boston police commissioner Bill Bratton. That isn't news to those who walk them, and it's the best reason to establish the Police Corps at levels that can make a difference.



NEW RECRUITS: There are never enough

*Not a single good man in
argument. Reno was a
at. She should have been of
TIME, AUGUST 23, 1993*

Arabs Say Prompt Aid Is Crucial for Self-Rule

By JOHN KIFNER
Special to The New York Times

JABALIYA, Israeli-Occupied Gaza Strip, Sept. 17 — In a sight that seemed unthinkable only a month ago, once-forbidden Palestinian flags are flying these days from nearly every building in the West Bank and the Gaza Strip as well as from cars, bicycles, donkey carts, tractors and even the minarets of mosques in East Jerusalem.

But while Palestinians in the occupied territories have greeted the Israeli-P.L.O. peace accord with jubilation, there is a growing sense of the difficulty in creating some form of government and an economy virtually from scratch, in a complex relationship with a powerful, dominant neighbor.

"It is good to raise the flags," said the imam of the main mosque in a sermon on Friday at this litter-strewn Palestinian camp, where a strong undercurrent of opposition to the accord among Islamic fundamentalists is evident on the streets. "But after raising flags, what is the next step? The solution is not just raising flags."

So swift has been the rush toward peace, and so deliberately vague many of the terms of the accord, that no one seems sure how the economy or the new Palestinian governing authority in the Gaza Strip and the West Bank town of Jericho will function. What's more, it will be years down the road before there is any discussion of the status of Jerusalem and the fate of Palestinian refugees from Israel's founding in 1948.

Crucial, Immediate Steps

"They must do something fast," said Ziad Abu Amr, a Palestinian political scientist at Bir Zeit University on the West Bank. "Both Arafat and Rabin need to show their respective constituencies there are gains."

Among the crucial first steps are economic efforts to create steady jobs and business opportunities and to improve living conditions at the squalid camps. Some Palestinian analysts, like Rashid Khalidi, director of the Center for Middle Eastern Studies at the University of Chicago, warn that failure to do so quickly could be a "catastrophe" for Palestinian self-rule.

"You are taking a shattered Palestinian economy and binding it quite tightly to a robust, rapidly growing Israeli economy," Dr. Khalidi said. "It's not going to lead to the kind of economic takeoff that's necessary."

With the immediate needs of the occupied territories estimated at \$3 billion by the World Bank, supporters of the accord on interim Palestinian self-rule in the Gaza Strip and Jericho are scrambling to put together an aid package for schools and basic services like electricity and sewage removal.

Projects and Money

Israeli and Palestinian technical teams are to meet in Tunis on Monday to discuss issues ranging from security to sewage, and Secretary of State Warren Christopher is expected to announce a special conference of donor countries to pledge money for projects to further Middle East Peace.

Officials of the Palestine Liberation Organization are hoping for a big infusion of aid to build schools and houses here in the next few months. Such a program could create construction jobs in the territories, which have an unemployment rate of 60 percent and have provided Israel with a pool of cheap labor.

Aside from the economic doubts, there is considerable uncertainty about how a new political order will meld Yasir Arafat, chairman of the P.L.O., and other of its officials from Tunis with prominent local Palestinians who played an important role in the six-year uprising against Israeli rule, like Faisal al-Husseini and Sari Nusseibeh.

P.L.O. officials will also face the challenge of coordinating with new political organizations that emerged during the uprising and with traditional village and clan structures in a politi-



In Jabaliya, Palestinians worry about a grim economic future.

TOURISTS ARE RETURNING

As travelers show new interest in the Mideast, governments and the tourism industry are rushing to welcome them. *Business Day*, page D1.

cal culture that has been shaped by a quarter-century of occupation.

'Not a Love of Authority'

"You don't have a tradition of government here," said Dr. Khalidi, an American-born adviser to the Palestinian delegation to the peace talks. "There is not a tradition of large bureaucratic institutions, not a love of authority. The social structure is not terribly developed."

He continued: "There will be a fine line between the authority of the elected government and the authority of the P.L.O. There will have to be all kinds of deliberate balances. Any corruption, any inefficiency, any bureaucratic snafu, any mistakes, and people are not going to be forgiving."

One immediate source of tension between Palestinians has eased with an agreement between the P.L.O. and its main hard-line fundamentalist opponent, Hamas, to respect each other's demonstrations and not to attack each other. The pact between the two movements was announced last week in mosques throughout the Gaza Strip.

Hamas firmly opposes the accord with Israel. For the signing of the pact last Monday, the two Palestinian groups hastily worked out a truce in which the Gaza Strip was shut down in a protest strike in the morning and open for celebrations in the evening.

While Mr. Arafat is being hailed on posters and T-shirts, some Palestinian intellectuals worry that the P.L.O. will bring what one critic described as "corruption, inefficiency, political tribalism, favoritism and decadence."

"There is a problem of rising expectations which will be difficult to meet quickly," Dr. Khalidi said. "Disappointment could be fatal."

Israeli Diplomat Says Ties With the Vatican Are Near

ROME, Sept. 19 (AP) — Officials from the Vatican and Israel are close to agreeing on formal diplomatic relations, an Israeli diplomat said today.

The news came as Israel's chief rabbi, Yisrael Lau, arrived for a meeting on Tuesday with Pope John Paul II. It will be the first time the leaders of Israel's Jews and the world's Roman Catholics meet. Relations began warming in July 1992 when a commission was set up to work toward formal ties.

Israel has long sought such ties but the Vatican has resisted because of Israel's treatment of Palestinians in the occupied territories and questions about church property and the status of Jerusalem, which is sacred to Muslims, Jews and Christians.

ARAFAT SEES PACT AS ONLY FIRST STEP

Predicts Total Israeli Pullout From the Occupied Lands

By CHRIS HEDGES
Special to The New York Times

CAIRO, Sept. 19 — The P.L.O. chairman, Yasir Arafat, promised Arab foreign ministers today that the peace accord with Israel was only the "first step" in an effort to regain lands controlled by Israel, including East Jerusalem.

Mr. Arafat pledged to the Arab League ministers, whose countries shelter some three million Palestinian refugees, that Palestinians who fled after 1967 would eventually be allowed to return home. Israel occupied the West Bank, Gaza Strip and Arab East Jerusalem in the 1967 war, and later annexed East Jerusalem.

The Palestine Liberation Organization leader said he would speak at a later date about the fate of the refugees who fled in 1948, most of whom left behind homes that are now in Israel.

"The agreement we have reached is nothing but a first step," Mr. Arafat said of the accord with Israel, which provides for an Israeli withdrawal and limited Palestinian autonomy in the Gaza Strip and in the West Bank town of Jericho.

He said the accord had set "the basis for a transitional solution and the broad outlines for an ultimate solution that will be based on the ending of the occupation and the total withdrawal from our land, our holy sites and our holy Jerusalem."

"The most important part of the agreement is not only the withdrawal from Gaza and Jericho," he said, "but the recognition of the Palestinian authority and jurisdiction over all the occupied territories."

No Separate Settlement

The status of East Jerusalem remains unresolved under the agreement signed at the White House last week by Mr. Arafat and Prime Minister Yitzhak Rabin of Israel.

Mr. Arafat, who received a polite but restrained reception from the foreign ministers, told them that the Palestinians would not conclude a separate agreement with Israel until all the neighboring Arab states had concluded their negotiations. "There can be no final settlement without a solution on all the Arab tracks," he said.

Mr. Arafat, who needs to win over militants in the occupied territories if the accord with Israel is to succeed, spoke with respect of those who are still resisting the Israeli occupation.

"To all child prisoners in the prisons of occupation," he said, "to our heroic injured, the martyrs and their mothers, to detainees and deportees, to every grown man and woman and the children of the stones, I give my best wishes, love and respect."

Handwritten note: They have a quick gesture on September 20th. Well, yes. P. Hedges

9-19

Alcis

Blackheggers

① want someone
to explain how to accept
Transportation Act ("Ice T")
to them

② we promised a
cabinet level liaison - discuss
w/ Mark —

③ want me at April
meeting

④ West St. Louis needs
help w/ DO labor on 25m duplex
since w/ (base) try to help
important to us — B.



THE DIRECTOR

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

September 15, 1993

THE PRESIDENT HAS SEEN 9/20

SEP 16 A10:18

MEMORANDUM FOR THE PRESIDENT

FROM: Leon E. Panetta

SUBJECT: Senate Appropriations Committee Approval of FY 1994 Foreign Operations Bill

On September 14, the Senate Appropriations Committee approved the FY 1994 Foreign Operations Bill. The bill is expected on the Senate floor next week.

Full Committee Chairman Byrd and Subcommittee Chairman Leahy bent over backwards to emphasize that the bill could not have been completed without the help of Senators Inouye and Sasser. You may wish to send thank you notes to all four of them. Highlights follow:

- o The bill totals \$12.5 billion in discretionary budget authority, \$1.9 billion below the request, \$1.3 billion below FY 1993, and \$.4 billion below the House.
- o The bill includes \$2.5 billion for aid to the New Independent States, including \$1.6 billion in FY 1993 funds. At the request of Senator McConnell and with Chairman Leahy's support, \$.3 billion is earmarked for the Ukraine. Unlike the House, the Senate bill does earmark the assistance for specific purposes, which could limit flexibility in implementing the program.

The Committee approved a 602(b) reallocation to shift \$979 million in FY 1993 budget authority and \$210 million in FY 1994 outlays from the Defense Subcommittee to Foreign Operations.

- ✓ Chairman Byrd indicated his support for trying to get the bill sent to you by September 30 so that the FY 1993 budget authority is available.
- o ✓ \$3 billion is earmarked for Israel and \$2.1 billion for Egypt.
- o ✓ The bill includes an amendment to the Budget Enforcement Act which exempts from the caps for one-year (FY 1994 only) the scoring of the subsidy cost of Israeli loan guarantees (CBO had scored \$170 million).

- 
- o There may be a Byrd floor amendment to restrict aid to Russia pending certain tests being met for removing troops from the Baltics.
 - o Both the House and Senate versions of the bill reduce the number of legislative restrictions on executive authority in the operation of foreign affairs. In the FY 1993 bill, there were 108 general provisions. In Chairman Obey's FY 1994 bill there are only 50. Chairman Leahy was not quite so successful. The Senate version of the bill contains about 77 general provisions.
 - o While using all outlays under its 602 (b) allocation (CBO scoring), the Subcommittee is \$1.3 billion under their 602 (b) for budget authority. It will be interesting to see whether the full Committees decide to reallocate the unused budget authority to the domestic subcommittees.

THE WHITE HOUSE
WASHINGTON

DATE: 9/20

NOTE FOR:

Carol Rasco

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: Marcia Hall

THE WHITE HOUSE

WASHINGTON

TO: President Clinton
FROM: Carol H. Rasco *CH*
SUBJ: Tennessee Medicaid Waiver
DATE: September 15, 1993

*I understand problems
but try to work something
out of them —
Theresa*

Per my phone conversation with Bruce this morning, here is the memo I received yesterday about the Tennessee waiver. I at that time did a memo to several divisions within the White House on the matter and because I did not have a briefing scheduled with you yesterday, I asked Mack to relay the message to you.

Obviously today in a meeting HHS had with Tennessee officials, Tennessee got the message they needed to negotiate in good faith. In a conversation with Roy Neel earlier this afternoon, McWherter's chief aide indicated they were quite willing to extend the date...the aide said they never imposed the date, HHS did....not true but that is beside the point somewhat in that the date is extended. HHS is now in the process of calling the aide to confirm the extension and negotiations will continue.

As you read this I would ask that if you wish to discuss it you do so with me before trying to call departmental officials or even more importantly, please do not try to talk with the Governor yet. I have a regular briefing time scheduled tomorrow with you in the afternoon and we can discuss it then.

As to Wisconsin, I had a long meeting with HHS officials on it this afternoon and will bring those issues to you directly in my briefing tomorrow.

Thank you.



SEP 10 1993

MEMORANDUM FOR CAROL RASCO AND MARCIA HALE

This memorandum will describe our current position with respect to the State of Tennessee's TennCare proposal as well as possible next steps. The Department has promised the State a decision on the waiver request by September 17th.

✓ The proposal cannot be approved without major revisions. The State has only recently shown any willingness to compromise. Tennessee officials have presented TennCare as a statewide reform plan consistent with national health reform. It includes cost containment through managed competition and significant expansion in coverage of the uninsured. It also includes major cost shifting to the Federal government caused by a significant decrease in legitimate State matching funds. The Department's general counsel has concluded that central elements of the proposal's financing arrangements could not legally be approved. Even if the financing were to be restructured to our satisfaction, the plan raises additional concerns about potential problems in quality and access to care.

Given the complexities of the Tennessee proposal and the financial and programmatic deficiencies, a compromise would be difficult to fashion. However, the Department remains committed to work with the State to help it amend the proposal to meet our concerns. If we are able to compromise, it would probably be necessary for the State to agree to an extension of the September 17th deadline. A description of the background and Qs & As are attached.

ISSUES

The following issues will require major adjustments in the plan:

1. Cost Shifting from the State to the Federal Government

Tennessee's severe fiscal problems figure prominently in this proposal, which effectively increases the Federal match from 67 percent to over 85 percent. The State accomplishes this in two steps. First, it takes an aggressive approach to defining the baseline for Federal Medicaid funding and then converts these funds into a block grant that inflates by up to 8.3 percent per year. Next, Tennessee will cut its actual contribution from tax dollars in half in the first year, from \$920 million to \$480 million. The

State makes up for this reduction by labeling existing charity care, anticipated beneficiary coinsurance and deductibles, and local government subsidies as State share which should be matched.

However, charity care does not qualify legally as a source of matching funds, and the Secretary does not have the legal authority to waive the statutory matching rate through a Section 1115 waiver. Moreover, if this approach were approved, it would set a precedent that other States would rapidly emulate, and the cost to the Federal budget would be many billions of dollars (and, given the entitlement caps, potentially quite dangerous).

The State misses the point by arguing that it would hold the Federal government harmless for the cost of its reform proposal. TennCare will simply increase the Federal share of a less expensive Medicaid program, achieved through overly optimistic assumptions about managed care savings and reliance upon various unacceptable non-State revenue sources.

2. Block Granting Medicaid is Incompatible With Health Reform

in summary
Major goals of reform include moving all persons (not just Medicaid beneficiaries) into a universal system of financing, cost containment, and service delivery. But a block grant, by definition, confers on the State broad flexibility to alter eligibility and benefits, reconfigure service delivery, and to identify, raise, and distribute non-Federal funding. This flexibility could produce differential treatment that works against the principles of health reform.

Tennessee proposes to use this flexibility to cap participation in a manner that could deny certain otherwise eligible persons the right to participate; to provide differing benefits to different beneficiary groups; and to redefine State financial effort to include beneficiary copayments that may not be received and charity care from all providers. This latter effort by the State to substantially reduce its real contribution to health care undercuts the state maintenance of effort requirement under health reform. Other states could exercise the flexibilities inherent in a block grant approach with similar sorts of results.

The statement of Section 1115 waiver principles sent to the National Governors' Association stated in part that "the Department ... reserves the right to disapprove or limit proposals on policy grounds;" we believe that a block grant approach should be ruled inappropriate on this basis. If, to overcome these problems and to protect beneficiaries, we were to agree to block grant Medicaid with numerous and detailed restrictions, we would probably not achieve what is the principal goal of 1115 demonstrations -- that is, to draw significant and policy-valuable lessons about the block grant approach per se.

Tennessee has indicated that they may be willing to drop the block grant approach if we are able to identify satisfactory state matching funds.

3. Questionable Federal Baseline Costs

The level of baseline Federal funding in the plan assumes existing provider taxes on nursing homes and hospitals will be found acceptable under the recently issued "Donations and Taxes" regulations. These two taxes alone generate over \$1 billion in Tennessee's current Federal match.

Preliminary determinations are that the hospital tax may be problematical and that the nursing home tax appears to be unacceptable. The State may litigate this matter once we have made a determination on these taxes, which means that essential elements of our baseline contribution could remain unresolved for well over a year. This is obviously not a reasonable basis from which to begin exploring the possibility of block grant funding.

The following concerns, while serious, could very likely be dealt with through mechanisms such as phased implementation after more extensive State consultation with consumers and existing providers:

4. Reduced Payments to Health Plans and Providers are Likely to Adversely Affect Access and Quality

Under TennCare, the State plans to reduce payment to providers by about 25 percent. This "discount" reflects the State's assumption that other resources "in the system" can subsidize State payments (e.g., charity care, local government funding, and patient cost-sharing revenues). Most State managed care programs set capitation rates at 90-95 percent of Medicaid fee-for-service (FFS) levels. Medicaid is often criticized for setting FFS payment levels so low that access to care is restricted and providers are forced to rely on other resources to supplement Medicaid rates. It seems unlikely that expanded services can be provided at 75 percent of Medicaid FFS levels.

The problems with the 25 percent discount are compounded by the State's faulty financial assumptions. The plan assumes full payment of premiums, coinsurance, and deductibles by beneficiaries. To the extent there are shortfalls in these collections, providers will receive even less payment than the 75 percent FFS, and may reduce services to beneficiaries.

The State has not made provisions for the protection of essential primary care providers, such as public hospitals and Federally Qualified Health Centers. The proposal does not address how its managed care delivery system will assure continued access to these providers.

The State has not adequately considered the impact of the proposal on its medical schools which include East Tennessee State, one of the country's leaders in producing primary care physicians, and Meharry, one of the nation's major black medical schools (although Meharry does not oppose TennCare). We believe some adjustment, similar to that made in Health Reform, should be established to provide for educational costs.

5. Insufficient Managed Care Infrastructure and Experience

Only 5.5 percent of Tennessee's insured population was in HMOs in 1992, and the Medicaid program currently has only one contract with an HMO, which enrolls about 4 percent of the Medicaid population. In December 1992, Tennessee was denied a renewal of its Medicaid primary care case management waiver because of poor performance. The State does not have the necessary experience or health care infrastructure to implement such an ambitious program without some kind of phased implementation.

OUTSIDE INTEREST IN TENNCARE

The State initially produced statements of support for TennCare from a number of organizations, including the Tennessee Hospital Association, the Tennessee Health Care Campaign (a consumer advocacy group), Blue Cross/Blue Shield of Tennessee, and several hospitals that want to participate as providers. However, since then we have received over 300 letters either in opposition to the plan, or expressing serious reservations notably from the Tennessee Medical Association, the American College of Physicians, East Tennessee State University, and the Tennessee Academy of Family Physicians. The State's hospital association and primary care association have urged that stringent conditions be imposed on the proposal, including a less aggressive phase-in, and the Association of Academic Health Centers has also expressed concern.

Senator Sasser, Chairman of the Budget Committee, sent the only Congressional letter in support of the waiver application. Signs of strong Congressional opposition have come from staff of both the full Energy and Commerce Committee and the Subcommittee on Health. In addition, Congressman Dingell's staff indicated that the Chairman is considering holding an oversight hearing on the matter.

Other states are closely following TennCare's progress. Some states have informally told Department staff that, while they recognize that Tennessee's waiver request is essentially a new approach to shifting costs to the Federal government, they would apply for a similar waiver were we to approve it.

NEXT STEPS

We are eager to work with Tennessee to develop a revised proposal that would be acceptable to both parties. The fiscal consequences of not approving the application would be severe for the State. The provider tax on hospitals is scheduled to expire shortly, and the State faces a major fiscal crisis without the Federal funding levels proposed here. Approximately \$1 billion in Federal funds are at stake. The State might respond to a denial by raising new revenues (including possibly reinstating their hospital tax), cutting back on Medicaid eligibility, coverage or provider payments, reducing other State expenditures, or some combination of the above.

In meetings to date, State officials have recently expressed a willingness to compromise. However, State officials have stated that they will explore all political channels in their effort to gain approval of the waiver. Nevertheless, if the Department and the White House speak with one voice, it is still possible that the State will engage in substantive negotiations with us.

Although a compromise would be difficult to design, the best possible outcome would be an agreement on significant changes that would still preserve a TennCare program in some less expansive form but meet our objections. If we are to develop a compromise, it would probably be necessary for the State to agree to an extension of the September 17 deadline. We will keep you informed of our progress.



Kevin Thurm

Attachments

Background on TennCare Proposal

On June 17, 1993, Tennessee submitted a proposal for a 5-year managed care demonstration project requiring several waivers to Medicaid program requirements. The Department has committed to make a decision on Tennessee's request by September 17, 1993. The State intends to implement the new program on January 1, 1994.

- o TennCare's intent is to provide health care benefits statewide to Medicaid beneficiaries, uninsured State residents and those whose medical conditions make them uninsurable. Enrollment will be capped at 1,775,000, one million of whom are current Medicaid eligibles. If the cap is reached, those in mandatory Medicaid coverage groups and the uninsurables will continue to be enrolled, while the currently uninsured group enrollment will be limited.
- o Managed Competition/Managed Care Features: Although Tennessee does not have a track record of enrolling vulnerable populations in managed care, all enrollees will be immediately enrolled in capitated managed care plans that are either health maintenance organizations (HMO) or preferred provider organizations (PPO). Initially, Tennessee intends to develop a community capitation rate to pay plans; thereafter, the State will develop annual capitation rates based on the lowest cost managed care organization meeting its quality standards within each community.

Managed care organizations will be required to provide detailed information on provider and recipient activity, including encounter data, types of care provided, levels of care provided and outcomes of care. Health care plans will compete for enrollment based on quality of service.

A standard benefit package will be provided by managed care organizations. Long term care is not included in the managed care plan.

Each managed care plan within a community will be given a spending target based on number of enrollees. Plans may elect not to be at full risk, in which case they may retain 5 percent of savings achieved. If the spending target is exceeded, plans would be required to pro rate provider reimbursement back to the target.

Community Health Agencies (CHA) will be the geographic unit of delivery. The 12 CHAs in the State are governed by a community-based board.

- o Cost Sharing: TennCare requires cost-sharing in the form of premiums, deductibles, and co-payments based on income. All adults and children with incomes above 100 percent of the Federal poverty level would be required to pay, except those in mandatory Medicaid eligibility groups. To encourage their use, no deductible or copayment will be required for preventive services.
- o Budget: Rather than requesting the regular Federal match for Title XIX costs incurred by the State, Tennessee is asking for a commitment from the Federal government to contribute in the first year of the demonstration what the State estimates the Federal share would have been under the current system (\$2.267 billion). The Federal contribution in future years would be increased by the minimum of: (1) actual increase in costs; or (2) 8.3 percent (the historical per capita cost trend). Federal funding would essentially be a modified block grant.

QUESTIONS AND ANSWERS ON TENNCARE

Q. The TennCare proposal will save the Federal Government money. Isn't it irresponsible to turn it down?

A. Whether or not there are savings in Tennessee depends on how you count and where you start counting from. The State's estimates are all for future years and are based on assumptions that TennCare will increase more slowly than its conventional Medicaid program. In addition, the Federal "savings" assume very high Federal payments to start with; we disagree with the State's assumptions about appropriate Federal payments for 1994, and believe they will be lower.

The State also does not mention that in the past 2 years Tennessee's Medicaid costs have been escalating faster than those of almost every other state in the union -- 26 percent between 1992 and 1993 and 24 percent between 1993 and 1994. Only Florida and Louisiana have had similar increases in this period. With such a high base rate of inflation, it is not hard to show out-year savings from cost controls.

Many states have already achieved much greater control over their costs and ours than Tennessee proposes to accomplish in this demonstration. If you exclude the twelve fastest growing states from the analysis, the average increase in Federal share between 1993 and 1994 for the 38 states that remain is only 7.1 percent, considerably lower than the 8.3 percent cap TennCare promises.

The real Federal fiscal impact of this waiver, however, would not be in Tennessee but in the demands from other states that they be treated equally. The Federal budget impact of only one of the controversial financial arrangements -- the request that existing "charity care" be used in lieu of tax dollars as a State contribution -- would be somewhere in the vicinity of \$13 billion, or an overall increase in Federal Medicaid costs of 14 percent.

We certainly agree with Tennessee that their costs need to be brought under control and have a number of successful demonstrations and waivers underway which they can use as models.

Q: Why can't Tennessee claim the value of charity care as part of the State match under TennCare?

A: In 1993, the State is using revenue from a tax on hospitals to fund its State share of Medicaid expenditures. The tax will expire in December 1993 if TennCare is approved. As a substitute for the lost revenue, the State asserts that charity care valued at almost \$300 million will be provided in 1994, and that this amount is available to the State as its match.

However, charity care is not State revenue, or even arguably revenue that could be available to the State. Rather charity care represents the amount of revenue that hospitals would have received had patients paid their bills. It is not cash, but rather an accounting device used to portray the amount to be deducted from gross hospital charges to calculate net revenue.

The State may be asserting that charity care is a donation rather than a cash payment, but this argument does not withstand scrutiny. Under certain circumstances, donated services can be counted as part of the non-Federal share for matching purposes. However, the difference between last year's Medicaid rate for a service and this year's 25 percent lower rate is not a "donation" by the provider. Indeed, such a mandatory reduction seems the antithesis of a donation.

Q: If TennCare is rejected, the State faces a serious fiscal crisis. Shouldn't this make you more willing to accept the proposal?

A: The State's fiscal crisis comes as a result of rapid increases in Medicaid costs coupled with the repeal of the hospital tax. We are prepared to work with the State to address their problems, but Federal taxpayers should not be held responsible for this crisis.

Q: You have promised us State flexibility under Health Care Reform; why aren't you living up to the promise?

A: We have promised State flexibility within established guidelines, not unlimited ability to do whatever States want. We have approved innovative waiver proposals in Hawaii, Oregon, and other states, and want to foster more such experimentation in the future. However, flexibility to decrease State payments by shifting costs to the Federal government is not on the list of acceptable actions.

Q: Our proposal moves towards managed competition and resembles national health reform. Why aren't you more supportive?

A: The proposal differs from health reform in some very critical ways. For example, under national health reform states will have to meet maintenance of effort requirements. In addition, health reform acknowledges the responsibility of all payors to support the costs of graduate medical education. We plan to link that support to the production of more primary care physicians. Tennessee has not adequately protected the teaching programs of its medical schools; we are particularly concerned about potential harm to Meharry Medical College, a leading Black

school, and to East Tennessee State, one of the national leaders in the production of primary care physicians.

In addition, we do not believe that the "managed competition" proposed in this plan could be implemented immediately on a statewide basis given the low penetration of HMOs in Tennessee and the lack of previous Medicaid HMO experience. A phase-in period would be much more consistent with our intent nationally.

Q: Why are you forcing Tennessee to cut benefits and drop beneficiaries?

A: In recent years, Tennessee has greatly expanded its Medicaid coverage. The primary source of funds for this expanded coverage has come from the unpopular hospital tax and the resulting Federal match dollars. The Tennessee legislature has now repealed this tax, and is responsible for developing feasible fiscal solutions. We are prepared to work with the State to develop appropriate and innovative approaches to preserve essential health coverage.

Q: It doesn't sound like you want Tennessee to do anything in this plan. Is that true?

A: No. We believe that better control over Medicaid costs is an essential element in the long term solution to the State's fiscal problems. We would like to work closely with you to develop a Medicaid managed care proposal which could be approved and which will control your costs and ours in future years. At present, Tennessee is tied for second place nationally in terms of the inflation rate in the Federal costs of its Medicaid program. We are just as eager as you are to get those costs under control. Many of the elements of this plan could be incorporated in a new proposal based on different financial and timing assumptions.

THE WHITE HOUSE
WASHINGTON

DATE: 9/20

NOTE FOR: *Bruce Lindsey*

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

Information ☐

Action ☐

*Return to
Bruce
Lindsey*

Thank you.

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

cc:

Mr. President: fyi

9/20/93 B-

See my proposed changes -

THE PRESIDENT HAS SEEN
DRAFT RESPONSE TO CHRONICLE EDITORIAL

Note: We believe that, in order to avoid setting the precedent of a Presidential response to negative editorials, this letter ought to bear Secretary Brown's signature. It is written from that perspective.

L > agree

A) in order - go from Cal to US action
B) Be more specific in describing US action

Dear Editors:

Your recent editorial challenges the Clinton Administration to address the needs of California aggressively and effectively. This has been President Clinton's mission since Inauguration Day and will continue to be so until the Golden State regains its economic vitality. In fact, President Clinton has already transformed the way the federal government approaches this economic crisis, replacing laissez-faire ^{and taken down} with targeted, innovative action, ^{going beyond the traditional approach of both parties in Washington and concentrating on long term results.} Your editorial accurately depicts the suffering California has endured in recent years as well as the state's importance to the entire nation's prosperity. As we all know, however, the seeds of economic decline were sown many years ago, and restoring the bloom requires cultivation that cannot occur overnight.

California's economic strength in the 1980's resulted, in significant part, from defense contracts associated with a Cold War military strategy. With the elimination of the threat that drove those contracts, government spending of that sort has declined and will continue to do so. With no federal conversion strategy in place prior to President Clinton's inauguration last January, California businesses which relied on defense expenditures had no road map into the new economic reality of the 1990's.

go to P. 2
"An Mark"

President Clinton has made smoothing that difficult transition a top priority. A few examples:

- This is too general. Started Def. Conv. program including TRP - 1400 jobs to clean up in Calif.*
- ① * He created a large-scale defense conversion program that will help the defense industry become successful competitors in the private marketplace.
 - ② * He invested significant intellectual and financial resources in helping industry develop and commercialize new technologies.
 - ③ * He initiated an export promotion strategy that has already eliminated barriers to technology exports, *with Mon to Com.*
 - ④ * He is transforming the many uncoordinated job training programs into a streamlined re-employment system that will help California's talented displaced workforce apply their skills to the industries of the future.

⑤ Sec. of Commerce program from benefits from Calif.

California reaps a significant share of the benefits of all of these initiatives, which form the core of the investment program upon which Bill Clinton campaigned and which his Administration has pursued since Day One.

a) Clinton ap. Calif. B. Skanska R. D. Audit J. D. Real Int. tax law to help Nevada.

In March, the President appointed me, his Secretary of Commerce, to coordinate the entire federal government's efforts to improve the California economy. This effort has already helped in the following ways:

* Ensured the smooth delivery of over \$1.5 billion in federal transportation funds to the state.

* Expedited the transfer of two closing military facilities (including Alameda) to local communities so that economic development can immediately commence.

* Provided an additional \$500 million to California for indigent health care and about \$300 million for immigrant services that was never delivered under prior administrations.

Passed to
* San Francisco ~~recently received~~ a new \$50 million grant for low income housing.

Proposed change in education aid which will be direct
* ~~The President's new education proposal grants~~ millions of extra dollars to states like California which teach disproportionate numbers of lower income students.

Insert Deleted Section
Californians are also well represented at every level of the Clinton Administration. Four cabinet officers, including three top economic advisors (Budget Director Leon Panetta, Trade Ambassador Mickey Kantor, and Council of Economic Advisors Chair Laura Tyson), hail from the Golden State. Nearly 200 Californians have been appointed to key policy-making positions throughout the government, a greater number than from any other state.

These tangible examples of federal attention to California represent just the first steps in this administration's commitment to the state. Every member of President Clinton's cabinet understands that reviving your state's economy is essential to the economic progress of the country. The federal government cannot achieve miraculous results alone, but we will do our part. Working with California businesses, state and local officials, and the hard-working and talented people of your exceptional state, we will see the progress that the American dream ensures.

Sincerely, Ron Brown, Secretary of Commerce

CHRONICLE

California calling Clinton

This state suffers inordinately both from the stubborn recession and from a not-so-benign neglect at the White House

MEMO TO President Clinton: As California goes, so goes the nation. This message is both economic and political.

During the campaign, you pledged your administration would be a job generator, and you promised to pay special attention to Silicon Valley technology as the leading edge of the nation's economic future.

Well, we're waiting for the delivery.

This Labor Day weekend, the jobless rate in California is sharply higher than in the rest of the country, and Silicon Valley increasingly believes your commitment to high-tech is lost in cyberspace.

California leads the nation in innovation and in electoral votes. Any candidate for president in 1996 must pay heed to the Golden State.

This state's economy traditionally leads the nation into boom times, but now it lags behind as the United States gropes toward a sustainable recovery.

Defense cutbacks and base closings have hurt the state disproportionately hard. It is estimated the administration's deficit re-

duction plan will hit California's economy with the annual force of two Loma Prieta earthquakes, adding a point to the state's jobless rate through the turn of the century.

The Pentagon's budget blueprint protects construction of an unneeded \$2 billion Seawolf submarine to save jobs in Connecticut, but it fails to promote the most sophisticated research and development, in which California excels.

High-tech executives, many of whom supported the Clinton-Gore ticket, have become critical of too much hyperbole and too little action from the administration on high-tech issues. Edward McCracken, chairman of Silicon Graphics Inc., says you have something to prove to the high-tech industry.

Mr. President, California needs your participation. Your pledge at Alameda Naval Air Station three weeks ago to make the Bay Area a national model for base conversion was a start; now it must be made to happen. So, too, must new worker retraining programs and bold dreams ranging from an information superhighway to a California-based electric car industry.

California invents the future. To deny it is to deny the future of our nation.

Environmental Orders Irk Business Groups

White House Accused of Bypassing Congress

By Tom Kenworthy
Washington Post Staff Writer

For a business community that often applauded the behind-the-scenes work of the Bush administration's anti-regulation Council on Competitiveness, the shoe has been on the other foot since the Clinton administration came to power. Yesterday business leaders began to complain about it pinching a little.

At a news conference and in letters to congressional leaders, representatives of more than 20 business and industry groups objected to what they say is a tendency by the White House to make broad environmental policy changes through executive orders rather than legislation.

The process, the business representatives said, locks Congress, the public and affected industries out of the debate and produces policies that can hurt the economy.

At issue are two recent executive orders. The first, signed by President Clinton last month, directs federal agencies to develop plans for reducing or eliminating "unnecessary" purchases of products containing "extremely hazardous substances or toxic chemicals." The second, still under development at the White House, is aimed at increasing federal purchases of recycled paper and reducing federal use of paper manufactured using chlorine.

Chemical Manufacturers Association president Fred Webber, acting as a spokesman for the business groups, charged that the executive orders were overly broad, were developed without assessing risks from various chemicals, would hurt business and cost jobs, and should be subject to congressional review.

"Every president issues executive orders, but here they've crossed the line and are dealing

with major public policy," said Webber, accusing the White House of conducting an "end-run around Congress."

In fact, 54 members of the Senate and 42 members of the House wrote Clinton in March asking him to issue the executive order on materials containing hazardous substances. That order also brings the federal government into compliance with "right to know" legislation by directing agencies to inform the public of the release of hazardous substances into the environment and seeks to encourage pollution prevention by the federal government.

"The thrust of the order was to have the federal government behave in a way that Congress has mandated for years [about] how the private sector should behave," said Kathleen McGinty, director of the White House Office on Environmental Policy. Noting that the two orders apply only to government purchases, McGinty said "we are not making new rules or regulations that will impact all the private operators in the private sector."

Jim Edward, the Environmental Protection Agency's director of pollution prevention who wrote the order issued by Clinton, said that outdated federal specifications often force manufacturers to use materials they either no longer use or recycle when making the same products for private purchasers.

"This is not an anti-chemical industry-bashing kind of thing," said Edward. "It's just trying to eliminate things where it makes sense."

Among the groups supporting the Chemical Manufacturers Association are: the U.S. Chamber of Commerce, the National Association of Manufacturers, the American Forest and Paper Association, the American Petroleum Institute and the National Agricultural Chemicals Association, among others.

9/20
THE PRESIDENT HAS SEEN

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Enlist Jimmy Carter as Special Mideast Envoy

The brilliant sunshine over the White House's majestic south lawn provided the perfect climate for this week's extraordinary peace accord between Israel and the Palestine Liberation Organization. But like the Washington weather, the Middle East peace accord faces cloudier days in the months ahead.

This creates a dilemma for a Clinton administration whose plate already is full with health care, a free trade pact with Mexico and Canada and an effort to reorganize government: A major U.S. presence is essential to fashion a comprehensive Mideast peace settlement, and yet it



Politics & People

By Albert R. Hunt

would be a distraction for Bill Clinton with little domestic political payoff.

Here's one possible solution: Enlist Jimmy Carter, either as a special envoy for the overall peace process or, if that's too much, to play a role in overseeing the Syrian-Israeli negotiations.

To use a former president this way would be unprecedented and raises three serious questions: Is there a need for some sort of special envoy or arrangements in the Middle East? Should the Clinton administration cede such important responsibilities to an outsider? And would Mr. Carter be the right person? The answer to all three is a qualified yes.

Despite the dramatic changes of recent weeks, this won't be a short or easy process; nothing in the Middle East ever is. It took six months after Camp David to hammer out the actual peace treaty and then three years to implement it. That sort of timetable isn't unreasonable here.

If people question the essential role of the U.S. in this process, they need only look at Monday's event. President Clinton played no role in this agreement, yet both Israel and the PLO jumped at the opportunity to seal it at the White House. Only the U.S. has the credibility to play the brokering and coordinating role in the ensuing negotiations and be the guarantor of any agreements.

Moreover, this undeniably has to be done at a very high level; the parties no doubt would prefer the president and the secretary of state to play that role.

Therein lies the problem for Mr. Clinton. Over the past decade and a half, even stunning foreign policy successes haven't helped U.S. presidents politically. The most dramatic were the Camp David peace accords, the tearing down of the Berlin Wall and collapse of communism, and the Persian Gulf War. Both presidents who presided over these momentous events were defeated in the next election.

And, as Democratic pollster Celinda Lake notes, more than Jimmy Carter or George Bush, Bill Clinton was elected to pay attention to domestic issues. Already there is a simmering fight at the White House between the health care boosters (Hillary Clinton and the political advisers) and the North American Free Trade Agreement proponents (administration heavyweights Lloyd Bentsen, Warren Christopher, Bob Rubin and David Gergen) over which should be the president's priority. The answer is they both must be. But with two huge, controversial initiatives, the president will have precious little time or energy to bring peace between Israel and the Arabs.

Thus, for all of Monday's euphoria, the

Middle East is not a political winner for the president.

Certainly Secretary of State Warren Christopher is an immensely capable lawyer-negotiator; under any arrangement, the secretary of state would oversee the process. But there are questions whether he's the right person for this relentlessly arduous day-to-day task.

More important, Secretary Christopher hopes to play a major role on behalf of Nafta in the short run and focus on Asian

Albert R. Hunt's column, "Politics & People," begins today. Mr. Hunt is executive Washington editor of *The Wall Street Journal* and moderator of CNN's "Capital Gang." Since joining the *Journal* in 1965, he has worked as a reporter in New York, Boston and Washington and just completed 10 years as the paper's Washington bureau chief. His column will appear in this space every Thursday.



policy in the longer run; these hopes would have to be sidetracked if most of his time is devoted to the Middle East.

Another possible special envoy would be Jim Baker. But this White House, David Gergen aside, doesn't trust the former Republican secretary of state.

To be sure, Mr. Carter has some decided negatives: He can say very undiplomatic things and in some circles in both Israel and here he's remembered mainly as a weak president.

He was. But he's a great ex-president, dashing around the world helping to promote democracy and free elections in var-

ious countries and mediating serious disputes in others. Indeed, he and Richard Nixon are the two best former presidents of the past quarter century. Mr. Nixon, of course, is now too old for any special assignments and always lacked the moral authority. Mr. Carter is a very vigorous 68-year-old and has moral authority in abundance.

Would he do it? Of course. With a keen sense of religious history—not to mention a desire to rehabilitate his reputation further—he couldn't say no to a Clinton request. (Actually, using President Carter in this type of role was considered by the president-elect during the transition last year.)

At minimum, Mr. Carter could oversee the elections in Gaza and the West Bank. More broadly, though, he might be the perfect broker for the Syrian issue. President Hafez Assad certainly will want to play an inside power game in any negotiations. But Jimmy Carter has a long and good relationship with the Syrian dictator, and with the prestige of being a former president he would have sufficient standing to convince Mr. Assad that he's a formidable surrogate for President Clinton.

But none of this would work if Mr. Carter is unacceptable to the Israelis who would prefer the president or secretary of state for any major role. Clearly if the hard-line Likud government were still in power this would be a nonstarter; it also would draw criticism from right-wing pro-Israel supporters in the U.S. who consider Mr. Carter a naive Arabist. And in the late 1970s, Yitzhak Rabin, now the Israeli prime minister, and Jimmy Carter didn't hit it off.

But Likud no longer is in power, and the courageous Israeli prime minister has already displayed remarkable flexibility for an old warrior. Indeed, it's unthinkable that the Israelis could talk about trusting Yasser Arafat and not Jimmy Carter.

THE PRESIDENT HAS SEEN 9/20

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The Humanitarian Illusion ✓

By Caleb Carr

THE NEW YORK TIMES, THURSDAY, SEPTEMBER 16, 1993

Gen. Mohammed Farah Aidid again showed he would stop at nothing when he sent women and children amid his henchmen into Mogadishu streets to attack members of the United Nations force last week.

The U.N. troops, faced with a physical threat that overrode complex moral considerations, fired back, killing perhaps 100 civilians and moving the troubled U.N. intervention in Somalia to the brink of disaster. And yesterday Somali gunmen shot and killed two Italian soldiers.

Only two routes offer hope of changing the deplorable status quo: increased control by the military forces or speedy withdrawal. As always, the United States will lead the way in making this choice; its decision will have enormous implications for U.S. policy in other parts of the world.

The U.S. and U.N. entered Somalia believing they could direct the combat troops to ignore the political situation and pursue an extra-military — that is, extra-political — end: the distribution of humanitarian aid.

The U.N. forces established famine as the enemy, not the gangs of such warlords as General Aidid and Gen. Mohammed Said Hersi, who is also known as General Morgan. The coalition was unwilling or unable to recognize that famine in Somalia is not a natural disaster; it is a policy orchestrated by the clan leaders to preserve their power and to destroy Somalis who will not join their sides.

Recognition of this fact came too late in the international effort, and acknowledgment of its implications is proving just as tardy. We now hunt General Aidid like the criminal he has always been; yet our delay in beginning that hunt, and our willingness to seat him and the other gang leaders at an internationally sanctioned peace conference in Addis Ababa earlier this year, have given him the time, media attention and the setting in which to portray himself as a legitimate leader.

Seizing Generals Aidid and Morgan and other gang leaders and disarming their followers should have been the first order of business. If our troops are to stay, we should pursue that goal more aggressively. If famine remains the enemy, its agents must be quickly and severely stopped.

Many in the West are uncomfortable with such an approach, echoing General Aidid's inevitable claim that it amounts to colonialism. That may be so, but it is also the only cure for Somalia's ills. Proof is evident all over the country, notably in towns like Baardheere, where marines quickly established a weapons-free zone, neutralized the gangs and helped the citizens rebuild their lives. This is colonialism, no doubt — but, after all, the local leaders were the agents of famine and disease.

Should the U.N. troops leave Somalia now, we can expect man-made disasters to return in full force. Retreat would be a practical choice. But we ought to acknowledge honestly where retreat would lead. U.S. and U.N. lead-

ers seem unwilling to abandon Somalia to such a fate. The military seems to be increasing its efforts to disarm the gangs and to jail leaders who, like General Aidid, obstruct the path to an effective solution to Somalia's troubles.

The U.N. leadership is not swayed by their accusations of imperialism. If the multinational force moves with heightened vigor, Somalia could be a U.N. protectorate within the year. Freed from the fighting, U.N. officials could see whether there are leaders who care more about Somalis than personal power. If not, the protectorate status would have to be extended until such leaders emerged. That might take months — or years. Are all the countries in the U.N. force ready for such a delay and commitment? Domestic signals indicate that they may not be — and the conclusion of these debates, most importantly the one getting under way in Washington, will be crucial.

For the consequences of Somalia extend far beyond the fate of that nation and beyond troubled Africa. In U.S. foreign policy, they encompass the long overdue recognition that military intervention cannot be nonpolitical.

If we send U.S. and U.N. forces abroad because of a humanitarian crisis, we will come into conflict with political leaders who are not capably addressing that crisis or are abetting it. Before going in, we must determine the legitimacy of those leaders and whether we are prepared to remove them.

Such a policy shift would have regional implications, not only in the developing world but more importantly in the former Yugoslavia. The Bosnian-Serb-Croat conflict is not a natural disaster or a humanitarian crisis. It is a crude display of power politics that drags on because the factional leaders and their followers care more about winning than showing mercy to innocent civilians.

In deciding whether or not to intervene in any way in that conflict, we must ask ourselves questions we did not grapple with before the start of the Somali expedition: Do we accept the

For there may be no leaders who truly believe in peace and compromise in Bosnia, Croatia and Serbia, and it may take generations to foster such changes. The alternative, of course, is to stay out of the fight — a course that dooms many civilians to violent death and the rest to an almost medieval way of life.

Gen. Colin L. Powell was thus quite right to say that if we withdrew from Somalia, our chances of creating any true new world order would be severely diminished. Yet if we backed down from the responsibility of creating a full-scale U.N. protectorate, withdrawal would be the only sensible, workable solution that remained.

There is no middle road in such conflicts, as we saw in the largely symbolic airlift of medical supplies to Bosnia earlier this year, and as the stalemate in Somalia continues to demonstrate.

If we enter the fray, we become political players. Any attempt to portray a political conflict as a humanitarian crisis is simply sidestepping the terrible choice before us. □

The choice in Somalia: Pull out or dig in deeper.

legitimacy of the leaders of the conflict? Do we believe that the ethnic and religious basis of their dispute is valid grounds for war and slaughter?

If not, we must be prepared, should we choose military intervention, to arrest all such leaders, disarm their followers and create a U.N. protectorate whose term may be far longer than that in Somalia.

Caleb Carr is author of "The Devil Soldier." This is adapted from an article that appears in the fall issue of the *World Policy Journal*.

THE PRESIDENT HAS SEEN 9/20

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persuasive
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Small-Business Group in No Mood to Relent on Opposition to Health Plan

By STEVEN GREENHOUSE

Special to The New York Times

WASHINGTON, Sept. 16 — More than any other lobbying group, the National Federation of Independent Business, the nation's largest organization of small businesses, has been a thorn in the President's side.

Every step of the way, it has battled his legislative agenda and bedeviled his efforts to sell himself as the best friend small business ever had, as someone who champions the millions of mom-and-pop companies at the heart of the American dream.

The 610,000-member federation fought his family leave bill. It lambasted his budget package as an out-of-control tax-and-spend plan. It is trying to squelch talk of raising the minimum wage. And now it is planning its biggest offensive, an all-out assault to kill the health care plan. Many of its members see the plan as a mortal threat, fearing they will be strangled if they are required to provide health insurance to their workers.

"We checked the Constitution, and we don't see where it gives you the right to universal health insurance," said Jack Faris, the federation's silver-haired, acid-tongued president. "The Constitution says we have the right to life, liberty and the pursuit of happiness. That's what small business is about. Well, this is reducing our pursuit of happiness. Every time we turn around, someone in the Federal Government is telling us we have to pay more. We want health care reform, but we want to make sure that the medicine given to the patient doesn't kill the patient."

Painful Medicine

The federation, with its \$65 million-a-year budget, is confident that it can at least defeat the mandate for employers to furnish health insurance.

The group has already gained a great deal of publicity for its study that contended that the mandate would cost more than one million jobs — a contention that some Republicans have made clear will be a central argument against the President's plan. Now, from its spic-and-span headquarters a half-mile from Capitol Hill, the federation is preparing to urge its members to flood the capital with phone calls and post cards. It also plans to warn lawmakers that supporting the mandate will be remembered — a none-too-veiled threat that the federation's political action

Special Pleadings

A periodic look at lobbying.

committee, which spent \$300,000 in the last campaign, might oppose them at election time.

Concentrating its energies in smaller states, the federation's money and members are credited with playing a major role in the election of several conservative Republicans, including Senator Slade Gorton, a Washington Republican, and Senator Hank Brown, a Colorado Republican. Sometimes it even helps conservative Democrats.

Hard-Line Approach

In many ways, the federation takes a Nancy Reagan approach to lobbying: Just say no. It likes inflammatory oratory and playing rough, including negative campaigns against incumbents.

Other small-business organizations, like most lobbying groups, prefer to moderate their views in the hope of getting a chance to work quietly in private to at least cushion the impact of policies they dislike. Most of the smaller small-business groups also oppose the employer mandate but without the federation's vehemence. The Chamber of Commerce, however, which has 215,000 members, most of them small businesses, says all employers should be required to share in the burden of providing health care.

The federation eschews the friendly approach. "We're not going to make our decisions just to get invited to lunch at the White House or to a meeting in the Oval Office," Mr. Faris said, his voice dripping with disdain for lobbyists who soft-pedal their complaints in their quest for access.

Eager to show it was listening to small business, the Administration responded to such private pleas to soften the blow of employer mandate. In the original form, the mandate could have added 20 percent to yearly payroll costs at some small businesses. But the Administration now plans to phase in the mandate over several years and to provide subsidies, and it says the bill for health insurance would be no more than 3.5 percent of a small-business payroll. The fed-



Marty Katz for The New York Times

"We checked the Constitution, and we don't see where it gives you the right to universal health insurance," said Jack Faris, the president of the National Federation of Independent Business.

eration, however, had its usual, incendiary reaction.

"No matter how you try to sweeten the taste, arsenic is arsenic," Mr. Faris said. "As for the phase-in, that gives small business a choice: I can drown today or drown in five

years. All you're giving me is time to prepare for my funeral."

Mr. Faris, who used to be executive director of the Republican Party's finance committee, said his uncompromising stance merely reflected his members' views — usually hard-right, free-enterprise-über-alles. The federation polls its members every two months and says 85 percent of its members oppose an employer mandate.

To some other business groups, much of the federation's oratory is grandstanding. Mr. Faris certainly recognizes that standing tall pleases his members and helps recruit new ones. (Annual dues run from \$95 to \$1,000.)

"I give them credit for not compromising their values and going along with Clinton's unacceptable policies," said Mark Overholt, a federation member who owns Tiger General, a 20-employee machinery repair shop in Medina, Ohio. "I give the N.F.I.B. a lot of credit for hanging tough."

Style That Gets Results

Federation officials assert that their Rambo style gets results, although its huge membership and large political action committee would make it hard to ignore no matter what its approach. A major part of its appeal is that it taps into the myth that America is a land of Horatio Algers, of hardware stores and soda fountains.

The federation has had some impressive successes. Although the family leave bill was enacted this year, its lobbyists helped to persuade Congress to cut the leaves to half the length originally proposed. Its lobbying also persuaded Congress not to require small companies to complete bothersome mileage logs that the I.R.S. wanted for every trip.

But, not surprisingly, its uncompromising rhetoric has also alienated many members of Congress and the Administration, and has occasionally backfired.

Several lawmakers said the federation's hard-line, hard-headed behavior was a major reason the Senate Finance Committee deleted most goodies for small business from the President's budget package. Not only did some committee Democrats want to punish the federation, but they saw little political logic in preserving small-business incentives when the federation was going to skewer the package anyway. (Hoping to keep other,

friendlier small business organizations on board, the House and the White House put many of those incentives back in.)

"If you pick the wrong time to be hard-line you can be shut out or you can face retribution," said Jack Rennie, chairman of National Small Business United, a more moderate business group, which, unlike the federation, was favorably disposed to the President's budget plan.

There is no love lost between the federation and the Administration. Carefully measuring her words, Alexis Herman, the White House's director of public liaison, said: "Often times they present their point of view in a more personal way than on the issues. We recognize there will be some agreement and disagreement. I have to believe that at some point we will find some issues we can collaborate on." (The federation finally had a few kind words for the Administration's plan to streamline government.)

Partisan Motives Seen

Many Democrats laugh when the federation calls itself nonpartisan. "The N.F.I.B. usually takes extremely right-wing conservative Republican positions," said John LaFalce, the New York Democrat who is chairman of the House Small Business Committee. "They're not just against an increase in the minimum wage. They're against having a minimum wage altogether."

Another Democrat, Pete Stark of California, said figures from recent membership surveys displayed a selfish world view. Its members voted for allowing the self-employed to deduct all of their health care premiums but opposed requiring employers to arrange for health insurance coverage, even if their employees pay 100 percent of the premiums.

"They want 100 percent deductibility for themselves, but they won't do a darn thing for their employees," said Mr. Stark, who is chairman of the House Ways and Means Committee subcommittee on health. "I have been criticized for suggesting they're selfish. It's beyond that. They have no social conscience."

The federation sees itself differently. John Motley, its chief lobbyist, said, "We always find that taking a fairly hard-line position means our membership gets the best deal possible."

H - This can be used at proper time perhaps - B

THE PRESIDENT HAS SEEN 9/20

FILE

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Stephen S. Rosenfeld

Oslo's Quiet Lesson

In dealing with Norway, the parties could try and fail in relative obscurity.

Norwegian diplomacy made a crucial contribution in setting up secret Israeli-Palestinian talks and, beyond that, in steering those talks toward agreement. In all the celebration of Mideast peacemaking, however, the assumption seems to be that the facilitating and mediating role of the small, independent Norways is over. Is it? The question bears centrally on how the peace process had best now proceed.

It had become almost an article of faith that only a vigorous American role could induce suspicious Israelis and Palestinians to make, to the United States, the necessary concessions that they could not make to each other. The well-publicized onset of Secretary of State Warren Christopher's direct personal involvement earlier in the summer had been widely and positively taken as confirmation of U.S. seriousness as well as American essentiality.

It is so that the unique superpower status of the United States makes it the dominant actor, by acts forgone if not always by acts committed, even when its visible role is subdued.

At the cutting edge of day-to-day policy initiative, nonetheless, there is room for play. This we all could see, looking backward, when Norway's part in the yearlong back-channel Mideast negotiations was finally revealed.

At first the common impression—my impression—was that the Norwegians had by some quirk of circumstance found their way to a gambit that by chance and good fortune happened to pay off.

But then it became clear that the Norwegians had given us all a lesson in practical statesmanship. Their access and their acceptance came not from chance or intrusiveness but from the protracted deliberate cultivation of contacts and the building of credibility with Israel's Labor Party (by Norway's Labor government) as well as with Palestinians (through Norway's work in humanitarian relief and peace-keeping). One can guess that Nordic Norway's evident disinterest in a particular Mideast outcome helped make Oslo palatable as a regional go-between. This is on top of the deft professionalism of Foreign Minister Johan Jorgen Holst and his aides. They brought into the same room, and the same texts, the two most distrustful parties in the world.

I suspect there was a further consideration. In dealing with Norway, the parties could try and fail in

relative obscurity and without all the drama, weight and publicity that attend American participation in regional diplomacy. If the exercise failed in Norway, it wouldn't be the end of the world.

The progress may also reflect the change that inevitably comes over a negotiation between two small fry when a big shot—a parent, a boss, a superpower—joins the struggle. The small fry can hardly avoid shifting some of their focus from negotiating with each other to seeking the big shot's favor.

Some of that familiar and reflexive turning to Washington is bound to be not only unavoidable but useful as events move on. We Americans have our strategic and economic interests. We have, still, the horses, including money and a military and a diplomatic service practiced in evenhandedness. We have a president who, especially after the Rabin-Arafat extravaganza and with all his emphasis on domestic affairs, is now plainly tempted by high-wire Mideast engagement.

But what intrigues me is whether Israelis and Palestinians may not feel psychologically liberated by their success in hammering out, practically by themselves, the path-breaking accords on mutual recognition and first-stage Palestinian self-rule. The parties regularly claim to speak, after all, in the name of carving out their own national destinies. Given the fact and habit of their dependency, they may remain profoundly ambivalent about practicing the independence they profess. But as they seek to consolidate their breakthrough, it may no longer be so certain that the two will need the inevitably loud voice and large weight of the United States every step of the way.

If this is so, then Washington will want to prepare to stay a bit removed from some of the parties' proceedings. Norway or some other appropriate world citizen might still offer a hand. This might trouble some Americans, and not just for reasons of pride: The United States has reason to be involved in the making of any large and risky Mideast settlement it will be called upon to underwrite. Already Clinton has been jumped by critics citing the secret Norway talks as evidence of his irrelevance or ineptness. The right response is that Middle East peace come first.

THE FEDERAL DIARY

Waiting for Buyouts

By Mike Causey
Washington Post Staff Writer

Turnover is at a record low and promotions are on hold as anxious federal workers of all ages wait to see if Uncle Sam is going to pay them to quit their jobs early or retire from government service.

The Clinton administration wants to trim 252,000 jobs over the next few years and will ask Congress to let all federal agencies offer buyouts to at least 100,000 workers from now to April. A payment would equal an employee's severance benefit—which could be as much as one year's pay for longtime workers—or \$25,000, whichever amount is smaller.

Agencies, not employees, will decide who gets buyouts, which could begin next month.

Buyouts could in some cases accompany the standard early-retirement option for those at age 50 with 20 years of service or any age with 25 years.

In some cases, young workers will be offered buyouts to quit. In others, buyouts will go to workers if they take early or regular retirement.

Tomorrow at 9 a.m. on WUST radio (1120 AM), retirement specialist John Cooley talks about buyouts, the IRA rollover option for workers who get lump-sum payments (it does not apply to buyouts) and annual leave payments for senior executives.

At 10 a.m. on the program, lawyers Bill Bransford and Debra Roth talk about the impact of proposals to "reinvent government" on the federal personnel system.

Health Premiums

Many federal health plans are lowering 1994 premiums.

Yesterday's Diary ran the new premiums for fee-for-service plans. Later we will have rates for special plans. Today's listing shows the 1994 biweekly premiums for local health maintenance organizations in the federal health program:

- U.S. Healthcare, single coverage, \$19.41 biweekly, a decrease of \$1.16. Family coverage, \$61.62, down \$28.71.
- Group Health Association,

high option, single coverage, \$32.08, down \$1; high option family, \$93.45, unchanged; single standard coverage, \$15.55, up 34 cents; and family, \$38.33, down 4 cents.

- Principal HealthCare of Mid-Atlantic, single, \$18.68, down \$10.64; family, \$45.77, down \$44.35.

- Kaiser Permanente, single, \$18.96, up \$1.17; and family, \$54.12, up \$3.43.

- George Washington University plan, single high, \$35.42, up \$5.33; family, \$76.36, up \$11.48; single standard, \$18.35, up 60 cents; family, \$39.18, up \$1.10.

- Prudential Health Plan, Mid-Atlantic, single, \$19.03, up 69 cents; family, \$56.43, up \$6.69.

- HealthPlus, single high, \$21.33, up 16 cents; family, \$59.06, down 39 cents; single standard, \$16.12, up \$1.28; family, \$37.88, up \$2.99.

- MD IPA, single, \$18.72, up \$1.22; family, \$70.17, up \$11.99.

- CareFirst, single, \$23.33, up \$4.72; family, \$60.04, up \$2.36.

- Aetna Mid-Atlantic, single, \$17.75, up \$1.65; family, \$45.79, up \$3.99.

- HealthKeepers, single \$28.20, up \$6.92; family, \$122.88, up \$24.20.

- Kaiser Permanente in the Baltimore area, single, \$18.08, up \$1.32; family, \$47.74, up \$2.13.

- HealthPlus in Baltimore, single high option, \$19.49, up 14 cents; family, \$45.81, up 33 cents; single standard, \$14.74, up \$1.16; family, \$34.65, up \$2.74.

- Columbia Medical Plan, single, \$20.78, up \$2.27; family, \$74.73, up \$14.39.

- Chesapeake Health Plan, single, \$17.81, up 77 cents; family, \$49.60, up \$3.82.

- Prudential in central Maryland, single, \$18.27, up \$1.73; family, \$48.55, up \$5.59.

- Potomac Health, \$21.77, up \$1.60; family, \$67.62, down \$2.60.

- Free State Health Plan, single, \$27.37, up \$7.68; family, \$72.15 down \$1.09.

- The new Chesapeake Plan in Prince George's County, single, \$19.33; and family, \$65.94.

NAFTA Case Doesn't Hold Water

Washington — Ronald Reagan couldn't join the other ex-presidents at the White House ceremony for the North American Free Trade Agreement. So President Bill Clinton played him.

Clinton gave a classic Reagan performance, a stirring speech in defense of free trade, filled with that familiar Reagan optimism, that fighting American spirit, those soothing words — and those Reaganesque fishy numbers, misstatements and wishful thoughts.

"I believe NAFTA will create a million jobs," Clinton told the American people.

Later, an aide said the president had misspoken. Once job losses are included, NAFTA would create a net gain of as few as 35,000 new jobs, spread over several years.

Right away, this becomes totally incredible. These people can't predict a budget deficit, over which they have some control, to within \$100 billion a year. Yet they pretend to predict job creation by U.S. private industry with an accuracy of plus or minus 0.05 percent — 35,000 jobs in a total labor market of more than 100 million. Fat chance.

"Most Americans don't know this," Clinton said. "That the average Mexican citizen — even though wages are much lower in Mexico — the average Mexican citizen is now spending \$450 per year per person to buy American goods. That is more than the average Japanese, the average German or the average Canadian buys, more than the average German, Swiss, and Italian citizens put together."

Most Americans don't know this because it's not true. First of all, there is no such thing as the "average Mexican citizen." The top 10 percent of Mexicans can buy whatever they want, and the

bottom 90 percent can afford little beyond bare necessities.

When a country is so polarized into the very rich and the very poor, averages mean nothing. If Mrs. Carlos Salinas, the Mexican president's wife, buys a \$100,000 fur coat at Neiman-Marcus in Dallas and a Mexican peasant buys a stick of Wrigley's chewing gum in Tampico, they have spent an "average" of \$50,000 on American goods. Tell it to the president.



Lars-Erik Nelson

Clinton got this deceptive statistic as follows: The Commerce Department took the entire value of all U.S. exports to Mexico — \$40 billion a year — and divided it by 90 million Mexicans.

That kind of simple-minded arithmetic conceals another cruel reality: When Smith-Corona shuts down its typewriter plant in New York State and ships its manufacturing equipment to Mexico — killing the jobs of its 770 workers — that export is counted as part of the \$40 billion of "American goods" purchased by the "average Mexican citizen." Tell that to that Mexican peasant, too.

To add insult to injury, the Commerce Department plays another game with arithmetic: Say an American plant moves to Mexico, killing 1,000 jobs, but it continues to buy American parts. Those parts suddenly become "exports." And for every \$1 billion of such "exports," the Commerce Department attributes 20,000 new jobs — even though in fact no new jobs have been created.

We are not finished. If NAFTA is approved, Clinton promised, American businesses will not flock to Mexico in search of low-wage labor. "Business" do not choose to locate based solely on wages," Clinton said on TV. "If they did, Haiti and Bangladesh would have the largest number of manu-

facturing jobs in the world."

My television set has the best rebuttal to that. It says, "Made in Singapore." Businesses flock there because of low wages.

This is something David Ricardo, the 19th-Century British economist still worshiped by free-traders, never foresaw: Businessmen setting up shop overseas. He believed that "most men of property . . . [would] be satisfied with a low rate of profits in their own country rather than seek a more advantageous employment of their wealth in foreign nations." In fact, U.S. businesses go anywhere in the world in search of cheaper production costs. Free trade makes no allowance for patriotism.

And there is NAFTA's fatal flaw: America currently has a corporate culture that focuses on short-term profits by cutting costs, laying off workers, shutting down plants. The enemy is not Mexico and it is not free trade; it is our own companies, ready to shut down a plant and destroy a community for the sake of short-term corporate profit.

It gives me no pleasure to embarrass the president on these facts. But these are not minor quibbles. A president's promise to the American people that NAFTA will create a million new jobs is not just a throwaway line to be corrected later by an anonymous aide. It is central to the debate.

Therefore, the question must be put to the president: If you now know that NAFTA might create 35,000 jobs instead of 1 million; if you knew that your statistics on exports, Mexican consumption, corporate relocations and the like were phony, would you still tell the American people that NAFTA is in their interests?

"And if so, why? Because the reasons you gave the first time don't hold water."

Reich: NAFTA Fate Doubtful, Page 45

Geiger/65
Shut down
Clinton tower

and Geiger
to learn on
their

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Many Britons Unfazed by Killings

By Timothy Harper

SPECIAL CORRESPONDENT

London — Leonard Butt put down a pint of bitter and grimaced at the headlines splashed across the tabloid newspapers living on the bar of a north London pub.

"Shot Like A Dog" and "Come To Sunny Florida And Be Murdered For Absolutely Nothing" and "Gunned Down Like Animals: Florida No-GO Alert As Brit Is Murdered," they read.

"Yes, Florida can be a dangerous place to go on holiday, but so can France," said Butt, who has taken five vacations in Miami during the past

Few Alter Plans, Page 43

nine years. "No, I'll definitely go back, probably next year."

While the latest attack on foreign tourists in Florida was the top story of the day for the British press, travel agencies were not getting that rash of flight cancellations that some newspapers had been predicting. Even the father of the latest victim, who had some harsh words about American society, refused to endorse a Florida boycott.

"The U.S. is a sick country. There must be something they can do to change things there," said Terry Colley, 57, whose son, Gary, 34, died when he and his girlfriend Margaret Ann Jagger, 35, who was injured, were shot by would-be robbers at a rest area off a northern Florida highway.

"It is up to the U.S. authorities to do something," added the elder Colley of Brighouse, West Yorkshire in northern England. "They are expressing concern . . . but I would like to see them doing more to protect the British and any other foreign tourists."

Some travel agencies and airlines reported scattered last-minute cancellations by people who had been planning to fly to Florida this week, but most said it would take months to determine whether there would be any significant drop in the estimated 800,000 Britons expected to visit the state this winter.

"We don't think people who have already booked will cancel, but it will probably make a difference to future



Fatal attack on British tourists is front page news in London

bookings," said a spokesman for Thomson, a tour operator that arranged 100,000 Florida vacation packages for Britons last year.

British Airways, Virgin Atlantic airlines and several major London tour operators said they were considering rescheduling their usual nighttime-arriving flights so that travelers could disembark during daylight hours

Part of going to the States is learning the things that help avoid trouble, warned Butt, a retired maintenance engineer, who travels frequently.

"If I got into a traffic accident in Europe, I might argue with the other driver. But not in America. In Europe the worst that happens is that you get punched in the nose. In America there's a chance you'll get a gun pulled on you."

Town Focus Of Probe

Continued News Service

Monticello, Fla. — Police began questioning youths with criminal records in this northern Florida town yesterday in the search for the attackers who shot and killed a British tourist and wounded his girlfriend at a rest stop on Interstate 10 near here.

The killing Tuesday of Gary Colley, 34, was the ninth murder of a foreign tourist in Florida during the past year — and the second in less than a week.

Colley's long-time companion, Margaret Ann Jagger, survived with minor

Please see TOURIST on Page 41

Police Focus on Small Town

A federal grant to expand Florida's violent crime task force.

"We have to turn our outrage into determination," Chiles said. "Violence and brutality have no welcome mat in Florida."

Police also said they hoped a toll-free telephone number would continue to attract tips from the public. The state has offered a \$10,000 reward for information leading to a conviction in the crime.

Florida ranks first among the 50 American states in violent crime, according to the FBI. The state had 1,184 violent crimes for every 100,000 people in 1991, putting it ahead of New York, California and Illinois.

Fortune said detectives were searching for two black youths, described as slender and between the ages of 16 and 20. Police believe there might also have been a third suspect who drove the getaway car.

Investigators believed the suspects were most likely residents of the area and planned to question between 60 and 100 black young men with criminal records.

"This car was stolen locally, it was abandoned locally, so I think we have to start our search locally," Fortune said.

The shootings just outside the state capital ignited demands for greater security for the 40 million tourists who visit Florida annually.

Gov. Lawton Chiles ordered security stepped up at the state's 80 highway rest stops and tourist information centers in response to the international focus over the shootings.

Chiles deployed 640 auxiliary officers from the Florida Highway Patrol, Game and Fresh Water Fish Commission and Marine Patrol to help patrol the state's interstate highway rest areas. The officers have law enforcement powers as long as they remain in contact with police.

State officials said they would post signs near highway rest stops advising motorists that the stops are patrolled by armed security agents. Private guards eventually will replace police at the rest stops.

The state also was exploring the possibility of hiring private security for a permanent 24-hour presence at the stops.

Colley, a truck driver from Widen in northern England, was shot in the neck when he tried to back his car out of the rest stop lot early Tuesday after having been awakened by gunfire thumping on the car windows. Jagger, 35, who works for Britain's Social Security Department, also was shot. She was treated at a hospital and released.

Friends and relatives in Britain said the two had lived together 12 years and had traveled the world. "They know lots of people in America. It's a very streetwise and has driven before in the United States," said Steven Colley, the slain man's brother, who thought it unusual that Gary tried to drive away. "It'd be the first, I challenged and given a chance, to say to them, 'Take the money.'"

Although police said it appeared Colley's killers were unaware he and Jagger were foreign tourists, the state suspended all tourist advertising for Florida — at home and abroad — for fear it would draw attention to the problem.

"There's no point hunting if the ducks ain't flying. Why run ads when people aren't going to be coming?" said Bruce Turkel, whose agency has been chosen for Miami's next tourism promotion.

Chiles said he would ask President Bill Clinton for

President Without a Pundit

Even Left-Leaning Columnists Aren't Coming to the Rescue

By Howard Kurtz
Washington Post Staff Writer

The latest media spin on President Clinton has been typically downbeat: He has overloaded his fall agenda, botched the selling of the free trade agreement, lost control of the debate on health care reform.

Even the Middle East peace agreement has been dismissed as a lucky break that won't give Clinton a boost. "It will take more than a South Lawn signing ceremony, complete with certain plaudits for Clinton's role, to remove doubts about his administration's competence in foreign policy," Newsweek sniffed this week.

It's at times like this that a president needs a few

friendly pundits to sail against the prevailing winds, making the case for a beleaguered White House. But even the liberal columnists and commentators who might be expected to rally behind a Democratic president are still skewering this one.

In tones ranging from disappointment to outright betrayal, they have repeatedly assailed Clinton for timidity, incompetence and lack of direction. To wit:

"The president hasn't made a coherent, consistent argument in support of his new spending programs. . . . He hasn't seemed personally trustworthy. . . . The real fear is of a softness at the core of the man," says columnist Joe Klein in a recent Newsweek.

"There is something profoundly wrong with Bill

See PUNDITS, D2, Col. 1

The Punditocracy & Clinton

PUNDITS, From D1

Clinton's presidency. . . . People who voted for it are wondering whether it can be saved," Anthony Lewis says in the New York Times.

"The president prattles on in a way that makes him appear less than presidential. . . . Clearly he has recruited a bunch of earnest amateurs. . . . Clinton has something of a Bush problem," says Richard Cohen in The Washington Post.

Ironically, Clinton's problem with the punditocracy is the mirror image of George Bush's abandonment by such conservative columnists as George Will, Robert Novak and William Safire. In both cases, the lack of an ideological base in the media has added to the sense of a president under siege, for while pundits may not wield vast influence with the general public, they often help set a tone for media coverage, particularly on such complex issues as health care and the North American Free Trade Agreement. Their digs and gibes have a way of hardening into conventional wisdom.

Although Clinton has held barbecues for the White House press and invited selected columnists to lunch or dinner, he spends little time stroking members of the pontificating class. One exception came last weekend, when Clinton gave exclusive interviews on the Middle East to Safire and Thomas L. Friedman of the New York Times and Jim Hoagland of The Post.

"There's nobody that has the relationship at the Clinton White House that George Will had at the Reagan White House, or a half dozen people had at the Kennedy White House," says Fred Barnes, who covers Clinton for the New Republic. "Liberals are particularly unforgiving, and Clinton has let them down."

Klein, who writes from the neo-liberal wing,

says he held Clinton "in the highest esteem" before last year's presidential campaign because the Arkansas governor appeared to share his views on personal responsibility, welfare reform and the corrosive effects of public employee unions.

"For years I've been talking about the negative impact the teachers' unions have had on efforts to save public education," Klein says. "One of the first conversations I ever had with Clinton was about education, when he said he agreed with what I wrote. He's been dead silent about that kind of stuff. He hasn't had a thing to say about teenage pregnancy. . . ."

"If he was taking strong stands on those ideas, I'd be cheering for him, because that would be the intellectually honest thing to do. I'm desperate to write favorable things, because readers like it better."

Cohen says he was turned off by the administration's early "ineptness," and he does not discount "the generational thing"—that Clinton, 47, is the same age or younger than many of his chroniclers. But he also blames the "dryness" of such issues as health care reform and reinventing government.

"He hasn't pressed a button that bonds people to the administration," Cohen says. "Ronald Reagan had abortion, strident anti-communism, whacking government to pieces. On the one emotional issue Clinton has faced, gays in the military, he waffled. He struck a compromise which leaves everyone unhappy."

The two voices most sympathetic to Clinton are those of syndicated columnist Michael Kinsley—"I'm the closest thing to a swooner he's got," he says—and Sidney Blumenthal, Washington correspondent for The New Yorker, who has dined at the White House. Both men say Clinton has been hampered by the nature of political journalism.

"The punditocracy is tilted to the right," says Kinsley, co-host of CNN's "Crossfire." "There aren't liberal columnists; those people don't exist. I'm not a hard-core left-winger."

Blumenthal notes that such commentators as Safire and Patrick Buchanan got their start in the Nixon White House, while Will was an aide to a conservative Republican senator. "The liberal writers don't come out of any movement," Blumenthal says. "They don't come to journalism as a second career."

"Conservative columnists for the most part saw themselves as cheerleaders for Reagan, and where they were critical of Reagan, it was because he was untrue to some ideology. Liberalism, by its very nature, is not a consistent or seamless ideology."

What's more, many pundits have grown accustomed to slapping around whoever is in power. "My entire journalistic career has been spent in opposition," Kinsley says. "It's a little hard to switch gears."

One commentator with whom Clinton forged a special relationship was David Gergen, who offered gentle criticism in U.S. News & World Report and on "The MacNeil/Lehrer NewsHour." But while Gergen has improved the president's relations with the press since becoming his counselor in June, he has not cultivated other Gergens who could help disseminate the White House line.

A White House official says that journalists of all ideological stripes are invited to gatherings with Clinton, but that "obviously we speak to our friends with some regularity." This official maintains that the commentary is frequently mixed, citing editorial page support from the Boston Globe, Washington Post and Los Angeles Times.

Perhaps the era when a president could sway the public by whispering in the ear of a few favored writers has simply passed. "It's a much more cynical world, and you don't want to seem like a sucker," Kinsley says.

FRIDAY, SEPTEMBER 17, 1993 THE WASHINGTON POST

Shoreline
Hamilton to Clinton

THE PRESIDENT HAS SEEN 9/20

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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.

THE PRESIDENT HAS SEEN 9/20

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The Unsinkable Molly Raiser

For Clinton's Protocol Chief, This Week's Diplomatic Test Ended a Year of Trials

By Roxanne Roberts
Washington Post Staff Writer

You don't need a well-honed edge of irony to survive in Washington—but it helps.

Consider the last year of Molly Raiser's life. The new chief of protocol had been on the job for a grand total of six weeks when she stepped up to a diplomatic minefield: the signing ceremony of the pact between Israel and the Palestine Liberation Organization, an event of historic proportions and unprecedented complications. And Raiser—obsessive organizer, double-checker, half an hour early for everything—had to pull it together in 72 hours.

But there she was: soothing a dozen foreign ministers and presiding over the formal introductions of Rabin, Peres, Arafat and Abbas to President Clinton. "If you want one word to describe Molly Raiser, it's indomitable," says her old friend Tim Russert.

As protocol chief, she did not officially greet PLO Chairman Yasser Arafat when he arrived in Washington, because he is not a head of state. But at 3 a.m. Monday morning, Raiser was at Andrews Air Force Base when the Israeli airplane touched down.

No crowds, no bands, no flags as she walked up the stairs. The interior lights were still dim, the weary travelers gathering up their belongings.

"Suddenly, in the semi-darkness, there was Prime Minister [Yitzhak] Rabin and Foreign Minister [Shimon] Peres," she says. "It was almost surreal. And I thought to myself, 'This is an incredible place and time to be in history.'"

Truly incredible, if you were Molly Raiser. Because it was exactly one year ago to the day she got this job that her husband and 22-year-old son were killed in a fiery airplane crash.

Chief of protocol. It sounds like a useless veneer tacked onto the real business of international affairs, concerned with seating and titles and who shakes whose hand . . . until handshakes make history.

The job is more than window dressing, less than real power and a highly sought-after position in the administration. The

RAISER, From C1

protocol chief has the ear of the president and all the glamour and ceremony of the White House—planning state dinners, managing visits of heads of state. Protocol also arranges presidential visits overseas, accredits foreign diplomats and handles issues of diplomatic immunity. The protocol chief is appointed by the president; the title of "Ambassador" that comes along with it requires Senate confirmation.

Raiser's confirmation hearing lasted 20 kid-glove minutes, beginning with Sen. Daniel Patrick Moynihan personally introducing his "great dear friend" to the Foreign Relations Committee. "I would like to make the point, of course, that Mrs. Raiser is a very dear friend of the president and Mrs. Clinton, as was her husband, Victor," he said. "And you know of those events, which add a certain urgency and poignancy and a measure of redress for the tragedy of last summer." *Redress*. A careless word from the eloquent senator, but then tragedies render even the most articulate dumb.

This was Washington, in its awkward way, trying to be kind.

Raiser—loyal Democratic fundraiser, charming hostess, Washington insider—had many of the traditional qualifications for chief of protocol. But her accomplishments were overshadowed

by a sticky cloud of compassion and sentimentality—and if there's anything that Raiser hates, it's pathos.

By any measure, she had been a very lucky woman. Happily married to Vic Raiser, a well-respected lawyer, millionaire businessman and longtime Democratic Party fund-raiser, she was a prominent figure herself in political and social circles. Her daughter, Skye, was studying international affairs at Johns Hopkins University; her son, Montgomery, had just graduated from Princeton. They lived in a beautiful home in Georgetown. Life was very good.

In July 1992, the Raisers watched with pride as Bill Clinton accepted his party's nomination for president. Vic, former finance chairman of the Democratic National Committee and co-chairman of Clinton's fund-raising efforts, had finally found a winner. Then Vic and Monty and their best friends left for a fishing trip in Alaska.

The de Havilland Beaver floatplane left Bristol Bay Lodge on the morning of July 30 for a day of fishing in the million-acre Wood-Tikchik State Park. According to an inspector with the National Transportation Safety Board, the pilot misjudged the distance of a narrow valley and crashed into the side of a mountain.

The pilot was the only survivor. Five passengers were burned beyond recognition: Vic, 52, and Monty, 22, along with Alexander Scott, Monty's college roommate, and an Australian retail magnate and his wife. Vic's best friend from Buffalo died a month later.

Raiser was at the family's Montana getaway when she learned of the accident. She flew immediately to Washington, and was swept up with the business of death: flowers, phone calls, friends who descended on her doorstep, getting the bodies from Alaska, decisions about the funerals.

The memorial service at the Washington National Cathedral turned a very private family into public mourners. The Clintons and Gores interrupted the post-convention euphoria to attend; so did most top Democrats in the city. Raiser turned 50 years old the next day, went to her home town of Buffalo for the double funeral, and then came back to start the second half of her life.

It wasn't until later that it hit. "The second and third weeks were something that no person should ever have to live through," she says. There is no trace of self-pity in her voice now. No tears. Resting comfortably on the couch in her Georgetown study, she is the Molly her friends have always known: bright, upbeat, warm and energetic.

But listen carefully and you can detect the unyielding, self-contained core that eschews sentimentality and reserves a portion of herself—the part that sinks into her omnipresent books—for herself.

"She is incredibly strong," says Raiser's mother, Eleanor Millonzi. "She immediately went into the present and the future. She never let the grief destroy her."

Rep. Jane Harman (D-Calif.), an old friend of the couple, says, "There's no question in my mind—whatever that quiet piece of Molly is—that's how she

got through this."

To Raiser, it's very simple. "Do we use this as an excuse and say I cannot do anything else for the rest of my life? Or do you take your life into your own hands again?"

It was others who made it harder. "It was very difficult at first because of the speechlessness of people. That's what I remember. People didn't know what to say."

Friends would phone and begin, "Molly . . ." And then nothing. Silence.

"I decided that I couldn't do this one by one," she says. "I wanted to get it all done so people would understand that the way I am saving myself is to get on with living."

About six weeks after the crash she decided to go to a big meeting for Democratic fund-raisers. She told herself, "I'm going to see 200 of those people. They can say what they want to say and then there'll be an understanding on their part: Okay, we've done this. Now we can move on."

Losing her husband and son gave Raiser an almost serene detachment from the petty politics and obsessive second-guessing of this town.

"We see this in Washington all the time," she says with a sweet, wry smile. "There's great concern about what people think: 'Am I doing the right thing?' Not that I had much to start with, but now I really do not have it. After a year, if someone decides I'm the worst chief of protocol we've ever had, I'll go back and finish my PhD and teach. It's very liberating to have that feeling."

No Stranger to Politics

Molly and Vic Raiser had known the Clintons for years, and in the lonely fall of 1991 threw one of his campaign's first big fund-raisers. On election night, she was in the VIP delegation in Little Rock. Although still reeling from the deaths, Raiser was gently asked in January if she wanted to do something in the administration. But it wasn't until Bruce Lindsey called in May that the protocol post was offered. The president and Mrs. Clinton would like you to consider this, he said.

She thought about it for two days. She had lists, pro and con. On the pro side, her daughter: "I said, 'Mom, you absolutely should do this. You're perfect for it. And maybe I can meet a prince or two.'"

Behind the scenes, there was fierce competition. Elizabeth Bagley, wife of R.J. Reynolds heir Smith Bagley, and Shelia Lawrence, wife of Larry Lawrence, a wealthy California hotel owner—both big party contributors—lobbied for the post. The president reportedly was sent a letter signed by 40 senators in Bagley's behalf. But Raiser was the Clinton's choice.

"Her intelligence, experience, high-energy level and interest in people make her a natural for this job," says the First Lady.

Aside from fluent French, Raiser has no background in international affairs, but that's not unusual among protocol chiefs: Joseph Verner Reed was the only one with extensive diplomatic experience. Lucky Roosevelt, a socially prominent journalist, held the job for seven years, following Leonore Annenberg, wife of Reagan megabuck pal Walter Annenberg.

"I have been basically involved in political and diplomatic—small d—affairs my entire life," says Raiser with a laugh. "I was president of the Student Council and then on every board known to mankind and in the vineyards of the Democratic Party. I think that takes a certain skill."

Mary Eleanor "Molly" Millonzi Raiser got her nerve from her father, an Italian American attorney from Buffalo and big Democratic fundraiser who later served on the Securities and Exchange Commission. Her manners come from her mother, a prominent figure from the rolls of the social register.

Raiser went to a private all-girls school, made her debut, and graduated from the University of Virginia after marrying Vic Raiser, who was a law student there.

Vic—soft-spoken with a quiet sense of humor—was the perfect complement to Molly. The couple quickly became a fixture in Buffalo, especially in Democratic fund-raising. Molly taught school, then went to work for Moynihan. In 1979 the couple moved to Washington, where Vic made millions in a mobile phone and satellite paging business that he later sold to Bell South. In 1988, he raised \$9 million for the Democratic National Committee.

"He had superb judgment," says Raiser. "That's what I miss the most."

When Vic died, Raiser lost her most trusted confidant. Friends speak of the very private side to her—never rude but never fully knowable. "You do not get inside Molly Raiser," says one longtime friend. "She keeps people at a polite arm's length. If you get too close, you get a polite brushoff."

She is an inveterate student and reader: histories, biographies, mysteries in the summer. She took oral exams in December at George Washing-

ton University for a PhD in American urban history.

Better known is the ebullient public side. In Buffalo, she campaigned in bowling alleys and drank long-neck beer, then lunched with senators in Moynihan's Washington office as a special assistant. Name a board and she was probably on it: the Women's Campaign Fund, National Symphony Orchestra, a shelter for runaway teenagers, the American Red Cross, Duke Ellington School of the Arts.

"The remarkable thing about her is that she's capable of communicating with everybody," says Tim Russert, a former Moynihan staffer and now NBC bureau chief here. "That's why when this position came up, I just smiled. Anyone who can contend with all the warring factions of Buffalo politics can succeed in world diplomacy. Buffalo makes Beirut look peaceful."

Mashed Potatoes

The Molly Raiser fan club is, naturally, thrilled about the protocol job.

Regulars of her annual Christmas bash are already dreaming of diplomatic affairs with Raiser's special attention to detail—Russert, for instance, gets a custom-made serving of "the best mashed potatoes in the world" every time he comes to her house. "On the day of announcement, I called and said, 'Does this mean I get mashed potatoes at a state dinner?'"

That's assuming, of course, that there ever actually is a state dinner.

At the very least, she'll fill some of the diplomatic potholes created in the early days of the Clinton administration.

There were ruffled feathers when Spain's King Juan Carlos and Queen Sophia visited this spring and had to beg—diplomatically speaking—for a White House invitation to tea. There were more hurt feelings at the opening of the Holocaust Memorial Museum, when diplomats were left standing at the gates—wet, cold and ignored. And the preference for "working" visits have left ambassadors on the sidelines instead of wined and dined in the East Room.

Protocol is the framework of foreign policy, says Raiser—with one overriding mission: "Basic politeness. Treating people correctly. Creating an atmosphere of comity and civility. There's a lot of times it doesn't happen."

If ever there was a time for civility, it was Monday, when former enemies stood side by side on the South Lawn. Aside from the arrival and not having flags on the podium, the Palestinians were treated "just like anyone else. They were guests in this country," says Raiser.

After meeting the Israeli delegation, she arrived at the White House at 6 a.m. to greet the foreign ministers, check the seating arrangements, double-check the order of limousines arriving at the North Portico, and make sure her staffers at the Southeast Gate admitted every ambassador.

Protocol dictated the meeting in the Blue Room before the ceremony: foreign ministers were the first to enter, then the Palestinians, and lastly the Israelis. "The state arrives last," says Raiser. Then the protocol chief stepped forward to formally introduce Rabin, Peres, Arafat and Abbas to the president. This time it was easy—only four names to memorize. "Four people—three of whom you can say in your sleep—that's not too difficult," she says. "No stumbling over pronunciation there."

There were no gifts exchanged during the visit. The menu at Warren Christopher's State Department luncheon for all the foreign ministers offered two or three different meals to please every guest.

Everything—thank God, Jehovah and Allah—went off without a hitch.

THE PRESIDENT HAS SEEN

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~~Handwritten signature~~ Tony
Rye

→ This is new for me
why?

→ This is new for me
not our fault is it

Many of those who became adults in the late '60s see in Bill Clinton a mirror of their lives—both the good and the bad—because he's...

One of Them

By SARA FRITZ
TIMES STAFF WRITER

To most Americans, Bill Clinton may be just another struggling national leader. But to many who entered adulthood in the political and social tumult of the late 1960s, the 42nd President of the United States is more than that. He is the epitome of the strengths and the weaknesses of their generation.

No matter whether they support him or oppose him, many of the men and women who graduated from college about the same time as Clinton—he got his diploma from Georgetown University in 1968—see their own lives mirrored in the triumphs and travails of the 47-year-old President and his wife, Hillary Rodham Clinton.

To admirers in his generation, Clinton's Administration represents a refreshing watershed in American life—a new beginning under the leadership of a young, Kennedy-esque President who embraces all the good intentions of their era. In their eyes, he is a better leader because he seems genuinely to believe in values they hold dear, including civil rights and equality of the sexes.

"All those things we preached about when we were young and idealistic—he's doing them now," said Diane Steenman, a 1968 graduate of UC Berkeley who lives in Dublin, Ohio, one of dozens of Clinton contemporaries interviewed for this story.

At the same time, many see his performance thus far as a reflection of other characteristics of their generation: a tendency toward naivete, a frequent disregard for the lessons of history and an unshakable belief in the notion that keen minds can overcome any problem.

In the words of author Jesse Kornbluth, who graduated from Harvard in 1968, the Clintons seem to reflect "both the best and the worst of my generation."

"They have a real connection to their youthful idealism. They care about people beyond their nuclear family. And because of their Southern heritage they know black people as individuals."

"The problem is, while they have been exercising their considerable intellectual prowess, others have learned more about the mundane art of management. So the Clintons find themselves in that place where good ideas don't matter and intentions are liabilities," he said.

Because Clinton and his contemporaries came of age at a time of extraordinary campus unrest inspired by the Vietnam War, the civil rights movement, the slayings of Dr. Martin Luther King Jr. and Robert F. Kennedy and a host of social changes, they have always viewed themselves as different.

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That has given them a stronger-than-usual identification with members of their own generation.

"We think of ourselves as special people, those of us who were in the classes of 1967, 1968, 1969 and 1970," said Gene Bishop, a Philadelphia physician and another 1968 graduate.

So strong is the sense of identity that many members of this group feel as though they know the First Couple personally. Typically, one 1968 graduate said: "I know I'd like this guy and I suspect he'd like me."

Indeed, this generational kinship has proved stronger than political ideology in some cases. Charles H. Zimmerman, also Georgetown '68 and now a prominent member of the Kentucky Republican Party, admits he voted for the Democratic nominee because "we have more in common than what divides us."

For those coming of age in the late 1960s, it seemed—in the words of Bob Dylan—"like a flying saucer had landed." Every institution was under siege, every political truth was being challenged, every social norm was suddenly suspect.

Beginning with the Free Speech movement at Berkeley in 1964, students all across the nation were demanding the right to speak out against the Vietnam War, racism, police brutality, old sexual mores and even the educational system.

Resistance to the war touched virtually every campus during that period, as many young men rejected the notion of being drafted into a conflict they viewed as futile or immoral. Their struggle erupted on the streets of Chicago during the 1968 Democratic Convention and culminated in 1970 with the slaying of four students by National Guard troops at Kent State University in Ohio.

Meanwhile, the cry for civil rights in the South fueled the Black Power movement in the North. There was the freedom march from Selma to Montgomery, Ala., the slayings of King and Malcolm X, the rise of the Black Panthers and the rioting in Watts, Newark, N.J.; Detroit and other urban ghettos.

Just as startling was the cultural revolution that accompanied this political upheaval. The drug culture, the sexual revolution, the quest for inner peace—these phenomena were at the heart of the music, the language and the literature of the times. It brought America the Rolling Stones, Jimi Hendrix and Janis Joplin; "The Graduate," "Hair" and, of course, the paramount tribal gathering of the hippie generation: the Woodstock Music & Arts Faire, in Upstate New York in August, 1969.

Even for the vast majority of students who stood on the sidelines, who never joined Students for a Democratic Society or tripped on LSD, their lifestyles were shaped by this counterculture. They may have smoked some marijuana, attended an anti-war rally, visited a commune, tutored an inner-city child, engaged in sex at an earlier age than their parents or worn long hair and tie-dyed clothes.

If few were truly radical or revolutionary, the overwhelming majority—including the Clintons—clearly adopted attitudes toward society, especially government,

that were far different from those of their Depression- and World War II-era parents. And those attitudes and values have left a lasting stamp on them in adulthood.

Historian Arthur Zilversmit, a 1960s expert at Lake Forest College in Illinois, says the people who attended college in those chaotic years shared two characteristics: They were both anti-institutional and anti-historical.

They not only resented what they saw as the tyranny of the institutions created by their elders, he said, but they believed their unique circumstances had emancipated them from strictures of the past.

"The only thing that mattered to them was good intentions," he said. "Purity of heart was everything."

Thus, it is not surprising that what many Clinton contemporaries seem to admire most about him are his good intentions. Even when he stumbles, they tend to give him credit for having his heart in the right place.

At the same time, they think Clinton's good intentions often have been at the core of his political difficulties—that his intense desire to bring about change sometimes has blinded him to political realities.

"The frustration is that having the right instincts is not enough to bring immediate results," said Andrew Tobias, a financial journalist, author and another Clinton contemporary.

For many of Clinton's generation, his campaign call for change is reminiscent of their youthful efforts to reform the government and other institutions they considered unjust and otherwise imperfect. And while most of his peers became part of the Establishment, as Clinton did, they still tend to view the world through the prism of their youthful idealism.

Said Zimmerman: "We believed that all things were possible—all problems were soluble. The lesson Bill Clinton still has not learned is that you cannot accomplish everything at once."

For Joanna Lennon, a 1968 graduate who runs the East Bay Conservation Corps in Berkeley, the people of her generation appear to be demanding two contradictory things from Clinton: "We want him to take moral stances, but we also want him to balance out what he does with what is realistic. It's a Catch-22."

In many ways, that same conflict exists within the people of this generation themselves—a struggle between the values of their youth and the insight that comes from becoming a part of the institutions they once challenged.

Deborah Weisgall, a writer in Lincoln, Mass., who graduated from Harvard in 1968, faults Clinton as a candidate for using 1960s slogans to minimize the obstacles he was certain to face in Washington.

"He talked about sweeping changes,"

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she said. "It was '60s rhetoric. He made us want to believe. I didn't trust his rhetoric. I found it scary."

On the other hand, David Harris, who was 1969 class president at Stanford and served a prison term for draft resisting, sides with those who think Clinton should pay less attention to the obstacles. "My biggest complaint about Clinton is that he hasn't taken any big losses. He seems always to be shooting for the half-assed victory."

The issue of gays in the military is mentioned most often as an example of Clinton's tendency to underestimate political realities.

"I believe he stumbled on that issue because, with our generation, tolerance was our greatest virtue," Zimmerman said. "It caused him to underestimate the reaction of the older generation and institutions to that problem. He showed that, because he was of our generation, he didn't understand."

Conversely, Clinton's decision to withdraw the nomination of C. Lani Guinier as the Justice Department's civil rights chief is widely viewed by his contemporaries as a failure to stand on principle. Because of her controversial views on voting rights for minorities, she was forced to withdraw even before the Senate Judiciary Committee conducted hearings.

"It was political expediency," said Ce-

leste DeBlasis, a 1968 Pomona College graduate and author of historical novels. "I'll be very disappointed if Clinton turns out to be politically expedient, just like all the others."

While they seem to be in a minority, some members of Clinton's generation are reluctant to judge him after six months in office. Judith Hartstone, a writer and book seller on Bainbridge Island, Wash., and a 1969 graduate of UC Berkeley, blames her generation for passing judgment on him too soon.

"We're like people with a remote TV clicker," she said. "We are not willing to let anything develop. That's a sign of our generation. I feel like I want to say: 'Take your hand off the clicker!'"

Clinton's contemporaries said they were not surprised during the campaign when the Democratic nominee was called on to defend his opposition to the Vietnam War. All those interviewed from that era identified the war as the most searing political event in their lives.

"No matter what side you were on, you were profoundly affected by the Vietnam War; it changed your life," said Los Angeles City Councilwoman Jackie Goldberg, a University of California graduate who was studying for a master's degree at the University of Chicago in 1968.

Because Clinton was critical of U.S. foreign policy in those days, Goldberg said

she expects him to be a different kind of international leader. "Having questioned those policies, it opens you up to having a broader view of foreign policy and our role in the world," she said.

But even more than the war, graduates of the late 1960s contend that their personal lives were permanently altered by the women's movement and the sexual revolution. As a result, they can identify with Clinton's confessed marital difficulties and the substantial role his wife plays at the White House.

"Being a business person myself, I'm glad to see him have a partner who he treats as an equal," said Steenman, an executive of a work-force management company. "Her place isn't to be quiet, but to think and question. It's a tremendous gain for us."

Another 1960s motif that Clinton's peers see running through his presidency is the desire to include people of all races and ethnic groups.

"The man's major contribution has been that he wanted a Cabinet that reflected America with blacks and whites, Baptists and Jews, people from cities and small towns," Zimmerman said. "That's a tremendous achievement."

As much as Clinton reflects the values of those who graduated from college in the late 1960s, some see important differences in him.

Frequently, they cite his intense involvement in student government, which was not always popular in the late 1960s. While many of his generation were condemning Presidents Lyndon Johnson and Richard Nixon, they note, Clinton was aspiring to serve in the White House.

Clinton's openness to compromise reminds Harris of the Southerners he encountered in student government at Stanford, whom he recalled "were always looking for a grand compromise" between opponents and supporters of the Vietnam War.

True to their generation, Clinton's peers think his sharp intellect will help him to overcome his early missteps as President.

"The thing we all admire about Clinton is that he is so bright," said Thomas B. Martin, a 1968 graduate of Denison University in Granville, Ohio, where he now directs the school's fund-raising campaigns. "I'm delighted that a Rhodes scholar is President. There is no substitute for brains."

Still, the suspicion is growing among Clinton's peers that he and they may have put too much stock in the value of brainpower, at least as it is measured in academia.

"He shares the notion that if you read hard and study hard you'll do better," said Conn Nugent, a 1968 Harvard graduate and director of environmental programs for the Nathan Cummings Foundation in New York. "It's not necessarily true, but we certainly do believe it."

As Clinton struggles to succeed as President, his contemporaries see in him another trait of their generation that they think may be even more useful than his intellect: persistence.

"Clinton will demonstrate a staying power that reflects those times," Harris said. "If my generation lacked persistence, we might still be at war in Southeast Asia."

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THE PRESIDENT HAS SEEN 9/20

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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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Continued from A6

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,

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

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

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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."

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

September 18, 1993

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MEMORANDUM FOR THE DIRECTOR

FROM: Joseph J. Minarik *JJ*
SUBJECT: Friday Economic and Financial Report

SUMMARY

In 1991, 24 multistate insurance companies, with assets totalling \$44 billion, were taken over by state insurance commissioners. The two biggest failures, Executive Life of California and Mutual Benefit Life of New Jersey, each had about \$14 billion in assets, around 400,000 individual policyholders, and were major writers of investment contracts to pension plans and municipalities.

This month, courts have approved rehabilitation plans for both companies. This Friday Report describes the likely resolution of Executive Life and Mutual Benefit, focusing on where the resources will come from to meet policyholder liabilities and the extent of policy value that will be recovered.

- Mutual Benefit policyholders who keep their policies in force with the successor company will be fully covered as a result of agreements worked out with guaranty associations in 48 states and a consortium of insurance companies, including Metropolitan and Prudential.
- Many Executive Life policyholders will also receive full coverage. On average, individual-type policies with the successor company will receive between 94 and 99 percent of their policy value. Municipalities and pension funds that had multi-million dollar investment contracts will recover around 87 percent on average.

The resources to cover these policies will come from the assets remaining in the insolvent companies, multiyear assessments of insurance companies by the industry-financed guaranty system totalling about \$2-1/4 billion, and guaranties by the consortium of insurance companies.

The private-sector policyholder insurance system was put to the test by these two failures. If their policyholders were not adequately protected, then it would be difficult to retain and attract policyholders at other companies. The absence of policyholder runs recently reflects, in no small part, the industry's success in minimizing the losses of Executive Life and Mutual Benefit policyholders.

Life after Death in the Life Insurance Industry

1991 was a disastrous year for the life insurance industry. Twenty-four firms that operated in two or more states were taken over by regulators. The book value of their assets as of their last annual statement totalled \$44 billion. In contrast, the worst previous year since the Great Depression was 1986, when firms with \$4 billion in assets failed -- most of which was concentrated in Baldwin United.

The two largest failures in 1991 were Executive Life of California and Mutual Benefit Life in New Jersey. Resolving these insolvencies was the greatest challenge ever to the industry's long-standing policy to "bury its own." Failure to make good on the bulk of these companies' promises to policyholders would shake, if not destroy, the trust on which the industry depends. This did not come to pass. The sharp reduction in the number and size of firms taken over by regulators since 1991 and the absence of policyholder runs attest to the fact that a healthier insurance industry has restored policyholders' faith.

Multistate Life Insurance Failures		
	<u>Number</u>	<u>Assets*</u> \$ Millions
1986	6	3,999
1987	9	88
1988	6	51
1989	27	1,367
1990	18	1,005
1991	24	44,401
1992	15	1,629
Jan-June 1993	9	1,640

*Book value reported on last annual statement.		

This Friday Report describes the likely resolution of Executive Life and Mutual Benefit. As a result of court rulings in California and New Jersey this month, it is now possible to determine which entity will assume the insolvent company's policyholder liabilities; where the resources will come from to meet that obligation; and, finally, the extent of policyholders' losses. As described in the Appendix comparing Federal deposit insurance with the insurance industry's policyholder insurance, it often takes considerable time and effort to resolve a large, multistate insurance company failure.

Why Executive Life and Mutual Benefit Failed

In terms of size, Executive Life and Mutual Benefit had a lot in common. Executive Life had \$13 billion in assets on its books, 340,000 individual policyholders, and operations in 46 states. Mutual Benefit, a 150-year old company, had \$14 billion in book value of assets, 400,000 individual policyholders, and operations in all states. Both companies were major writers of investment contracts with pension plans, known as Pension Guaranteed Income Contracts (GICs), and Executive Life wrote similar contracts to back municipal bonds (Muni GICs).¹ Through sales of these to pension plan sponsors, bond trustees and other intermediaries, each company indirectly affected several hundred thousand participants in addition to its individual policyholders.

Executive Life and Mutual Benefit had a common fatal flaw: each shunned the typical insurance company practice of diversifying assets. Executive Life put 90 percent of its \$10 billion bond portfolio into high-yielding junk bonds; the average insurance company had only 10 percent. Mutual Benefit had 63 percent of its assets in real estate; the average company in 1991 had 3 percent. When the junk bond and real estate markets collapsed at the end of the 1980s, policyholder runs at both firms triggered regulator takeovers. Though the junk bond market has recovered and real estate market values are beginning to come back, Executive Life and Mutual Benefit had neither the luxury of time nor the diversity of portfolio to wait out the slump. If regulators had liquidated their assets when the companies were taken over, Executive Life and Mutual Benefit would have had approximately 55 cents per dollar of policyholder liabilities.

The Successors

Although it has taken two years of difficult negotiation and legal wrangling, this month the courts approved the insurance commissioners' plans to transfer the assets and liabilities of Executive Life and Mutual Benefit to successor companies.

- o Executive Life's policies will be assumed by a brand new company, Aurora, that will be capitalized with the proceeds from the 1992 sale of Executive Life's portfolio of junk bonds, payments by guaranty associations, and capital put up by the new company's owners.
- Guaranty associations in 43 states will contribute a total of \$2.1 billion, payable over six years. These assessments are backloaded, with annual payments during 1993-1996 of \$142 million per year, followed by a balloon payment in 1997 of \$1.5 billion. The backloading arrangement worked out with the California insurance commissioner provides insurance companies the time needed to build up

¹Guaranteed Income Contracts are a contract between an insurance company and a corporate, profit-sharing pension plan or municipality that guarantees a specific rate of return on invested capital over the life of the contract. In this transaction, the insurance company accepts all of the market, credit and interest-rate risk.

reserves for this extraordinary expense. In most states, firms can deduct the assessment from their annual premium taxes paid to state coffers, usually over five years. Thus, ultimately, taxpayers in these states will probably "pay" up to 80 percent of the assessment in the form of lower tax receipts. In these states as well as those without a premium offset, policyholders in the future will pay the additional costs of the assessment in the form of higher premiums.

- o Mutual Benefit policies will be assumed by a subsidiary of Mutual Benefit. That transfer is needed to cut off the claims of general creditors of Mutual Benefit. The subsidiary will receive an infusion of funds from guaranty payments totalling \$160 to \$200 million over the next seven years. That amount is estimated to be sufficient to meet liquidity needs of the subsidiary through the year 2000. If, by 2000, the real estate market has not recovered sufficiently to put the subsidiary on a sound financial footing, 48 guaranty associations and a consortium of insurance companies, including Metropolitan and Prudential, have agreed to make good on the entirety of the \$8.1 billion in estimated policy value.

- The guaranty associations have committed to guarantee all of the \$5.9 billion in policy values written to individuals. A consortium of the life insurance companies that are the major issuers of GICs have voluntarily agreed to guarantee all of the \$2.2 billion in Mutual Benefit GICs.

Who Loses What?

Policyholders of the insolvent companies are to recover part or all of their policy value. How much they receive will depend upon whether the policy was with Executive Life or Mutual Benefit, whether the policyholder stays with the successor company, the amount of assets that remain in the estate of the insolvent company relative to its policy liabilities, and the extent of guaranties provided by guaranty associations and the industry.

- o In both cases, however, some policy values have been reduced because the rehabilitation plans of both insolvent companies incorporate a write-down of interest income for the remaining life of the contract. In the case of Executive Life policyholders, they will receive rates tied to Treasuries instead of the much higher rates of return generated by junk bonds. Mutual Benefit policyholders are guaranteed an annual interest rate of only 3.5 to 5.0 percent over the seven-year rehabilitation period.

The plans are structured to provide financial incentives for policyholders to keep their policies in force with the successor companies. Policyholders who "opt out" do not receive any guaranty association insurance coverage and will recover less than those who "opt in."

In the case of Mutual Benefit:

- o Those who opt out are to receive only 55 percent of their policy value. They may not be able to recover any part of the 45 percent shortfall from their guaranty association; it is the associations' position that guaranty coverage is limited only to those who opt in.

- o Those policyholders who opt in and keep their policies in force for seven years, however, are promised full coverage. That is the case even if guaranty association law had a lower coverage limit or even excluded coverage. The full coverage is provided by 48 guaranty associations and a consortium of insurance companies.

In the case of Executive Life:

- o The plan calls for those who opt out to ultimately receive only 81 percent of their policy value, their proportionate share of Executive Life assets, and funds from guaranty associations and the successor company. As in the case of Mutual Benefit, guaranty associations maintain that they do not have to pay for any shortfall of policyholders who opt out.
- o Those who opt in and keep their policies for five years are to receive 100 percent of policy value up to the limit provided by their state's guaranty association law and 86 percent on policy values in excess of that limit.

-- For example, someone with an annuity valued at \$100,000 residing in a state where the guaranty association insured \$100,000 on an annuity would receive only \$81,000 if they opt out. If they opt in, however, the full value of the policy would be maintained. If someone had an annuity valued at \$200,000 and opted in, the plan calls for them to get \$186,000 ultimately (100 percent of the first \$100,000 and 86 percent of the next \$100,000.)

If all policyholders opt in, they will recover an average of 93.7 percent of their policy value, \$8.71 billion out of \$9.3 billion of policy value (see table below). The biggest losses in absolute terms (\$270 million) and as a percent of policy value (14 percent) will be incurred by Muni GICs, which do not have any guaranty association coverage in any state. Individual policyholders will recover between 94 and 99 percent of policy value. Structured settlements are at the low end of this range because limits on guaranty association coverage result in associations protecting only 54 percent of the total value of such policies. (Structured settlements involve tort cases, such as workers compensation and medical malpractice.)

Executive Life Policyholder Recoveries				
	Policy Value	Ultimate Recovery	Ultimate Loss	Percent Recovered
	------(billions)-----			
Annual Premium Whole Life	1.86	1.80	0.06	96.8
Single Premium Whole Life	0.57	0.55	0.02	96.8
Single Premium Deferred Annuity	1.34	1.32	0.02	98.3
Pension Plan Annuities	1.30	1.28	0.02	98.5
Structured Settlements	1.16	1.09	0.07	93.6
Pension GICs	1.12	0.99	0.13	88.8
Muni GICs	1.96	1.69	0.27	86.2
Total	9.30	8.71	0.59	93.7

Pension Plan Annuitants

While Mutual Benefit had few, if any, annuitants formerly covered by a pension plan, Executive Life had slightly over 100,000 such policies totalling \$1.3 billion (\$1.03 billion involved terminated pension plan annuities and \$260 million were policies for retirees from on-going pension plans). Had these pension promises remained in the pension plan rather than being annuitized with an insurance company, the Pension Benefit Guarantee Corporation (PBGC) would have guaranteed most and, in many cases, all of the value of these pensions. Since the PBGC does not insure these annuities, there is no PBGC guarantee underpinning the pension annuitants of Executive Life.

Nonetheless, these pension annuitants will recover 98.5 percent of their policy value. Losses will be just under \$20 million out of the nearly \$1.3 billion in total pension annuities. The shortfall in recovery occurs because of the absence of insurance industry guaranty associations in three jurisdictions at the time of insolvency, the exclusion of guaranty association coverage for policyholders residing abroad, and limits on coverage in jurisdictions with systems already in place.

As a consequence of the 1991 insurance industry failures, guaranty associations were established in Colorado, Louisiana and the District of Columbia. Had these associations existed at the time of Executive Life's failure, the number of annuitants without any guaranty association coverage would have been reduced from 3,646 to only 913 and the percent of policy value recovered would have increased to 99 percent.

Conclusion

The rehabilitation plans for Executive Life and Mutual Benefit are likely to result in relatively small losses to those policyholders who keep their policies intact with the successor insurance companies. Executive Life's policyholders are likely to recover nearly 94 percent of their policy value. About half of the \$590 million lost will be incurred by multimillion dollar investment contracts (GICs) sold to pension plans and municipalities. Individual policyholders, including pension plan annuitants, will receive nearly complete coverage. Mutual Benefit policyholders who opt into the rehabilitation plan are likely to receive full policy value thanks to guarantees by 48 guaranty associations and a consortium of insurance companies. The private sector guaranty system that covers policyholders faced a serious challenge in the failure of Executive Life and Mutual Benefit -- and demonstrated that it could fulfill its promises.

APPENDIX

Federal Deposit Insurance versus Insurance Industry Policyholder Insurance

There are two fundamental differences between deposit insurance and policyholder insurance: the former is national in scope and backed by the Federal Government; the latter varies across states and is backed by the insurance industry. As a result of these fundamental differences:

- o The funds to make good on promised coverage of depository institutions are available through an insurance fund financed by industry-paid annual premiums or, if this is inadequate, the Treasury. In the past, this has created a moral hazard that increases system risk: depositors can seek out the highest paying depository institution because their deposits are Federally insured; this gives depositories an incentive to take on additional risk, especially if regulators follow a policy of "too big to fail." In the insurance industry, moral hazard is diminished because policyholders are directly at risk. Even if they are covered by the industry guaranty, the uncertainty and delays in the recovery process provide a powerful incentive for policyholders to balance risk with return.

The resources to make good on the policyholder guaranty limits come from post-insolvency assessments levied against the solvent insurance companies operating in each state in which the insolvent company was licensed. There is no preexisting fund, nor is there any state government backing. The word "state" in the guaranty system refers to geography rather than level of government.

- o Federal deposit insurance provides immediate and full access to insured funds. Policyholders of insolvent insurance companies have to rely on more cumbersome and drawn out processes, especially when the failure involves a large multistate insurance company. The insurance commissioner in charge of the failed company often has to sew together a patchwork quilt comprised of the remaining assets of the insolvent company, payments from various state insurance guaranty associations, and ad hoc arrangements negotiated with the groups of policyholders and other insurance companies. While the details are being worked out and even beyond, policyholders may face cutbacks in their usual benefits, write-downs in their policy values, and moratoriums or substantial penalties on policy loan withdrawals and surrenders.
- o National standards for Federal deposit insurance provide clear, uniform coverage. Insurance industry coverage standards vary substantially across states, especially for GICs. Consequently, when a multistate insurer goes under, it takes some time and considerable effort to determine which guaranty association covers which policyholders and to what extent.
- o Deposit insurance is provided to all depositors, regardless of their place of residence. Guaranty association coverage, however, generally applies only to residents of the state

in which the insolvent firm was licensed to do business; policyholders residing abroad are not covered. Moreover, at the time of the Executive Life and Mutual Benefit takeovers by regulators, Colorado, Louisiana and the District of Columbia did not have guaranty associations. Therefore, resident policyholders had no guaranty policyholder coverage. Executive Life policyholders will recover their proportionate share of Executive Life assets (estimated to be 86 percent of their policy value); Mutual Benefit policyholders will receive 100 percent from an ad hoc arrangement worked out with guaranty associations and an industry consortium. In the wake of the 1991 insolvencies, all three jurisdictions without guaranty associations established them.

RECENT ECONOMIC INDICATORS AS OF SEPTEMBER 17, 1993
(S.A. OR AS INDICATED)

	Aug-92	Sep-92	Oct-92	Nov-92	Dec-92	Jan-93	Feb-93	Mar-93	Apr-93	May-93	Jun-93	Jul-93	Aug-93
GDP (Quarterly Series, % A.R.)													
Nominal GDP		4.6			9.2			4.4			4.2		
Real GDP		3.4			5.7			0.8			1.8		
Implicit Price Deflator		1.0			3.3			3.6			2.3		
Fixed-Weight Price Index		2.3			3.3			4.3			2.6		
CYCLICAL INDICATORS													
Leading Index, Percent	-0.2	0.1	0.5	0.7	1.7	-0.4	0.5	-1.0	0.3	-0.4	0.1	-0.1	NA
Coincident Index, Percent	-0.5	0.1	0.5	0.2	1.0	0.0	0.4	0.1	0.6	0.2	-0.1	-0.2	NA
Purchasing Managers' Diffusion Index	52.2	48.7	50.7	54.7	55.4	58.0	55.8	53.4	49.7	51.1	48.3	49.5	49.3
Percent	-1.5	-6.7	4.1	7.9	1.3	4.7	-3.8	-4.3	-6.9	2.8	-5.5	2.5	-0.4
Industrial Production	106.6	106.2	107.5	108.4	108.9	109.3	109.9	110.1	110.4	110.2	110.4	110.9	111.1
Percent	-0.19	-0.38	1.22	0.84	0.46	0.37	0.55	0.18	0.27	-0.18	0.18	0.45	0.18
Capacity Utilization, Manufacturing	78.7	78.4	79.2	79.7	79.8	80.3	80.5	80.6	80.9	80.7	80.6	80.7	80.8
EMPLOYMENT INDICATORS													
Civilian Employment, Million	117.8	117.7	117.7	118.1	118.3	118.1	118.5	118.6	118.4	119.3	119.2	119.3	119.7
Nonfarm Payroll Employment, Million	108.6	108.7	108.8	108.9	109.1	109.2	109.5	109.6	109.8	110.1	110.1	110.3	110.3
Civilian Unemployment Rate, Percent	7.6	7.5	7.4	7.3	7.3	7.1	7.0	7.0	7.0	6.9	7.0	6.8	6.7
Employment/Population Ratio	61.4	61.3	61.3	61.4	61.5	61.3	61.4	61.4	61.3	61.7	61.6	61.6	61.8
Average Weekly Hours, Manufacturing	41.1	41.0	41.1	41.2	41.2	41.4	41.4	41.2	41.5	41.4	41.2	41.4	41.5
CONSUMER SECTOR													
Retail Sales, Billion \$	163.2	164.2	167.6	167.3	169.2	169.2	169.1	167.4	170.5	171.7	172.6	173.1	173.5
Percent	0.7	0.6	2.1	-0.2	1.1	0.0	-0.1	-1.0	1.9	0.7	0.5	0.3	0.2
Total Auto Sales, Million Units, A.R.	8.1	8.3	8.3	8.3	8.7	8.7	8.0	8.4	9.0	9.1	8.8	8.6	8.6
Domestic Auto Sales, Million Units, A.R.	6.1	6.3	6.3	6.3	6.7	6.7	6.0	6.4	6.9	6.9	6.9	6.6	6.7
Personal Income, Billion \$, A.R.	5118.4	5172.4	5239.1	5238.5	5507.3	5225.7	5249.1	5289.2	5366.0	5383.2	5377.9	5368.2	NA
Percent	-0.2	1.1	1.3	-0.0	5.1	-5.1	0.4	0.8	1.5	0.3	-0.1	-0.2	NA
Disposable Personal Income, Billion \$, A.R.	4474.2	4526.9	4587.9	4582.8	4802.2	4570.6	4591.9	4630.1	4688.1	4698.7	4693.5	4679.3	NA
Savings Rate, Percent	4.9	4.9	4.8	6	5.5	5	3.9	4.4	4.8	4.5	4	NA	NA
Real Personal Income, Billion \$75, A.R.	4151.2	4151.2	4187.9	4180.8	4391.8	4150.7	4156.1	4181.2	4228.5	4238.7	4231.2	4220.3	NA
Percent	0.6	0.0	0.9	-0.2	5.0	-5.5	0.1	0.6	1.1	0.2	-0.2	-0.3	NA
Real Disposable Personal Income, Billion \$75, A.R.	3628.4	3632.8	3666.8	3656.9	3829.1	3630.7	3636.5	3660.4	3694.8	3698.9	3693.2	3680	NA
Percent	0.4	0.1	0.9	-0.3	4.7	-5.2	0.2	0.7	0.9	0.1	-0.2	-0.4	NA
Consumer Sentiment Index, U of Michigan	76.1	75.6	73.3	85.3	91.0	89.3	86.6	85.9	85.6	80.3	81.5	77.0	NA
Percent	-0.7	-0.7	-3.0	16.4	6.7	-1.9	-3.0	-0.8	-0.3	-6.2	1.5	-5.5	NA
HOUSING SECTOR													
Housing Starts, Thousand Units, A.R.	1229	1218	1226	1226	1286	1171	1180	1124	1206	1248	1246	1212	NA
Single-Family Starts	1038	1045	1079	1089	1133	1051	1036	987	1059	1107	1078	1060	NA

	Aug-92	Sep-92	Oct-92	Nov-92	Dec-92	Jan-93	Feb-93	Mar-93	Apr-93	May-93	Jun-93	Jul-93	Aug-93
BUSINESS SECTOR													
Nondefense Capital Goods Orders, Billion \$	27.5	29.8	30.1	26.8	32.3	28.6	32.7	29.1	30.5	29.9	33.9	30.2	NA
Percent	-4.3	8.4	1.1	-11.0	20.4	-11.2	14.3	-11.1	4.6	-1.7	13.1	-10.8	NA
Nonresidential Construction Put in Place, Billion \$	125.0	128.2	130.3	128.9	128.9	128.3	129.1	131.5	131.2	134.4	135.9	130.5	NA
Inventory Change Book Value, Billion \$, A.R.	18.3	-11.1	8.6	19.8	32.9	24.9	42.3	52.5	40.6	20.6	0.3	-46.7	NA
Inventory/Sales Ratio, Total Business	1.52	1.50	1.49	1.49	1.46	1.46	1.46	1.47	1.47	1.47	1.46	1.47	NA
INFLATION INDICATORS													
CPI, Percent	0.2	0.1	0.4	0.2	0.1	0.5	0.3	0.1	0.4	0.1	0.0	0.1	0.3
CPI Less Food and Energy, Percent	0.2	0.1	0.5	0.3	0.2	0.5	0.5	0.1	0.4	0.2	0.1	0.1	0.3
PPI Finished Goods, Percent	0.1	0.2	0.1	-0.2	0.0	0.3	0.4	0.3	0.6	-0.1	-0.3	-0.2	-0.6
PPI Less Food and Energy, Percent	0.0	0.1	-0.1	0.2	0.1	0.4	0.2	0.2	0.4	0.1	-0.1	0.1	-1.0
Gold, \$ per ounce	344.6	345.3	344.0	334.4	334.0	329.4	329.2	330.3	341.6	364.2	372.4	392.1	380.2
W. Texas Spot Oil Price, \$/bbl	21.4	21.9	21.7	20.3	19.4	19.1	20.1	20.3	20.3	19.9	19.1	17.9	18.0
MERCHANDISE TRADE													
Exports, Billion \$, A.R.	436.4	451.9	466.6	453.6	470.1	450.1	443.1	466.7	461.7	467.2	451.7	445.0	NA
Imports, Billion \$, A.R.	540.6	551.6	553.4	547.6	553.7	542.1	538.0	592.2	583.9	567.7	596.4	569.1	NA
Deficit, Billion \$, A.R.	-104.2	-99.7	-86.8	-94.0	-83.6	-92.1	-94.8	-125.4	-122.2	-100.5	-144.7	-124.1	NA
U.S. EXCHANGE RATE													
Multilateral	81.0	82.0	85.0	90.0	90.5	92.4	93.8	93.7	90.6	90.2	91.8	94.6	94.3
Percent	-1.9	1.2	3.7	5.9	0.5	2.1	1.6	-0.2	-3.2	-0.4	1.7	3.0	-0.3
Yen/\$	126.2	122.6	121.2	123.9	124.0	125.0	120.8	117.0	112.4	110.3	107.4	107.7	103.8
DM/\$	1.45	1.45	1.49	1.59	1.58	1.61	1.64	1.65	1.60	1.61	1.65	1.72	1.69
\$/Pound	1.94	1.85	1.65	1.53	1.55	1.53	1.44	1.46	1.54	1.55	1.51	1.50	1.49
MONEY AND CREDIT													
M2, Billion \$	3472.7	3480.7	3492.1	3498.7	3497.8	3488.3	3477.5	3474.9	3476.7	3507.1	3514.8	3520.9	NA
Percent	3.2	2.8	4.0	2.3	-0.3	-3.2	-3.7	-0.9	0.6	11.0	2.7	2.1	NA
M3, Billion \$	4179.1	4183.5	4180.6	4179.3	4167.3	4142.2	4137.4	4133.0	4144.6	4175.2	4173.3	4167.3	NA
Percent	2.9	1.3	-0.8	-0.4	-3.4	-7.0	-1.4	-1.3	3.4	9.2	-0.5	-1.7	NA
C&I Loans & Commercial Paper, Billion \$, N.S.A.	981.4	987.1	991.1	996.9	989.8	986.1	978.4	979.9	984.8	986.4	987.6	NA	NA
Percent, A.R.	20.9	7.3	5.0	7.2	-8.2	-4.4	-9.0	1.8	6.2	2.0	1.4	NA	NA
C&I Loans, Billion \$	439.3	439.3	439.5	441.0	438.3	436.3	437.4	438.4	438.9	440.1	439.2	NA	NA
Commercial Paper, Billion \$	542.0	547.9	551.7	555.9	551.5	549.9	541.1	541.4	545.8	546.3	548.5	NA	NA
INTEREST RATES													
Federal Funds Rate	3.3	3.2	3.1	3.1	2.9	3.0	3.0	3.1	3.0	3.0	3.0	3.1	3.0
T-Bill, 3 Month	3.1	2.9	2.9	3.1	3.2	3.0	2.9	3.0	2.9	3.0	3.1	3.0	3.0
T-Bond, 30 Year	7.4	7.3	7.5	7.6	7.4	7.3	7.1	6.8	6.9	6.9	6.8	6.6	6.3
Corporate AAA Bonds	8.0	7.9	8.0	8.1	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	6.9
Mortgage Commitment Rate	8.0	7.9	8.1	8.3	8.2	8.0	7.7	7.5	7.5	7.5	7.4	7.2	7.1
STOCK MARKET													
Dow Jones 30 Industrials	3307.5	3293.9	3198.7	3238.5	3303.2	3277.7	3367.3	3440.7	3423.6	3478.2	3513.8	3529.4	3597.0
Standard & Poor's 500	417.9	418.5	412.5	422.8	435.6	435.2	441.7	450.2	443.1	445.3	448.1	447.3	454.1

THE WHITE HOUSE

WASHINGTON

SEP 17 P2:21

September 17, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Howard Paster *HP*

SUBJECT: Special friends

As the opportunities present themselves to acknowledge special friends, you should know that Mike Synar and Bill Richardson are both working very hard on NAFTA, and did a great deal of heavy lifting on reconciliation. They are both very good allies and deserve a special touch.

→ Ben showed
by letter to White
House -

CC: ✓ HRC
✓ NH
Ann Stock

FW
9/20

Bony / Rubin

THE PRESIDENT HAS SEEN 9/20

Shearer

TRANSPACIFIC VISION

TURNING THE TABLES

A Machiavellian Strategy for Dealing with Japan

by Daniel Burstein

272 pages, New York: Simon and Schuster, \$22.95

by Derek Shearer

Japan has again become a hot topic among business and foreign policy elites. The first meeting between U.S. president Bill Clinton and then Japanese prime minister Kiichi Miyazawa was one of the coolest in recent history as the new president made clear that in the face of a massive U.S. trade deficit with Japan and the end of the Cold War, the post-war relationship between Tokyo and Washington would have to change. In a speech on July 6 at Waseda University in Tokyo, Clinton reaffirmed this call for change, albeit in a softer voice, while emphasizing the importance of U.S.-Japanese cooperation on Asian security matters.

But is a new Japan policy really needed? And, if so, what should it be? Daniel Burstein, an executive with the Blackstone Group, a private investment bank, and author of the book *YEN!* that predicted a trade war with Japan, believes that a new policy must be constructed and he has one to offer.

Unfortunately, *Turning the Tables*, which some tout as a masterpiece for dealing with Japan, is misleadingly titled—perhaps the work of an overzealous editor or publicist—and the subtitle is also almost pure hype. There is little that is Machiavellian in what Burstein proposes;

DEREK SHEARER is director of the International & Public Affairs Center at Occidental College in Los Angeles. He served as an economic adviser to the Clinton presidential campaign, and briefly as deputy under secretary of commerce in the Clinton administration. He is a member of the Carnegie Endowment's U.S.-Japan Study Group and a fellow at the Economic Strategy Institute.

he is certainly not talking about turning the tables, since that would mean reversing the economic-political relationship established during the Cold War—with the Japanese shouldering the defense burden for Asia (and perhaps Europe) while fully opening their domestic market to American goods. At the same time, the United States would drop its military leadership and concentrate solely on economics. One might also logically say that, with the roles reversed, Japan would become a viable two-party democracy and the United States would shift to one-party dominance. That is, of course, not what Burstein has in mind.

The text also suffers from annoying bits of self-promotion, as Burstein refers all too frequently to his previous books or to trips that he has taken. The sources for the book are mainly newspaper and magazine articles. There is little original or in-depth research to back up Burstein's arguments. The book is really best thought of as the text of a popular speech—somewhat breathless in tone at times, but still offering some stimulating thoughts, and ones that go against the grain of much elite thinking on Japan.

Burstein argues correctly that, contrary to much press and editorial coverage in the United States, the bursting of Japan's economic bubble and ensuing economic downturn, as well as concurrent political scandals, will not substantially weaken Japan's long-term competitiveness. "By the second half of the 1990s, a restructured Japanese economy will be back on course toward becoming the world's most competitive and dominant force," writes Burstein. That will be achieved without any significant domestic changes in the producer-oriented nature of Japan's economy. Japan's *keiretsu* system—what University of California, Berkeley business professor Michael Gerlach calls "alliance capitalism"—is not going to melt away; nor is its political system likely to be reformed anytime soon. America's past efforts—such as the Bush administration's Structural Impediments Initiative—to remake Japan into some version of the American political economy are misguided and unlikely to achieve success.

Rather than advocating getting tough with Japan, Burstein calls for strategic thinking on

the part of American leadership—because “Japan has *already* won the race to dominate many of the key growth sectors and markets of the early twenty-first century” (emphasis in original). “The time has come,” Burstein writes, “to harness Japan’s economic and technological power to help us do what we are currently unable and unwilling to do for ourselves; that is to help us renew our economy and promote our own long-term interests.”

To that end, Burstein advocates a number of short-term policies and one big idea: “the creation of a Trans-Pacific Community to formally link Japan and the United States in a more mutually beneficial economic structure than is possible when our interdependence is left to the marketplace.”

There is little that is Machiavellian in what Burstein proposes.

Burstein’s call for a Trans-Pacific Community (TPC) has already been praised in a lead editorial in the *Los Angeles Times* and by a number of business leaders. The U.S.-Japan Study Group at the Carnegie Endowment advanced a similar concept, “the Pacific Community,” in its June 1993 report, *Rethinking Japan Policy*. Clinton called for a “Pacific Community” during the July summit meeting in Tokyo. In short, a Trans-Pacific or Pacific Community will soon become a staple topic at future meetings and conferences, perhaps replacing the shop-worn “global partnership” that many Japanese and U.S. elites had earlier talked up.

However, regardless of what term is used—partnership or community—the construction of a new post-Cold War U.S.-Japanese relationship will neither be as simple nor as easy as Burstein makes it sound. For example, first on his list of “practical proposals for the mid-90s” is to shift the focus of trade negotiations from auto exports to encouraging increased transfer of Japanese auto production to the United States. But Burstein, while mentioning the need to expand local content, underestimates how easily it might be accomplished. Notre Dame economist Candace Howes, an expert on Japanese auto transplants, calculates that Japanese auto investment in the United States has result-

ed in a net loss of 150,000 U.S. jobs because Japanese factories in the United States are essentially assembly operations. Howes reports in the forthcoming Economic Policy Institute report “Japanese Auto Transplants and the U.S. Auto Industry” that

on average, about 50 percent of the value of parts used in transplants are imported from Japan. U.S.-sourced parts are either purchased from outside suppliers or manufactured within the assembly plant. The vast majority of parts purchased from outside suppliers are purchased from U.S. subsidiaries of Japanese parts manufacturers.

She goes on to point out that “these ‘transplant suppliers’ are exclusively nonunion and compensation rates are about 44 percent of compensation rates in Big Three parts plants and 58 per cent of compensation rates for the parts industry as a whole.” If Howes and others are correct, then Japanese transplants are little better than imports; and like imports, they will not help to revitalize the motor vehicle industry. As some like Clyde Prestowitz of the Economic Strategy Institute have argued, a strategy for revitalizing the *American* auto industry cannot be based on turning the industry over to Japanese ownership. That is a surrender policy. Burstein implicitly assumes that America cannot revitalize its own auto industry without Japanese help.

Burstein’s policy proposal list also includes a call for greater U.S. investment in Japan. He cites Harvard Business School professor Dennis Encarnation’s work on the importance of intra-company trade, and his analysis of the link between a low U.S. manufacturing presence in Japan and low U.S. exports of finished goods to Japan. The problem lies with the Japanese domestic economy. Its success is based on a structure that is largely closed to foreign owners and many foreign products, especially in high-tech fields and manufacturing. Burstein underestimates the difficulty of opening the Japanese economy to significant foreign investment.

Burstein’s TPC is roughly modeled on the European Community—itsself now in difficulty. Such an approach, “more than a free trade and less than a political union,” is certainly preferable to a U.S.-Japanese trade war and/or large-

scale Japanese military rearmament. To attain this new community, Burstein would integrate economic and military concerns, so that opening Japanese markets might be linked to U.S. support for a Japanese seat on the U.N. Security Council and fuller Japanese representation in other multinational bodies such as the International Monetary Fund and the World Bank. Burstein also calls for greater Japanese burden sharing in meeting the costs of keeping U.S. troops in Asia and maintaining the U.S. global defense network.

The TPC would include a binational arbitration panel to deal with market access disputes and an agreement on a stable dollar-yen exchange rate to promote long-term cross-border investments. A single combined patent system and joint U.S.-Japanese research projects would also help to narrow the structural differences between the two business systems.

Burstein advocates a Trans-Pacific Community to formally link Japan and the United States in a more mutually beneficial economic structure than is possible when our interdependence is left to the marketplace.

Unfortunately, Burstein scarcely mentions how other Asian countries—notably China—will fit into the TPC. Presumably, only after the United States and Japan work out their economic differences and cut a deal will they include the other Asian states. It is, however, unlikely that China will sit by on the sidelines as a TPC is constructed. China's rising economic strength alone will require that it be included in any discussions from the start.

As someone who has advocated a policy prescription—both inside and outside of government—similar in vision, if not in content, to Burstein's TPC, I am predisposed to be sympathetic to a U.S.-Japanese post-Cold War partnership of equals, based on mutual economic and political benefit. I would be happy to see greater convergence of our two political-economic systems. However, my experience in both countries makes me a realist about how difficult the task is.

The organization of the U.S. government makes the integration of economic and political concerns difficult. The State Department still focuses on politics, Defense on security, Treasury on currency, and the Office of the U.S. Trade Representative on trade. Perhaps the Clinton administration's National Economic Council can tame the competing bureaucracies, but to date it has not had much luck. Rhetoric about trade disputes still dominates the headlines, and the foreign policy team seems more concerned with China than with Japan. Certainly, Miyazawa's initial visit to the United States did not appear to herald a bold start toward a TPC—and, as of this writing, little substantial progress has been made in the Clinton administration's new trade negotiations with Japan.

The talks continued during the Tokyo summit in a frenzied manner, capped by late-night sessions and last-minute submissions from the Japanese. Putting aside the overinflated political rhetoric—clearly, both Clinton and Miyazawa wanted to make a deal—*only* an agreement for future negotiations (for more talks) was announced. A skeptical view holds that it was a replay of the Japanese practice during the Reagan and Bush administrations of using the negotiation process to blunt American pressure for open markets.

Perhaps things would go better if Clinton appointed a Japan policy czar, much as he appointed Strobe Talbott ambassador-at-large to head economic and political policy toward Russia and the other former Soviet states. The administration needs to speak with a single voice on Japan policy if long-term economic and political concerns are to be addressed.

It is even more difficult to see where the political leadership will come from on the Japanese side to forge a TPC. The Liberal Democratic party (LDP) has been weakened by corruption, scandal, and defections by younger members. In the July 18 general election, the LDP lost its majority. Japan now faces a long period of coalition governments. It will be years—even a decade—before a stable two-party system with genuine opposition politics is put in place. In any case, Japanese political leadership is inherently weak against the

strength of its bureaucracy and big business community. Opening the Japanese market requires changing the way Japanese business operates and reforming the political system to be more responsive to consumers. It is hard to imagine the Japanese leadership effecting those changes; without them, Burstein's TPC will remain a policy proposal.

Another serious possibility is that Japan will decide to take the all-Asian option—to build an Asian Pacific Community without the United States. Japanese multinational businesses have already invested heavily in Southeast Asia, and Japanese economic ties with China are growing. Ultimately, the Chinese market could replace the U.S. market for the Japanese. The twenty-first century could then be the Asian Century, especially if Russia fails in its economic reforms and Europe is caught up in an ongoing Balkan conflict. Or, if not the Asian Century, then a century of regional blocs: the European Community (mark bloc); the Pacific Community (yen bloc); and the North American Community (dollar bloc).

I would prefer a more benign, less-violent future—a future that includes Burstein's Trans-Pacific Community. The essential ingredient to getting there is American political leadership in the international economic arena. At the Tokyo summit, Clinton announced that he would attend the November meeting of APEC—the 15-member Asia Pacific Economic Cooperation forum—to be held in Seattle, and he invited other leaders as well as the economic and foreign ministers to join him. Formed in 1989, APEC includes most of the East and Southeast Asian countries plus the United States and Canada. To date, the organization has accomplished little of substance; perhaps it can become the vehicle for constructing a Trans-Pacific Community.

One can only hope that Clinton has the right stuff to lead and succeed—both at home and across the Pacific. The stakes are high.

THE WHITE HOUSE
WASHINGTON

DATE: 9/20/93

HILLARY RODHAM CLINTON
MAGGIE WILLIAMS

NOTE FOR:

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 PRESIDENT HAS SEEN 9/20/93

THE WHITE HOUSE
WASHINGTON

August 30, 1993

MEMORANDUM FOR THE PRESIDENT
HILLARY RODHAM CLINTON

FROM: IRA C. MAGAZINER
WALTER ZELMAN
LYNN MARGHERIO

SUBJECT: POSITIONING OF SEPTEMBER HEALTH REFORM
INTRODUCTION

H - speech written
should be this if
they haven't - also
like the idea of
having series of town
events - but I'll defer
to your team on this
10/20/93

I. SUMMARY

The President should introduce the health reform plan as the beginning of a "discussion" with the American people. In September, the President would present our comprehensive plan for health reform so that the public knows we have detailed ideas for a solution. At the same time, the President should indicate that we know we don't have all the answers and that we would seek to incorporate good ideas that come from this public discussion. Rather than present our plan as the "ideal" solution to what's wrong with the health care system, we suggest pursuing a strategy that allows some flexibility. By appearing too rigid, we could be put in a defensive posture defending every detail.

This memo suggests a strategy for introduction.

II. BACKGROUND

Almost all agree that something has to be done to fix the health care system; less agreement exists about what the reform should look like.

1. The U.S. has probably never done anything as big or comprehensive as what we are proposing.
2. At this point in time, no one can win an "us" versus "them" fight on comprehensive health care reform. It doesn't matter who the "us" or "them" is.
3. Our best themes are: security, cost control, prevention, quality, choice: these are non-threatening, non-aggressive, middle-class themes. *Responsibility*
4. We cannot win with the liberal coalition alone. We must win some real, not just token, support from Republicans, businesses and provider groups.

5. We need to lead a search for consensus rather than a political fight. Our themes must be positive and consensus-building rather than negative and divisive. A divisive approach will be out of touch with a security and national consensus theme.
6. We need to turn complexity into an asset -- or at least make people see that simplicity won't do the job.

WINNING IN THE MIDDLE: A STRATEGY

September Announcement:

1. President announces a detailed proposal in September.
2. President defines bottom lines: security, cost containment, access for all, fundamental insurance reform, prevention, choice, quality, etc.
3. President recognizes that any "us versus them" fight will lose. Notes that to accomplish something this big we must achieve something close to a true national bipartisan consensus. "We're all in this together."
4. President recognizes that such a consensus will not result from any typical partisan political fight. It must come from a unique national effort to understand problems and explore solutions.
5. President outlines current problems; recognizes the faults of some (insurers, drug companies) in getting us to where we are, but notes that finger pointing won't resolve the problem. We must rise above blaming one group or another and figure out how we get out of the fix we're in.
6. President outlines his proposal; defines it as having great potential to achieve national consensus. Notes that it draws on the best parts of many proposals to create a truly American plan. Emphasizes that it is not the Clinton plan, but the work of many, including many Republicans over many years.
7. President recognizes that the plan would demand change of many -- insurers, providers, some employers, some individuals. But it would be manageable change.
8. President then calls for full-scale national discussion on health care reform. Outlines how that discussion can proceed.

9. President promises to have his Administration lead the national discussion and listen to it. Recognizes that no one proposal can be perfect. Promises to make adjustments, as appropriate, to his proposal. Defines leadership not as getting what you want, but as getting the job done.
10. Promises to revise plan as we learn from the debate. Announces agreement with Congressional leaders to have vote on final package by Spring, 1994.
11. Challenges those with alternative approaches not to overpromise or simplify.

WHY NOT TO PURSUE THIS STRATEGY

1. It might look like the President is unwilling to fight...but he has offered a comprehensive plan and a date for a vote.
2. It allows others the opportunity to sell their wares...but other plans will get air time regardless of what we do; we can structure the national discussion to focus on the Clinton plan.
3. It does not energize strong supporters...but we may have to run that risk to get broader support.
4. It opens the door to attacks by the single-payer coalition. If they are too critical at the outset, or emerge from the "discussion" lukewarm to our proposal, it will leave too many doubters amongst those who we will need solidly behind us in the Congressional effort...but, single-payer strength may scare others. Ultimately, we have to trust that the single-payer coalition will accept the 90 percent we're offering.

WHY TO PURSUE THIS STRATEGY

1. Our strongest asset may be the merits of our case. We must exude confidence that an unprecedented national discussion will reveal that we have the best policy. The more people understand it, the more supportive they will be. If we fail to convince the public of this, we would probably lose anyway.
2. The strategy rises above partisanship. Partisanship probably can't win.
3. The strategy gives us the opportunity to make adjustments, and to appear to be listening. If people feel they had a chance to participate in a national discussion, they may be more supportive of the outcome.

4. The strategy forces our critics into the position of being the bad guys. Too forceful a presentation of our proposal will put us on the defensive when we will need to stay flexible. It also makes it more difficult to attack our proposal.
5. The strategy forces the opposition to the table and hopefully, reveals their alternatives as lacking. Others will have to put up real analysis and numbers, not fantasies.
6. The President and the First Lady are at their best in public forums. They have exhibited the ability to lead and listen at the same time.

PUBLIC FORUMS

Critical to the success of the "national discussion" strategy is our ability to keep the debate centered around the President's plan. We propose three different ongoing series of health care forums: one which brings opinion leaders in the health care community together to discuss health reform from the professionals' viewpoint; the other which brings high-profile CEOs and labor leaders together to discuss its impact on large and small businesses and workers, and a third which engages the general public on such factors as consumer choice, quality of care, consumer protection, etc.

We have sketched out a preliminary idea for the structure of the health care professionals' forums. Subsequent memos will follow to flesh out the employer/labor and public forums in greater detail.

Health Care Professionals

We propose that the President invite C. Everett Koop to chair the first and subsequent forums of health care professionals. His presence on the forum would give our plan immediate public credibility.

As you know, we have been consulting with Dr. Koop -- he has read the plan and is generally supportive. If invited to chair the forums, Dr. Koop has indicated that he would gladly participate. Over time, we believe that his role would naturally evolve into one of vocal support for the Clinton plan.

Kick-off Forum

To underscore the importance the Administration places on health reform, we would propose the first forum to take place in the White House (possibly the East Room) just before the President introduces the plan. The President would issue invitations to all invitees.

To build momentum for the introduction, we would suggest tying this forum in with the health care briefings of the Congress. Dr. Koop indicated that he would be willing to

play a role in the September 20th briefings, as well.

The forum would be open to the press (C-SPAN, network news, paper media) but would not be a press conference. Rather, we would envision an event similar to a mini-economic summit. Over a three- to four-hour period, we would showcase a panel of 6 to 7 leaders in the medical community discussing the need for health reform and the problems in the current system. The panel would take questions from a live audience of 100 surgeons, primary care physicians, deans of academic health centers and nursing schools, etc.

One option would be for the President and the First Lady to sit in on the panel. Their participation in the forum will demonstrate the presidential commitment to health reform and highlight them in a setting in which they do very well.

The President could welcome the panel and introduce Dr. Koop as the chair. At this point, Dr. Koop would open the discussion with a brief statement about the need for health reform and how the Administration's commitment to health reform has done more to fix the system in the past nine months than any effort has in the past twenty years.

Subsequent forums

We would envision four to six forums with media coverage -- the first beginning just before the President's address to the Congress in September.

Once a month thereafter through the early spring months, we would invite a group of physicians and other health care professionals to come together to discuss major health care topics. These are examples of topics the group might discuss:

- 
- Improving quality
 - Doctor-patient relationship
 - Technology and information in health care
 - Rural and urban issues
 - Public health/prevention
 - New system organization

By bringing a group of highly-respected providers together, the public will associate them with the Clinton plan. We will build a network of very visible supporters of the plan and will succeed in neutralizing those who may otherwise speak out against the plan.