National Federation of Federal Employees

Local ________

?30 P1:28

FACSIMILE TRANSMITTAL

TO	The Honorable Al Gore Vice-President of the United States
ATTENTION	John Podesta
FROM	Gary A. Marco; President, NFFE Local 1418
DATE & TIME	September 30, 1993 @ 11:35 AM
FAX NUMBER	
NO. OF PAGES	2 + Cover

To Elaine Kamarck

If this transmission is not satisfactory please FAX us back at 202-619-0126 or call.

National Federation of Federal Employees

NFFE

Local ________

September 30, 1993

The Honorable Al Gore
Vice-President of the United States
The White House
1600 Pennsylvania Avenue, NW.
Washington, DC. 20500

Dear Mr. Vice-President:

NFFE Local 1418 represents the radio broadcast technicians at the Voice of America.

I have been provided a draft copy of the Executive Order creating the labor-management partnerships as part of the government reform objectives of the National Performance Review.

The closing sentence of the September 16, 1993 draft reads:

> "This order is for the internal management of the Executive branch and does not create any right, or benefit, substantive or procedural, enforceable by a party against the United States, its agencies or instrumentalities, its officers or employees, or any other person."

Having read the Order in its entirety, I believe that this sentence renders Section 2 (d) of the Order meaningless and undermines the intent of the Order as a whole. Without the ability to bargain substantively in the so-called "permissive" areas of 5 USC 7106 (b)(1), "labor-management partnership" becomes nothing more than the prevailing status quo; and thus, an exercise in futility.

I firmly believe that collective bargaining in the public sector to be in the best interests of good government. It increases management accountability within the government and with the taxpaying public. Presently, under law, management rights are so broad as to make accountability impossible and create an ideal atmosphere for waste, fraud and abuse.

I do not believe that most Federal agencies will feel compelled to negotiate voluntarily in the permissive areas of the law. As it is, many agency managers and supervisors view the National Performance Review unfavorably, in general, and opening the window to substantive bargaining in areas where they exercise complete discretion even more so. This concluding sentence of the draft Order gives agency managers an effective "escape clause" which, in my view, cannot successfully be challenged through judicial review.

The Honorable Al Gore
Vice-President of the United States
Page Two.

Inclusion of this last sentence to the proposed Executive Order gives managers of most Federal agencies every incentive to maintain "business as usual," particularly in Federal workplaces with a reputation for institutionalized anti-employee animus, such as the United States Information Agency/Voice of America.

I strongly urge that President Clinton reconsider this sentence and will delete it before the Order is presented to him in its final form for his signature.

In the National and Public Interest, I remain

Respectfully yours,

Gary A. Marco

Gary A. Marco
President, NFFE Local 1418
101 Skyhill Road, #201
Alexandria, VA. 22314

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THE PRESIDENT HAS SEEN 10.1.93

THE WHITE HOUSE

WASHINGTON

Mack / Marcia Hale / Joan B — Sept. 2

Fyi —

Gov. Roberts

cc: BL ① for Gen. Fred Reese for Nat'l Gd — his great — but understands if we have to go w/ Hispanic —

② Her potential opponent John Kitzhaber, Father of Oreg Health Plan, is vs. the Timber Plan & NAFTA, trying to take Labor away from her — she may want help on these issues —

B

93 OCT 1 P4:

Podesta/Mack/Rasco

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
10.1.93

<u>Call</u> w/ Sen Domenici
10/1/93 — 1<u>30</u>

Wants to work out compromise on range fees — says Babbitt says Sen. must deal w/ House & Babbitt & Babbitt says he's too exposed in press to change much.

Domen. would buy longer ~~[illegible]~~ phase in and fewer changes in existing House lang. w/ delay a particular problem — He's very concerned that House members w/ most influence have no contact w/ him — Babbitt should be notified of conversation

B.

MICHAEL SCHRAGE

Health Debate's Unasked Question: What's the Outcome of That Input?

Not even 20 years ago, the few doctors and nutritionists who championed diet as an approach to cancer prevention were viewed as medicine's lunatic fringe. Today, the National Cancer Institute publishes beautiful four-color wall posters festooned with leafy vegetables that remind you to eat your beta carotene.

"We used to call them crackpots," acknowledges Robert Blendon, chairman of health policy and management at Harvard's School of Public Health. "Now we have our best epidemiologists running the numbers on their studies."

The nation spends more than $12 billion a year on bypass procedures—almost 40 percent more than the entire budget for the National Institutes of Health. Since 1970, the number of bypasses performed in the United States has risen more than 2,800 percent. In addition, about 300,000 arterially choked Americans get themselves unclogged through angioplasties costing as much as $10,000 each. These surgeries are the biggest-ticket surgical items in the nation's $800 billion-plus annual health care budget.

TECHNOLOGY

Yet there are a number of respected and statistically compelling studies demonstrating that—for a large percentage of the patients undergoing these invasive procedures—the health benefits are marginal at best.

For most angioplasty patients, for example, the arteries begin to exhibit "re-stenosis"—choking up with fatty deposits yet again—within months. Within the cardiovascular establishment, there are angry debates not merely about the cost-effectiveness of bypasses and angioplasties but also about their usefulness.

"Science is not applied nearly as uniformly and consistently as people might believe in the evaluation of treatment modalities," says Dean Ornish, president and director of the San Francisco-based Preventive Medicine Research Institute, who has enjoyed excellent results exploring lifestyle—as opposed to surgical—interventions for reversing heart disease. "Whether you're on the leading edge or the fringe is merely a matter of perspective or time—so long as you can successfully demonstrate results."

Consequently, much of today's health care debate about who should pay how much for what kind of coverage misses the essential point. Health care "cost-effectiveness" conversations that spend 90 percent of the time focusing on "cost" and barely 10 percent on the challenge of "effectiveness" obscure rather than clarify the issues deserving intensive care.

To make 37 million people eligible for medical procedures that don't really work can hardly be considered a bold advance in public health.

The simple reality is that medicine remains more of a craft than a science. Perhaps the most important contribution of the proposed Clinton health policy initiative is that it will—gradually—force society and health care providers to come to grips with our ignorance of what medically works and what doesn't.

Ideally, this knowledge would lead us to a consensus about what treatments and therapies are appropriate for what populations. In practice, we may well see a further Balkanization of health care as different pharmaceutical houses, hospital plans and specialists develop dueling databases to argue that their approaches are the best.

"In too many areas, we actually don't know the outcomes of treatments and interventions," says Harvard's Blendon. "There was belief in clinical judgment in how well things worked out or not, but the statistics revolution made people suspicious of the judgments of six or eight doctors who saw 20 patients. It turns out that if you really had extensive epidemiological data, much clinical judgment turns out to be fallacious."

Indeed, Blendon and other health care researchers believe that excellence in medical practice is moving away from the collective judgments of expert practitioners to broad-ranging, extensive database analyses of health "outcomes" based on treatments and populations. So whose studies will "win"? How will outcomes research be linked to the actual practice of medicine? The answer to these questions—not just who gets covered for how much—will really determine the future value of America's health care system.

"Outcomes research is a relatively new type of health care research," says Clifton Gaus, senior adviser to the assistant secretary for health at the Department of Health and Human Services. "We now spend about $60 million a year on outcomes research and the development of guidelines for practitioners."

Gaus notes that the Clinton plan will require a big increase in both the quality and quantity of outcomes research if it hopes to attain its stated goal of greater cost-effectiveness and efficiencies.

"I'm extraordinarily comfortable with the notion that we must develop immediately mechanisms, rule guidelines and eliminate unnecessary procedures," says Robert H. Brook, who runs Rand Corp.'s Health Sciences Program and has done extensive work on outcomes analysis and guideline development.

But even he acknowledges that Rand surveys reveal that as many as half the nation's physicians are unaware of essential "best practices" in many critical diagnoses and treatments. Clearly, new information isn't enough to change old practices.

Gaus points out that the new National Health Board will be charged with transforming outcomes research into explicit guidelines for how the regional alliances run their health care practices. But he acknowledges that it's still unclear precisely how that sort of transformation will take place.

It's unfortunate that neither the president nor the First Lady has placed the same kind of focus on the quality and value of health care as they have on access and cost. As the policy debate unfolds, politicians will discover that Americans care more about outcomes than they do about expense.

Michael Schrage is a columnist for the Los Angeles Times.

HRC - He may be giving us a good clue -

THE WASHINGTON POST FRIDAY, OCTOBER 1, 1993

it's IN your plan - & is a big part of the security argument - someone should call him -

Many in Remote Area Buried as They Slept A1

By EDWARD A. GARGAN
Special to The New York Times

HYDERABAD, India, Sept. 30 — The most devastating earthquake in India in more than 50 years rocked a remote sugar-cane-growing region of central India early this morning, killing thousands, Indian officials and Government news reports said. Twelve thousand people were feared trapped in the rubble of their homes.

Estimates of the dead and injured varied widely. Late this evening the Government-controlled Press Trust of India reported that more than 6,500 people had died, but the inaccessibility of many villages and the extent of destruction suggested that the figure was far from final.

Reports on the state television put the dead at 10,000.

Crushed in Their Houses

Most of the people in the stricken region, a mesh of farmland dotted with villages and small towns about 140 miles northwest of here, were asleep when the quake struck shortly at 3:56 A.M. and thousands of mud-brick houses collapsed, officials said.

"It is the worst incident I have seen in my life," Sharad Pawar, the Chief Minister of Maharashtra state, said.

Throughout the day thousands of relief workers, police officers and troops rushed to the area, where they began pulling the dead and injured from collapsed buildings. Many villages are accessible only by rudimentary roads and relief teams were still trying to reach some areas late tonight.

Mass Cremations

Mass cremations were being held for the dead, and thousands of people were said to be moving from the region toward shelter and supplies of water.

Along with the relief teams, India's senior politicians also hurried to the region, including Lal Krishna Advani, the leader of the largest opposition party, the Hindu nationalist Bharatiya Janata Party. There appeared to be no immediate plans for Prime Minister P. V. Narasimha Rao to visit the area, but he ordered the mobilization of relief efforts.

This evening, Indian state television showed pictures of the devastation, with scenes of crumbled mud-walled homes and twisted piles of corrugated-metal roofs. An ox pulled a wooden-

Continued on Page A10, Column 1

Tony — shouldn't I call the PM

The New York Times

About 2,800 people were reported killed near the quake's epicenter.

Quake Destroys Indian Villages; Thousands Die

Continued From Page A1

wheeled cart stacked with bodies. The people seemed stunned by the destruction that had engulfed their lives.

Army units were setting up large tents to house the homeless and trucking in fresh water. In New Delhi, a spokesman for the Red Cross, S. Hariharan, told the BBC: "Workers are on the scene. We are having enough relief material with us to start the operation." He said no appeal had been made yet for international assistance, adding that the Red Cross's efforts were only supplementary to the Government's.

"Thousands of people were still buried beneath mounds of earth and rubble," P.T.I. reported. "Eighty percent of the houses in Killari and 21 neighboring villages with a population of 40,000 were destroyed."

The most severe of the earthquake's five tremors measured 6.4 on the Richter scale, an intensity that is not uncommon. But in India, particularly in rural areas, buildings are often flimsily constructed from readily available materials: mud bricks, thatch and, increasingly, poor quality cement.

Villages at the Epicenter

This evening, a senior official of Maharashtra state, where most of the damage and death occurred, told reporters in Bombay, the state capital, that 2,800 bodies had been found near two villages, Killari and Umarga, along the southeast border of the state. The official, Chief Secretary N. Ragunatha, said houses of stone, mud and thatch "just collapsed."

Tremors from the quake were felt along both coasts and as far away as Madras, far to the southeast. In Bangalore, in the south, tremors sent people scurrying into the streets in panic.

Army moves in, trying to bring shelter and water to remote areas.

Although India remains a desperately poor country, its disaster-relief system is among the best in developing countries. A spokesman for the Army, which generally plays a central role, said that 50 companies of soldiers and rescue teams were being deployed, that aerial surveys were being conducted and that bulldozers and cranes were being moved into the area.

Estimates of death tolls for disasters in India are often highly unreliable, especially when relief teams have been unable to get to the affected areas. The eventual toll could be many times the original estimates.

A Fragile Geology

The last major earthquake to strike India jolted the foothills of the Himalayas in October 1991, leaving 1,600 people dead. That quake, which measured 6.2 on the Richter scale, demolished 18,000 homes.

The worst earthquake to strike South Asia in this century hit on May 31, 1935, when 50,000 people were killed in Baluchistan, in western Pakistan. And in January 1934, at least 10,700 people died in a quake along the Nepal-India border.

The director-general of the Indian Meteorological Department, S. N. Chatterjee, said the geology of the area was such that considerable damage could be expected from an earthquake, Reuters reported. "The earth formation is such," he said, "it releases a lot of energy, so the damage to property and life could be high."

THE PRESIDENT HAS SEEN
10/1

THE WHITE HOUSE

WASHINGTON

October 1, 1993

MEMORANDUM FOR MACK McLARTY

FROM: JOHN D. PODESTA
R. PAUL RICHARD

SUBJECT: CONDOLENCE LETTERS TO FAMILIES OF SERVICE PERSONNEL LOST IN ACTION

This responds to your request for information concerning the system used to prepare letters to families of service personnel lost in action. The Staff Secretary's Office, the NSC, the Correspondence Office and the Military Office monitor the news for information concerning deaths of service personnel. The Staff Secretary coordinates the preparation of condolence letters for the President's signature.

Although the fact of a action-related casualty is known soon after the event itself, the condolence letters are not prepared until the Pentagon notifies the next-of-kin, and verifies the appropriate address. Once verification is received, the Military Office then forwards the names and addresses of the next-of-kin to the Staff Secretary. This sometimes takes as long as 48 hours, as records are occasionally inaccurate, or families are difficult to locate. For example, last weekend, the widow of one soldier was located and notified within 24 hours of her husband's death. However, the parents of another soldier were on extended vacation and were not contacted until late on Sunday evening.

In the ordinary course, the Staff Secretary forwards this type of condolence letter to the President for signature. However, when the President has been away from the White House for an extended period, we have had the letters executed and dispatched before the President's return. We understand that the President prefers to personally sign these condolence letters, and in the future, we will ensure that he sees these letters before they are dispatched.

THE WHITE HOUSE

WASHINGTON

'93 OCT 1 A10:56

SEPTEMBER 29, 1993

MEMORANDUM FOR JOHN PODESTA

FROM: MACK McLARTY

SUBJECT: LETTERS TO FAMILY MEMBERS OF MILITARY PERSONNEL LOST IN ACTION

The President seemed concerned that we did not have a full-proof system in place to send letters to the families of soldiers killed in action. Please give me a one-pager outlining what we are doing in this area. I think we probably have an acceptable system in place, but I know this is an important matter for the President. Thus, I would like to make sure that this is the case.

Mack

A Hemisphere in the Balance

THE PRESIDENT HAS SEEN

10/1

By David Rockefeller

I can't help seeing the current debate over the North American Free Trade Agreement in the context of my own half century of work with the people of Canada and Latin America, an interest that I shared with my late brother, Nelson. It seems ironic that many of the things we had hoped to witness in Latin America—and worked hard to accomplish—are nearer now to realization than they have ever been, and yet they are threatened by a rejection of Nafta by the U.S. Such a rejection could reverse a great deal of what has been accomplished.

When I was a young banker just out of military service after World War II, my work in Chase Manhattan Bank's International Department took me throughout Latin America and the Caribbean. I found a hemisphere embarking on a course of what might be termed directed national development. It was a faulty economic model based on import substitution and protectionism, with a strong dose of nationalism often colored as Marxism.

This situation persisted into the 1970s. At the same time, much of the transfer of capital from north to south took place as bank credit to the public sectors. The process was accelerated by the need to "recycle" petrodollars from the huge surpluses that were accumulating for the oil producers of the Middle East.

This model showed some temporary successes, as countries like Mexico and Brazil registered significant growth rates. But the cost was high. The nations ultimately found themselves burdened by inflated public sectors, noncompetitive private sectors and mounting difficulties in servicing their international debts.

Profound Changes

Next, of course, was the "debt crisis" beginning in August 1982, when Mexico formally announced that it could no longer make its international payments of principal or even interest. What is remarkable now is the profound change that has occurred in the decade since the debt problem began.

Quite simply, a whole new vision of economic organization has come to the fore. It was helped in an important measure by the free trade agreement between Canada and the U.S. But a real awareness of the immense potential locked up within our own hemisphere was brought to life by leaders to the south of us.

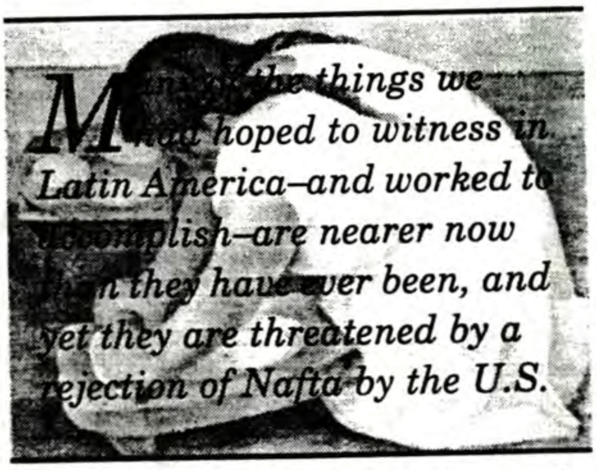
This revolutionary process started with the profound economic transformation undertaken by Chile. It accelerated rapidly with Mexico's decision to join the General Agreement on Tariffs and Trade; to unilaterally reduce tariffs; and finally to work toward a radically new trading system with the signing of Nafta (and, more recently, the labor and environmental side agreements).

This not only brought Mexico into the game but, under the terms of the "Enterprise for the Americas Initiative" set forth by President Bush, it also held out the promise of extending the new trading system to the entire hemisphere. It was a revolutionary idea that won enthusiastic acceptance throughout the hemisphere. Such acceptance was based not only on a belief in free trade but also on a belief in political democracy and the free market.

President Miguel de la Madrid of Mexico had prepared the way. A trained economist, he grasped the potential for his own nation's economic and social future by adopting a free-market model and linking Mexico's economic destiny to its two more developed neighbors to the north, Canada and the U.S.

His critical choice for the key post of planning minister was a young, Harvard-educated economist, Carlos Salinas de Gortari. When Mr. Salinas succeeded to the presidency in 1988, the new model took on added promise and vitality.

Having observed Latin America and the Caribbean for such a long period, and having dealt with its officials for so many years, I find it extraordinary that this whole new way of thinking was shared by government leaders in virtually all the key countries of the hemisphere.



Under what were special circumstances, Chile had already moved in the direction of a market economy under the military government that replaced President Allende's disastrous Marxist experiment in the early 1970s. What was crucial, however, was that the democratically elected government that came to power in 1989 under President Patricio Aylwin maintained and expanded the market-economy model.

Across the Andes in Argentina, a Peronist government under President Carlos Menem also moved decisively in the direction of a market economy, as did then-President Carlos Andres Perez in Venezuela.

In these countries, traditional "labor" parties carried out the economic revolution. They did so, of course, precisely because they felt that the changes being encouraged would result in economic growth and job creation.

What has amazed me even more is that the private sectors of Latin America—long comfortable behind protective tariff barriers—have also swung around to support an open hemisphere trading system. The Americas Society and the Council of the Americas, which I helped to establish and which I chaired until the beginning of the year, were co-sponsors last spring in Washington of a "Forum of the Americas." Joining us were private-sector organizations made up of business leaders from Canada, Latin America and the Caribbean. At the conclusion of the forum, the participants were unanimous in supporting the proposition that we should together strive to achieve a full Western Hemisphere free trade area by the year 2000.

That would have seemed a fantasy only a few years ago. It is clear now that a revolutionary new mood of pragmatism and enterprise is abroad in these lands. The promise is exciting indeed, especially as "Europe '92" has proved to be much harder to achieve in reality than in concept.

Here in the Americas, we can contemplate the extraordinary vision of a free trading area stretching from Canada's Hudson Bay to Tierra del Fuego at the tip of South America. This "half sphere" has a predominantly young population of more than 700 million people in a community of nations that already generates a combined gross national product of more than $7 trillion. Beyond lies an immense potential for growth.

I never expected to see such a transformation in my lifetime. It would be a terrible pity to see such a historic opportunity pass us by now because of a failure on our part to "grasp the moment."

Grasping the moment means, first of all, winning the support of the American people, the administration and Congress for Nafta, which requires legislative action by the end of this year.

A True 'New World'

Beyond Nafta, Chile has signaled its desire to be "next in line" to join in a wider trading area. Venezuela and Argentina have expressed similar desires. For its part, the U.S. has already concluded so-called framework agreements in trade with virtually all the other countries of the hemisphere. These have prepared the way for their incorporation into a hemisphere-wide free-trade system.

What it comes down to is this: The changes in attitudes and policies to make this dream come true have happened. Everything is in place—after 500 years—to build a true "new world" in the Western Hemisphere.

We are further along the road toward a democratic and economically prosperous hemisphere than we have ever been. I truly don't think that "criminal" would be too strong a word to describe an action on our part, such as rejecting Nafta, that would so seriously jeopardize all the good that has been done—and remains to be done—to improve the lives and fortunes of so many people.

Mr. Rockefeller is honorary chairman of the Americas Society and the Council of the Americas.

THE WALL STREET JOURNAL FRIDAY, OCTOBER 1, 1993

Mack
He can help w/ GOP - This is real good piece
B

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[redacted]

[redacted]

J. W. Anderson

Sore Losers

Here are a few who are trying to recoup political losses by opposing NAFTA.

Perhaps you've been left under the impression that the volcanic quarrel over NAFTA—the North American Free Trade Agreement—is only about trade and Mexico. But that wouldn't begin to account for the depth and fury of the opposition to it—the angry exchanges on television, the fusillades of vehement newspaper ads, the increasingly sharp split among the Democrats in Congress.

The unstated issue here is the shift of power in the Democratic Party. President Clinton is moving the party to a more centrist position than in the past and to a structure in which the basic decisions are made by the people who run in elections and win. Most of the muscle of the anti-NAFTA campaign is being supplied by the losers in the process.

By the 1970s, the glorious old New Deal coalition had degenerated into a feudal system in which the lords jealously defended their own territories and demanded a right of veto over anything that affected them. Some of these feudal dukedoms, like the labor movement, had suffered severely declining memberships over the past generation. Some were well to the left of most voters. That was the party structure that produced the conflicted and indecisive Carter administration and contributed heavily to the three presidential defeats that followed it.

The coalition against NAFTA begins with labor. The Clinton administration can argue plausibly that the agreement will be good for many unions, including the United Auto Workers. Present Mexican rules require a company to make cars in Mexico if it wants to sell any there. Those rules will be phased out if NAFTA goes into effect, and it's likely that some of the production in Mexico will be shifted back to more efficient American factories. But the UAW has been flatly against NAFTA from the beginning, and it has swept most of its friends in Congress along with it. Why? The union has been scarred by too many years of being taunted across the bargaining table with threats to move production abroad. It is no longer open to argument on Mexico.

The unions are angry and dismayed to discover that a Democratic president refuses to give them a veto on a matter of importance to them. It's that loss of authority that is raising the emotional level of the debate. That's why big labor has gone all-out on this crucial vote against a president who is more sympathetic to it and, elsewhere, is doing more for it than any other in the past 25 years. The unions, incidentally, are aware of this sympathy and expect to be able to cooperate amiably with Clinton after the vote. They seem not to realize how much damage will follow if they win.

Ralph Nader and his large family of public policy organizations are similarly incensed that the Clinton administration will not give them precedence in the issues of safety and health risk that most deeply interest them. They are not letting this damaging slight go unnoticed.

More than a year ago, during the campaign, Clinton openly rebuked a rap singer, Sister Souljah, at a meeting of Jesse Jackson's Rainbow Coalition. Clinton clearly intended it to be understood as a declaration that he was going to break the Democratic Party's practice of going through gatekeepers like Jackson to reach the voters. Jackson is now working with great vigor and skill to defend his position as a man you have to see if you want to get certain things accomplished. NAFTA is the case in which he intends to prove it.

More generally, for decades there has been on the American left a hunger to renew the old alliance of labor, civil rights organizations, political reformers and all the other thinkers of good thoughts. Labor's hostility to the agreement makes it an inviting point on which to rally all the fragments of the left that see themselves losing influence as the Democratic Party moves toward the center.

The defeat of NAFTA would certainly have consequences for American politics reaching well beyond the Democrats. Ross Perot has made himself the most prominent figure in this campaign and, among the political personalities, will be the biggest winner if the agreement is beaten. You have to wonder whether his current allies among the Democrats have given any thought to the ways in which he would use his rising influence, and for whose benefit.

Among the Republicans, the end of the Cold War seems to have reopened the historic division between the party's internationalists, dominant ever since Eisenhower, and its isolationists. Defeat of NAFTA would be a great victory for the isolationists, now being led by Pat Buchanan and his America Firsters. House Republicans might want to ask themselves whether the outcome of this vote won't affect their own party's ability to win presidential elections.

But unquestionably the larger stakes in NAFTA are the Democratic Party's. For it, the choice is whether to be Clinton's party of the broad center-to-liberal consensus, run by its elected officeholders, or to let decisive power revert to the traditional special interests and the advocacy groups. Which seems like a better bet for 1996?

The writer is a member of the editorial page staff.

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10/1

THE PRESIDENT HAS SEEN

BIG MONEY

Reinventing and Reality

The Gore Report's Printing Bill Sends Its Own Message

By James K. Glassman
Special to The Washington Post

Vice President Gore's glossy report on "Creating a Government That Works Better and Costs Less" doesn't exactly practice what it preaches. Instead of costing less, the report itself—a slick 168-page tome—costs more. About four times more.

An internal Government Printing Office (GPO) memo states that the initial 14,852 copies of the Gore report should have cost about 90 cents each to produce; instead, they cost more than $4 each.

COMMENTARY

The reason: The report was printed on slick, heavy paper, in red and blue as well as black ink—more suitable for a Citicorp annual report, one would think, than for a government prescription on how to save money. Also boosting the cost was the fact that the Gore report was delivered at the last second to the printers and required a crash effort—even though it had been commissioned six months earlier.

Specifically, the memo explains that the report "was produced on the best and most expensive Grade 1 coated paper (high gloss) in multiple ink colors, at Quality Level 2 (on a scale of 1 to 5) on a rush schedule over the Labor Day weekend.

"Normally, the government would have produced such a document in a single color of ink, on uncoated recycled papers at Quality Level 4, allowing three more days for production, at a cost of $13,350."

Gore's office does not dispute the figures in

See BIG MONEY, G2, Col. 1

PRINTING PAYOUT

Here's what it cost to produce Vice President Gore's report, "Creating a Government That Works Better and Costs Less."

Stage	Copies	Gore report cost	Normal cost*
First printing	14,852	$59,559	$13,350
Second printing	49,694	109,356	40,741
Total	**64,546**	**168,915**	**54,091**

*Most government documents are printed in one color of ink, on uncoated paper at the fourth of five quality levels the GPO uses. The Gore report was printed on coated paper, which is difficult to recycle, in three colors, at the second and third quality levels.

SOURCE: Government Printing Office

THE WASHINGTON POST

Sending a Message About Decentralization

BIG MONEY, From G1

the memo, which says that, in all, 64,546 copies of the report of the National Performance Review have been ordered at a cost of $168,915. If those copies had been printed at normal government standards, the cost would have been $54,091.

There's a bigger issue here than an ironic case of a commission spending an extra $100,000 of the taxpayers' money while lecturing the rest of the government to save. The issue is decentralization—one of the major themes of the Gore report.

The GPO itself is one of several institutions that Gore calls "public monopolies." Another is the General Services Administration (GSA), which acquires and manages government office space.

Currently, when a government agency wants to buy printing services, it has to go to the GPO, which will either do the job itself, or, in 76 percent of cases, bid it out to private printers. The government agency has to reimburse the GPO for the printing job and pay a service charge of 6 percent to 9 percent of the cost.

The GPO's central office plant, on North Capitol Street near Union Station, is the largest industrial employer in Washington, with 1,900 production workers on three shifts. The plant's main job is to print legislative branch documents. But the bulk of the GPO's work is procurement. In 1992, it bought $629.3 million worth of printing from private suppliers for hundreds of thousands of separate jobs. And, while few dispute the GPO's expertise in getting low bids and making contractors toe the line on speed and quality, government agencies grouse about ceding their authority to what Gore calls a "public monopoly."

What upsets these agency officials, says Sandra Weisman, who supervised the section of the Gore report on the GPO, "is that they can't talk to contractors. . . . They sometimes have to accept products they don't want."

It's also irksome to executive branch agencies that the GPO, thanks to a 147-year-old anomaly, is actually part of the legislative branch. It's supervised by the Joint Committee on Printing currently headed by Sen. Wendell H. Ford (D-Ky.), with Rep. Charlie Rose (D-N.C.) as its vigorous vice chairman.

The Joint Committee sets standards and makes all the important policy decisions. For example, if a normal federal agency (as opposed to the White House) had told the GPO that it wanted to print a report on Grade 1 paper, the GPO would have taken the request to its congressional supervisor, which almost certainly would have rejected it.

The Gore report cites what it calls "a sad story" involving the National Highway Traffic Safety Administration. The agency wanted to produce "slick" publications on safety "to compete with sophisticated advertising," but the GPO insisted that the publications have a "government look"—that is, modest rather than glitzy.

A safety administration official complained: "We were not attempting to produce a government look. We were trying to produce something that the general public would like to use."

Elaine Kamarck, Gore's senior policy adviser, made the same argument in justifying the expensive National Performance Review report. "We printed them in that kind of quality," she told me, "to be user-friendly and not be kind of standard government-issue."

John Merritt, deputy staff director of the Joint Committee, believes that Kamarck's attitude—if spread throughout the federal government—would lead to runaway printing costs. After all, what agency doesn't want its documents to be, in Kamarck's words, "user-friendly" and "attractive" and to reach "a broader reading audience"?

Merritt fiercely opposes the Gore report's recommendation to "eliminate the Government Printing Office monopoly." The GPO knows its business, he says: "Even the government, when it does something 380,000 times a year, can do a pretty good job."

So the lines are drawn for a classic battle: centralize or decentralize? For government, as for private industry, the best course seems to adopt a little of both.

That, in fact, is roughly the model in place for printing today, and it seems to be a good one. Federal offices should have authority over the content of their publications, their press runs and frequency. But the GPO—perhaps converted into an independent agency overseen by Congress—should continue to set standards and supervise procurement.

Indeed, the Gore report seems to undermine its own case for decentralization when it congratulates the GSA for coming up with an imaginative bidding system that cut the government's long-distance phone bill from 30 cents a minute to 8 cents.

Isn't that a better solution than having every federal agency negotiate its own phone deal? Or printing deal, for that matter?

THE WASHINGTON POST FRIDAY, OCTOBER 1, 1993

[redacted]
To CP

Wht do you
make of this

B.

HRC - Glad this didn't come up in congressional hearings — B

10/1

THE PRESIDENT HAS SEEN

IN THE LOOP

First Couple's Intimate Talk: Surgery

By Al Kamen
Washington Post Staff Writer

White House senior staffers gathered recently in the Oval Office to discuss which medical procedures would be covered under the administration's health care reform proposal. The conversation went this way, according to several sources:

"Mr. President, will the operation be covered?" **Vice President Gore** asked.

"What?" President Clinton asked.

"You know, the operation," Gore said.

"What are you talking about, Al?" Clinton asked.

"You know, the, ah, penile reattachment," Gore deadpanned as the room erupted in laughter.

"I'll check," Clinton said, picking up the telephone.

"Honey?" Clinton said into the phone, explaining that Gore wanted to know if the health care plan would cover **John Wayne Bobbitt's** medical costs.

Clinton held the phone up so the others in the room could hear the laughter at the other end from **Hillary Rodham Clinton.**

After a moment's deliberation with the First Lady, the preliminary determination was that one could argue that having a penis was a preexisting condition and therefore covered by the plan as corrective—rather than cosmetic—surgery.

recess, one administration official said of the Pentagon group, and those not confirmed may not come up again until February, he said.

Also, with the number of relatively decent—but not top level—jobs dwindling quickly, the White House has slowed things a bit to make doubly sure that jobs go to the politically deserving.

Big Three Auto Makers Playing Their Card

■ **Andrew H. Card Jr.**, White House deputy chief of staff and then transportation secretary in the Bush administration, is now president and chief executive officer of the American Automobile Manufacturers Association, the trade group of the Big Three auto makers. Card, who was mostly invisible by choice during his White House days, has been seen at the Clinton White House twice this month; he was in the audience at the signing of the PLO-Israeli peace accords and then again this week when Clinton announced a project with the auto makers to produce a nongasoline car. Meanwhile, another former top Bush aide, **Timothy McBride**, has been named to head corporate communications at the Sun Oil Co. in Philadelphia.

To Justice, Two Lawyers From Chicago

■ The Justice Department announced yesterday that University of Chicago Law School professor **Diane P. Wood** will be deputy assistant attorney general in the Antitrust Division for policy and

Personnel Gap Yawns at the Pentagon

■ With the Senate getting ready to go home for Thanksgiving, the Clinton administration is looking at the possibility of finishing a full year in office with much of the Pentagon hierarchy—especially in the service branches—run by career employees.

So far, the administration has announced its picks for only 26 of the top 46 Defense Department jobs that require Senate confirmation. Three more announcements are imminent, sources say, perhaps by today. The Pentagon has nine more people it just sent over who are awaiting approval by the White House and eight more who have been approved but whose nominations have not been announced because background checks are not completed.

Turns out the administration's self-inflicted pledge to cut the White House staff has hampered its already slow appointments process. Where the complaint for months was that Clinton or personnel boss **Bruce Lindsey** was to blame for appointment delays, it seems the problem now is getting the White House lawyers to finish the vetting process. (The long-blamed FBI is down to a 30-day turnaround recently on its background checks for defense nominees.)

Those still being cleared by the White House may not make it to the Hill in time for confirmation hearings if the White House doesn't forward their nominations quickly.

"We stand to lose a lot of people" in the rush to

legislation. Another Chicago lawyer, **Mark I. Levy**, who had been in the solicitor general's office in the early '80s, is back at Justice, this time in the Civil Division as deputy assistant attorney general for appellate litigation.

It's Official. . . .

■ Clinton yesterday appointed Aetna Life & Casualty Co. counsel **Zoe E. Baird**, whose nomination as attorney general sank amid revelations that she hired illegal aliens as domestic workers and failed to pay their Social Security taxes, to the 12-member President's Foreign Intelligence Advisory Board.

Others officially named were: former senators **Thomas F. Eagleton** (Mo.) and **Warren B. Rudman** (N.H.); former National Security Agency director and retired **Gen. Lew Allen Jr.**; **Ann Z. Caracristi**, former NSA deputy director; **Sidney D. Drell**, deputy director of the Stanford University Linear Accelerator Center; Washington lawyer and former Clinton campaign general counsel **Anthony S. Harrington**; United Technologies Corp. senior vice president **Robert J. Hermann**; **Harold W. Pote**, founder of a private investment firm; **Lois D. Rice**, a guest scholar at the Brookings Institution; and foreign trade, finance and development consultant **Maurice Sonnenberg**. Former Joint Chiefs of Staff chairman **Adm. William J. Crowe Jr.** heads the panel, which advises the president on foreign policy matters.

Mack, what's the deal on this— B.

10/1
THE PRESIDENT HAS SEEN
10-1-93

THE WASHINGTON POST FRIDAY, OCTOBER 1, 1993

29

[redacted]

THE PRESIDENT HAS SEEN
9/30/93 db

THE WHITE HOUSE

WASHINGTON

September 30, 1993

SEP 30 AM10: 18

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER HP

SUBJECT: LETTER FOR SIGNATURE

Attached please find a letter for your signature to Lillian Fernandez, a Special Assistant in the Office of Legislative Affairs. Lillian has decided to resign from your staff, effective October 1, 1993.

Please sign the attached letter and return it to Unice Lieberman in the West Wing Office so that I may ensure delivery. Thank you.

Marcy

What's this deal - we don't need to lose more Hispanics? —

B

THE WHITE HOUSE

WASHINGTON

October 1, 1993

Dear Lillian:

I would like to take this opportunity to express my regret that you are leaving the Office of Legislative Affairs. I was disappointed by, but respect, your decision.

The past year has been marked by the passage of many important pieces of legislation, such as the National Voter Registration Act, the National and Community Service Trust Act, and the Omnibus Budget Reconciliation Act of 1993. I am grateful for your assistance in these endeavors.

You can be proud of the service you have given to your country. I thank you and wish you all the best.

Sincerely,

Bill Clinton

Ms. Lillian Fernandez
The White House
Washington, D.C. 20500

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 9/30

NOTE FOR: Carol Rasco / Howard Paster

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

Information ☐

Action ☑

[redacted]

Thank you.

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

[redacted]

cc:

ELIOT L. E
17TH DISTRICT, I

COMMITTE
FOREIGN AI
SUBCOMMITTEE ON
THE MIDDLE
SUBCOMMITTEE ON EC
TRADE AND ENV
SUBCOMMITTEE
EDUCATION A
SUBCOMMITTEE ON ELEMI
AND VOCATIONAI
SUBCOMMITTEE ON LA
RELATIC

The President wants this to go to Carol Rasco for reply of a copy for J. Paster —

WASHINGTON OFFICE:
1433 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3217
(202) 225-2464

DISTRICT OFFICES:
3655 JOHNSON AVENUE
BRONX, NY 10463
(718) 796-9700

655 EAST 233RD STREET
BRONX, NY 10466
(718) 652-0400

177 DREISER LOOP, ROOM 3
BRONX, NY 10475
(718) 320-2314

Sep

Hon
Pre
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear President Clinton,

We are writing to request your assistance in helping to resolve a grave situation affecting the City of New York.

As you are probably aware, the New York City public school system has been paralyzed by an asbestos crisis. In order to attempt a proper inspection of the more than 1,000 city school buildings, the start of the school year was delayed earlier this month. Despite that delay, hundreds of schools still remain totally or partially closed because they have not been properly inspected or because they have been found to contain asbestos.

One million students, their parents and teachers have all experienced distress, anxiety and inconvenience, and a genuine public health hazard continues to exist. It has become clear to us that the resources and expertise currently available at the local level are not sufficient to resolve this situation in a satisfactory and timely manner. Given the number of people affected, this is a disaster of epic proportions that cries for the assistance of the federal government.

This help must come in two ways: Funding and technical expertise. In the area of funding, we are exploring legislative options that might allow us to channel money to New York City for asbestos abatement, and we would greatly appreciate your support for these efforts. We also implore you to similarly explore any means available to you, either through discretionary funds or emergency authorization, that would free up funds for this purpose.

In the area of technical assistance, we have contacted the Army Corps of Engineers, which has indicated it has expertise in the area of asbestos abatement. Enlisting the assistance of the Army Corps of Engineers would apparently require Presidential approval, once a way of paying for its services is identified.

Therefore, we request that you express a willingness to approve the dispatch of the Army Corps of Engineers to New York City for the purpose of asbestos abatement if such an arrangement can be secured.

We eagerly await your response to these urgent requests, and we appreciate your attention to this matter and your continuing efforts on behalf of the American people.

Sincerely,

Eliot L. Engel

Eliot L Engel
Member of Congress

Jose E. Serrano
Member of Congress

LA Times

9/26/93

Bruce — there's something to this —

THE PRESIDENT HAS SEEN 10/1

COLUMN LEFT/
ROBERT SCHEER

A Free Market Doesn't Equal a Free Society

■ Russia, Poland and China confuse politics and economics.

Should democracy be equated with the free market? That is the issue raised by elections in Poland, the rejection of Beijing's bid for the Olympics and Russian President Boris N. Yeltsin's coup.

In the name of democracy, the Clinton Administration has endorsed Yeltsin's elimination of an elected Parliament and vice president as well as his overriding the constitutional court and transforming the media and state security apparatus into vehicles of his own personal power.

This absurd blurring of the line between authoritarianism and democracy is made possible by the current cant, which holds the "market economy" to be the wellspring of political freedom. The "freer" the market, the theory runs, the safer democracy.

We have come to define democracy in terms of allegiance to methods of trade rather then procedures for governance. It follows, then, that Yeltsin is to be supported because he favors more rapid privatization of production than his opponents do.

But this policy is fraught with obvious contradiction. By that standard, communist China must be the most rapidly developing democracy in the world, and one wonders why the United States opposed its hosting the Olympics. China has the fastest-growing private sector, millions of capitalist flowers coexisting quite easily with one-party rule and forced-labor camps.

Oligarchy in China is consistent with the economic "tigers" of Asia, who have followed a model of repressive politics wedded to private enterprise. The governments of South Korea and Taiwan, for example, have insisted all along that authoritarian rule was indispensable to the stability required for a free market. Should China be faulted for following their example, which the United States extolled?

What happens when people attempt to use political power to control—some might argue disrupt—the workings of the free market, as occurred in Poland? Last week, the Polish electorate voted in remnants of the old guard pledged to a slower pace of economic change. Is Poland now less democratic than China? Should rejection of the "shock therapy" model prescribed by Harvard professors who never personally experienced the vicissitudes of business be equated with a thirst for totalitarianism?

Nonsense. People in the former communist bloc have the same right as American citizens do to decide on the mix of government regulation and private economic activity. The height of the social safety net, the degree of environmental protection and the guarantee of safe working conditions and minimum wages and hours are decisions set by the electorate in all advanced capitalist societies. Why do we insist on imposing a model of the free market on Eastern Europe that would be considered unworkably primitive in Western Europe?

Only a small band of ideological purists believe that such decisions can be made exclusively in the market by adherence to the law of supply and demand. In the real capitalist world, the "market mechanism" is an essential accounting tool, but it does not answer fundamental social-policy questions.

The struggle between Yeltsin's government and the Russian Parliament, marred as it has been by personality and ambition, nonetheless was an essential forum for debating the hard choices. Those issues cannot be resolved by simple rhetoric about the market or silencing opponents.

It is understandable that Yeltsin—consistent with behavior of politicians everywhere—would seek to relieve himself of any accountability for massive inflation, crime and poverty by blaming his opponents and even seek to silence them. But why does the Clinton Administration feel the need to validate such tactics as democratic?

History offers many examples of just how dangerous it is to identify the ideals of democracy with the survival of any one political leader. Diem in Vietnam and Pinochet in Chile come to mind.

Nor is it helpful for the United States to insist, along with the emissaries from the International Monetary Fund, that the economic catastrophe that is modern Russia can be made whole by following some simplistic rules from economic textbooks. How does a foreign economist know how much suffering the people can take before they crack?

What we should assert is that people have the right to make their own history, and that includes shaping the character of their own economy. Endorsing elections now for both the Russian president and the Parliament would make sense. But it is unconscionable to insist that democracy means people voting the way you would have, or to equate human rights with laissez-faire economics.

Robert Scheer, a former Times national correspondent, has traveled in and written extensively on Eastern Europe.

'Why do we insist on imposing a model of the free market on Eastern Europe that would be considered unworkably primitive in Western Europe?'

THE PRESIDENT HAS SEEN 10/1

M E M O R A N D U M

Mack

See me re: this -

B.

TO: THE PRESIDENT

FROM: NANCY HERNREICH

DATE: SEPTEMBER 29, 1993

RE: PHONE CALL FROM GOV. JIM HUNT - NORTH CAROLINA

GOV. HUNT CALLED STATING HE BADLY NEEDS TO TALK. HE WILL BE AT THE MANSION ALL DAY TOMORROW.

Per Marcia Hale - The Governor is probably calling regarding the October 12th event. The Governor wants to know if you will be attending the 200th anniversary of the University of North Carolina. President wants to go - Marcia is awaiting final approval from Roy Neel before she calls and confirms. She would love for the President to be able to let the Governor know if he will attend.

- In E. N. Car. only crop making $ is tobacco
- The Dems who supported us all ran from away on tob. Hope we can hold it to 50¢.
- London Rt. → ~~[illegible]~~ AA - 2 to go to Rach, NC, which she did - Might make diff for D Price, T Valentine

BALT. SUN
9/30

A Lawyer's Foreign Policy

Tony — get no credit for policy or [illegible] arguments [illegible] because we couldn't [illegible] system for not [illegible]
Pros: Soon / [illegible]
B.

By RICHARD REEVES

THE PRESIDENT HAS SEEN 10/1

Los Angeles.

It was a little uncomfortable watching President Clinton make his first speech to the United Nations — not because of what he said, but because he seemed so uncomfortable. Obviously he would rather talk about health care; Lord knows he does that better.

This is a domestic president. Most of the rest since Roosevelt have been foreign-policy presidents. Many of them — George Bush and John Kennedy, for example — were bored by most domestic concerns. Probably the rise of an American leader like Mr. Clinton was inevitable with the end of war and Cold War.

I liked most of his sentences and instincts; it was only after the speech was over that my disappointment set in. Perhaps I expected too much from a fresh and new look at the world, but there was no new foreign policy in this speech. There was, in fact, no foreign policy at all.

There is trouble ahead. It was a speech distorted by contradiction. The U.S., our leader said, is ever concerned about the proliferation of weapons but never concerned about selling them — in fact, we have always been for non-proliferation of nuclear weapons to all countries but one, the United States, a policy some other countries suspected had a certain self-interest attached.

We are on no crusade to force our way of life on others, Mr. Clinton said, so long as other peoples live in free-market democracies like ours. We want, he said, the United Nations to have greater independent military capability to manage peacekeeping missions, as long as we approve of them first.

The contradictions were caught the morning after in the lead headline of the *Los Angeles Times:* "Clinton Tells U.N. U.S. Will Lead but Will Limit Its Role."

Oh, I get it. Limited leadership — the kind we have been exercising in Bosnia. The kind the president exercises as he backs away from his earlier declarations of support for an independent U.N. military capacity. The kind we are showing by our determination to keep troops in Europe for no reason anyone can explain, or by trying to have it both ways on trade and human rights in China.

The boldest step the president has taken ideologically is into the murky waters of free-market democracy, the right-wing idea that capitalism and democracy are indivisible. The phrase describes something like the U.S. attitude toward Latin American for most of this century: The democracy part was usually the expendable adjunct to market considerations. Often, we preferred free-market dictatorship to such dread hybrids as social democracy or, perish the thought, socialist democracy.

Mr. Clinton's inattention to foreign affairs may have something to do with his adoption of free-market democracy. There is something of a joke about the concept, since we learned long ago about the downside of "free" — *i.e.*, unregulated — in free-wheeling capitalism. We ourselves would never stand for the kind of unregulated and unchecked free-market systems we began urging on the Soviet Union and other post-communist systems during the presidency of Ronald Reagan. The benefits and cruelties of capitalism have to be checked and balanced — which is an ongoing responsibility of the American experiment.

American foreign policy, pre-Clinton, has traditionally been a balance and struggle between "idealists" (Woodrow Wilson, Henry Stimson, Cyrus Vance) and "realists" (Richard Nixon, Henry Kissinger). A Kissinger biographer, Walter Isaacson, was asked during a lecture this summer to say in which camp he would place Secretary of State Warren Christopher.

"Neither," he answered. "Christopher is a lawyer; he works case by case."

And President Clinton's maiden U.N. speech was a lawyer's speech. He does not seem to know what he thinks about foreign affairs until he knows who will be his next client.

Richard Reeves is a syndicated columnist.

THE WHITE HOUSE

WASHINGTON

October 1, 1993

The Honorable Barbara A. Mikulski
United States Senate
Washington, D.C. 20510

Dear Barbara:

September 21, 1993, was a memorable day for me. One of my greatest pleasures that morning, at the signing of our National and Community Service Trust Act of 1993, was looking over to you and knowing that our long-held mutual dream was finally coming to fruition. Without your past leadership, particularly by shepherding the 1990 Act and guiding its implementation (which provided the roots for our 1993 Act), this next step could not have happened; and with your future leadership, national service and all of our shared dreams will come true.

Today will be another memorable day, as you guide the appropriations that will fuel national service in its full launch year. In remembrance of an extraordinary bill signing day, and in thanks for all you have done, I enclose a pen that I used to sign the National and Community Service Trust Act of 1993. Thank you for all you have done and will do for national service.

Sincerely,

Bill

Your support for national service has really meant a lot to me.

THE WHITE HOUSE
WASHINGTON

DATE: 10/01/93

TO: MACK MCLARTY
ROBERT RUBIN

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

The attached has been forwarded to the President.

THE WHITE HOUSE

WASHINGTON

September 30, 1993 '93 P7:50

MEMORANDUM FOR THE PRESIDENT

FROM: Howard Paster HP

SUBJECT: Maritime subsidies

Your decision on shipbuilding was announced yesterday by Secretary Pena after preliminary briefings on Capitol Hill. Chairman Studds (and presumably Senator Breaux) expressed disappointment that there was not an opportunity to talk with you prior to that decision. I did explain to Studds that there was a statutory deadline for a report that forced that decision prior to your meeting with Studds and Breaux next week.

The second issue we addressed last week, the number of ships for which you would provide maritime subsidies, is also of great importance to Studds and Breaux. I think it is very important that everyone concerned proceed from the basis that your mind is open on this issue until your meeting with the Representative and the Senator. They know you have been given a range of choices, and there is much talk about a probable compromise.

Nonetheless I hope that when Studds and Breaux come to see you it will be clear you want to hear their views before making a final decision on maritime subsidies. I will share the importance of keeping an open mind with those who participated in last week's meeting.

While you have a staff recommendation, it is also fair to give Studds and Breaux a chance to raise their political and policy issues before you lock in your final decision.

THE WHITE HOUSE

WASHINGTON

September 30, 1993

Dear Mr. Secretary General:

Pursuant to the request of the Defense Planning Committee that I nominate an officer of the United States Armed Forces for appointment by the Committee as Supreme Allied Commander, Europe, to succeed General John M. Shalikashvili, U.S. Army, I hereby nominate General George A. Joulwan, U.S. Army. I believe General Joulwan to be extremely well qualified to perform the duties of Supreme Allied Commander, Europe. He has had an outstanding service career and has commanded some of our foremost Army forces. General Joulwan is currently serving as Commander in Chief, United States Southern Command. He is thoroughly cognizant of the duties and responsibilities of Supreme Allied Commander, Europe.

I have every confidence that General Joulwan will make an outstanding contribution to furthering the fine tradition and worthy objectives sought by all of the NATO Nations in strengthening our common defense efforts.

If the Committee concurs in the foregoing, I will arrange for General Joulwan to relieve General Shalikashvili as Supreme Allied Commander as soon as possible.

Sincerely,

William J. Clinton

His Excellency Manfred Woerner
Secretary General of the
North Atlantic Treaty Organization
Brussels

THE WHITE HOUSE

WASHINGTON

September 20, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: SUSAN BROPHY SB

SUBJECT: NAFTA PHONE CALLS FOR SEPTEMBER 20

Attached is the first list of daily calls you committed to make on NAFTA. We are coordinating with Cabinet members to ensure that all undecided Members are called and urged to support NAFTA.

Given the fact that Gephardt is expected to announce his opposition to NAFTA tomorrow, it is imperative that these calls be made today.

Thank you.

To Rubin [illegible]

THE PRESIDENT HAS SEEN
9-29-93

THE WHITE HOUSE

WASHINGTON

September 20, 1993

DAILY NAFTA TELEPHONE CALLS

TO: Representative Bob Torricelli (D-NJ)
Representative Peter Hoagland (D-NE)
Representative Norm Dicks (D-WA)

DATE: September 20, 1993

RECOMMENDED BY: Susan Brophy SB

PURPOSE: To ask for their support for NAFTA.

BACKGROUND:

(1) Rep. Torricelli is Chairman of the Foreign Affairs Subcommittee on Western Hemisphere Affairs. He was leaning yes before the August recess but because of pressure from his district, he is now leaning no. We believe that if he is strongly urged to support the Treaty, he will.

(2) Rep. Hoagland is on the Ways and Means Committee. He is leaning toward supporting the Treaty.

(3) Rep. Dicks is a strong environmentalist and his support for NAFTA may move other votes from the Pacific Northwest. He should be with us, as Boeing is a likely beneficiary of NAFTA.

ACTION:

Labor - likes the Brighton Study
- wants to vote for
- (1) VP or Bentsen [illegible]
- (2) Reich meeting w/ Bus. Hqts
- (3) Lodging on Welf. Ref - co-sponsor
[illegible]

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 9/28

TO: Bill Daley/Michael Waldman

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

for response

[redacted]

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

Date: 9/23/93 Response needed by: ASAP
COS Office Contact: Bill Burton, Policy & Staff Director

3 SEP 24 P4:36

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

Remarks: See the Rev Jackson's ~~[illegible]~~ request. B

Response:

National Rainbow Coalition, Inc.

Reverend Jesse L. Jackson
President and Founder

FACSIMILE TRANSMITTAL COVER SHEET

TO: Mr. Thomas F. McLarty

FAX #: 202/456-1121

TELEPHONE: 202/456-6798

SENT BY: Lorraine for Rev. Jesse L. Jackson

DATE: 09/22/93

TOTAL PAGES: 4

I would appreciate it if you would see that this gets to the President. Thank you.

JLJ

P.O. Box 27385 • Washington, D.C. 20005 • (202) 728-1180 Fax (202) 728-1192

National Rainbow Coalition, Inc.

Reverend Jesse L. Jackson
President and Founder

September 22, 1993

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

Dear Mr. President:

On behalf of the National Rainbow Coalition and millions of working people across this country, I write to urge you to reconsider your position on the North American Free Trade Agreement in its current form.

I have long fought for North American economic integration and expanded trade. I treasure America's diversity; I labor to better relations with our neighbors to the South. I believe that a new trading accord with Mexico and Canada could be sculpted that would benefit working people throughout the hemisphere. But I urge defeat of NAFTA for it does disservice to each of these objectives.

The core of this agreement was negotiated by conservative advocates of "trickle down" economics. In each country, the people have disavowed the advocates and their economics. Canada's Prime Minister Brian Mulroney resigned in public disfavor. George Bush was defeated at the polls. Most observers agree that Mexico's President Carlos Salinas would never have been elected had the vote count not been rigged. They have negotiated an agreement that puts profit before people, protects corporate rights and neglects citizen rights, and will undermine workers on both sides of the border.

It is not enough to say that this agreement must be supported if this country is to "embrace change." Change is inevitable. Relations with our neighbors have changed constantly from the first days of this republic. The question is, "what kind of change?" On that, there can be no doubt: this agreement embraces a "trickle down" theory of change that will hurt working people in all three countries.

Creating a common market with Mexico -- given the stark disparities in wages and development, political and legal practices -- is an enormous challenge and opportunity. This agreement fails even to address the challenge:

- If the treaty is to benefit everyone, it is vital that Mexican democracy be strengthened so that its citizens and ours can depend upon the rule of law, the accountability of government. But Mexico is the "perfect dictatorship." Its laws are too often ignored; the rights of its people too often trampled. Massive debt

P.O. Box 27385 • Washington, D.C. 20005 • (202) 728-1180 Fax (202) 728-1192

places its government under severe pressure to suppress wages, curtail human rights, and ignore consumer and environmental protections. Nothing in the current agreement strengthens Mexico's democracy, or alleviates those pressures.

The Europeans have shown how difficult it is to create a common market with poorer countries, although the disparities there are much smaller than those between the U.S. and Mexico. Before Spain or Greece could join the community, they had to become democracies and were required to strengthen the rights accorded the people. A social charter was created to protect the rights of workers, consumers and residents. Development funds were provided in large amounts to help raise up poor countries (and the poor areas of wealthier countries) rather than bring down workers in more advanced countries. The NAFTA accord fails on all of these sensible measures.

- If the treaty is to benefit workers in each country, it must have adequate funds for job retraining and development for workers and communities adversely impacted by integration. The agreement fails to address these issues - and in next years's budget as passed by the House, funding for education and training actually declines in real terms for the first time in four years.

Real wages of U.S. workers have been falling for two decades. The country suffers from too few jobs for too many workers without sophisticated education or skills. NAFTA will dramatically expand the pool of unskilled labor. Jobs will be lost, and companies will use the threat of Mexico to undermine wages and conditions of the jobs that stay.

- If the treaty is to benefit everyone, it is vital that Mexican wages rise with productivity. If they cannot afford to buy what we make, we will lose jobs and they will remain exploited. Today, the productivity of the Mexican workers is often very high, but their wages and conditions are not. Their exploitation comes from an economic strategy designed to suppress wages in order to attract investment and repay burdensome foreign debts. It is enforced through brutal suppression of independent labor union organizing, and systematic neglect of environmental, consumer, and worker protections. The "side accords" do not address these questions. You have suggested that the accord ties Mexican wages to productivity. It does not.

Indeed, the revised NAFTA text fails even to require enforcement of fundamental human rights for workers -- the right to organize and bargain collectively.

- If the treaty is to benefit everyone, it must have detailed enforcement provisions for labor, environmental and consumer protections. The NAFTA accord and side agreements provide no serious enforcement mechanism for labor issues. In fact, it allows American corporations to avoid protections for American workers by taking the jobs to Mexico, thereby eroding U.S. labor standards. The accord allows U.S. environmental standards to be challenged and eroded to lower international standards. The accord does not even allow citizens the right to know about the environmental impact of plants operating near their homes.

A "people's NAFTA" would be premised on a coherent effort to raise living and working standards in Mexico, so they wouldn't be undermined in the United States and Canada. This would include a charter for labor rights, a charter for environmental and consumer protections. It would include a schedule for raising the Mexican minimum wage.

With these new burdens on Mexico would come new benefits. A North American Development Bank -- financed by a small tax on cross border transactions -- could be established to alleviate the Mexican debt burden, and provide development assistance for the poorest people in each country. Similar funds were created when the European Community integrated. A development bank would not be a charity. Much of the money would return to the United States and Canada in increased exports. But, unlike the current accord that caters to capital seeking cheap labor, a development bank would help raise productivity and wages in Mexico, while in every country aiding workers displaced by the new patterns of trade.

We need an economic integration plan that is based upon putting people first, not keeping people down. The NAFTA accord, negotiated by two Republican admininstrations, bows to corporate pressure to embrace trickle-down trade, and thus misses the opportunity to negotiate a charter that could be a model for integration, economic expansion and worker empowerment throughout the globe.

Since NAFTA will indeed be, as its proponents argue, a symbol for U.S. trade policy, let it reflect principles and priorities that we as a nation can stand on. Let's turn away from this current anti-worker, anti-environment, anti-consumer agreement. Let us start anew and negotiate an agreement that truly puts people first.

Sincerely,

Jesse L. Jackson

Jesse L. Jackson

Chron

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 9/23

NOTE FOR: Roy Neel

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

Information ☐
Action ☑

This meeting should be scheduled soon. (Fri. Aft?)

JDP

Thank you.

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

[redacted]

cc:

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 9/23

NOTE FOR: V.P., Panetta, Rubin, George

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

Information ☑

Action ☐

meeting to be scheduled by Roy

Thank you.

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

[redacted]

cc:

[redacted]

THE WHITE HOUSE

WASHINGTON

September 20, 1993

we need next
~~NAFTA~~
B.

MR. PRESIDENT:

The Vice President had a meeting this afternoon with the Reinventing Government implementation group at which this memo was discussed. He will provide you his views directly on how to manage the dilemmas posed in the attached.

J.P.

John Podesta

Must

NAFTA tra.	2.5
Clean up	.7
UI	1.8
Tg	5
Crime	3.5
Peace	1
ME	.5
WR	5
Dw/Drugs	1
	20.5

put off til Jan
5 WR
3.5 Cr (some of
.9 UI

Optional

Tg Inc 5.8
Crop amt

[redacted]

20 P1:25

THE WHITE HOUSE

WASHINGTON

September 20, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT E. RUBIN

SUBJECT: **Deficit Reduction Versus Investment**

Leon Panetta led a discussion of the attached memorandum last Friday, at an NEC meeting involving your economic team plus your principal political advisers inside the White House (David Gergen, George Stephanopoulos, Howard Paster and John Podesta). There was general agreement that this memorandum was of extreme importance and sets forth a major challenge for the remaining three years of the first term of your Administration.

OMB is continuing to work with all the relevant parties on old and new initiatives and possible funding sources, but it is absolutely clear that it will be very difficult to fund investments and other initiatives, such as those relating to foreign policy. Many of those at the meeting felt that the confluence of events, such as the Kerry Commission, commitments relating to passage of the reconciliation bill, the rapid build-up of additional initiatives, the FY95 budget, the Concord Group proposals, and the potential savings from NPR, make this a critical time to decide the substance and politics of defining where you want to stand on further deficit reduction versus investment.

That choice is obviously very complicated, at least politically. One possibility is to continue with a *de facto*, but not clearly articulated policy of limited additional deficit reduction, and then as much investment as possible. Another, more pro-active possibility, is to take credit for the deficit reduction program, say that that's what was needed to be done, and then fight to establish the principle that additional cuts and savings should be used to further your investment program and foreign policy initiatives.

Yes ASAP after Thurs.

You receive piecemeal comments from many different people on deficit reduction versus investment. Our recommendation is that we schedule a meeting as soon as possible, with as small a group as possible from your core economic team and your political team, and carry out a well organized discussion of this critical issue. There are obviously many pressures on your time, but many of us feel that the Administration is at a critical juncture and, thus, such a meeting would be an exceedingly good use of your time. Please advise as to whether or not you would like us to schedule this.

Attachment

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

THE DIRECTOR

20 P1:25

September 20, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Leon E. Panetta

SUBJECT: Paying for Administration Initiatives

This memorandum summarizes the major current Administration initiatives and their costs. As you know, under the Budget Enforcement Act, entitlement expansions or revenue reductions must be offset by equivalent entitlement cuts and/or tax increases; and all discretionary program expansions must be funded under very restrictive spending caps.

I want to make certain that you know how difficult it will be to offset these initiatives. Our economic plan enacted in August contained both very tight discretionary caps and most of the politically viable deficit reduction options. Furthermore, we have committed to an additional savings package for this October, made up of rescissions and some of the more attractive National Performance Review proposals. This package, which is likely to save between \$10 billion and \$15 billion over five years, will almost surely be restricted by the Congress to deficit reduction and will further deplete the small number of offsets available for our initiatives.

As a result, these initiatives can be funded only by (1) cutting discretionary spending further below the FY 1994-FY 1995 caps; (2) cutting entitlements other than Medicare and Medicaid (e.g., agriculture, retirement, power marketing); (3) increasing taxes or user fees; (4) dedicating a portion of the October savings to these initiatives; or (5) using the emergency designation, which Congress is increasingly likely to resist.

INITIATIVES

These are the near-term initiatives that must be offset:

1. <u>NAFTA</u>

NAFTA will affect the budget through a loss of tariff revenues averaging $500 million per year. In addition, the border cleanup will likely require discretionary financing; these funds can be requested in the Fiscal Year 1995 budget. Finally, we will need at least to show progress on a dislocated worker initiative to help the side agreements through the Congress (see (3) below). We will consult with NAFTA advocates in the Congress to pay for the program.

- Five-Year revenue cost: $2.5 billion (mandatory)
- Ten-Year revenue cost: $5.0 billion (mandatory)
- First-year cleanup cost: $0.1 billion (discretionary)
- Five-year cleanup cost: $0.2 billion (discretionary)

~~[illegible]~~

2. <u>Extended Unemployment Insurance</u>

The Emergency Unemployment Compensation (EUC) program provides benefits to those who exhaust their regular unemployment insurance, which generally runs for six months. EUC expires on October 2, 1993. The proposed extension would provide seven or 13 weeks of unemployment benefits. The cost depends upon the number of months for which the program is extended, though a short-term extension would merely require that the program be revisted later. Costs of extensions from three to six months are:

- FY 1994 cost, three-month extension: $824 million
- FY 1994 cost, six-month extension: $1.8 billion

3. <u>Dislocated Workers</u>

A comprehensive dislocated worker proposal will <u>provide job search and training assistance regardless of the cause of job loss</u>; such an approach is preferred by many to categorical programs that aid only small classes of workers. Workers who exhaust their unemployment insurance benefits and are in qualified training programs will be eligible for <u>income-support payments</u>. The Department of Labor is still developing the proposal, but the job search and training program will probably be funded under the discretionary cap while income support is funded as a mandatory/entitlement program. The Department's latest estimates of the new program, beyond what is currently budgeted, are shown below (assuming a starting date of July 1, 1995).

- Five-Year (FY 1995-99) cost, income support: $5.8 billion (mandatory)
- Five-Year (FY 1995-99) cost, training and other services: $8.6 billion (discretionary) too much This can do in 4yr this yr — at 5-6

4. Crop Insurance

Secretary Espy will have a major crop insurance reform in line with commitments made during the Midwest floods ready in two to four weeks. Although this measure will reduce disaster payments in the future it could cost up to $1.0 billion a year within the budget window.

- Five-Year cost: up to $5 billion too much

5. Crime Bill

This public safety initiative will help law enforcement agencies to fight crime and drugs by building partnerships among police, community groups, and residents. The purpose is to increase the number of law enforcement officers on the streets. The initiative is being developed by the Department of Justice and will target areas with the greatest need for additional law enforcement officers. Some argue that a crime bill is needed this Fall to counter the controversy over NAFTA.

- Five-Year cost: $3.5 billion ✓

6. Defense

Secretary Aspin has announced that the new force structure in the "bottom-up" review will exceed the five-year budget target by $13 billion. Secretary Aspin has committed to make up this shortfall out of future budgets. However, future pay raises and inflation could exceed the current baseline. Further, the $13 billion shortfall impinges upon the discretionary cap, and makes funding nondefense initiatives out of defense savings that much more difficult.

- Five-Year cost: $13.0 billion They plugged this out of their budget —

7. Peacekeeping

The United States is $390 million in arrears in U.N. peacekeeping assessments, and could be $500 million in arrears by the end of 1993. Becoming current by the end of FY 1994 could involve a supplemental appropriation of as much as $700 million. In addition, there is the potential for a commitment of up to $3 billion of U.S. funds for FY 1994 to support a major peacekeeping operation to implement a Bosnian peace agreement. There are disagreements in the Congress on whether peacekeeping should be paid for within the current defense budget.

- Five-Year cost (excluding Bosnia): up to $1.0 billion

8. <u>Middle East</u>

U.S. contributions to a multilateral effort for the Palestinians could be $350 million over five years. We believe that this need could be covered within existing budgets.

- Five-Year cost: up to $350 million

9. <u>Welfare Reform</u>

The Administration's welfare program is currently being developed by the Welfare Reform Working Group. Depending on the design of the program, additional training, jobs and support services for welfare recipients could cost from $3 billion to $5 billion per year.

- Five-Year cost: $15 to $25 billion — Must & can do for less w/ Health care. Elts already in

10. <u>Health Care Reform</u>

The Administration's health care reform plan could involve costs for Fiscal Year 1995 on both the discretionary and the mandatory sides of the budget. On the discretionary side, additional funds will be needed to support the new public health initiatives and administrative and start-up costs of the new system. While there may also be some offsets to the various Federal health programs (i.e., FEHB, Public Health Service, etc.) through the infusion of premium dollars, the new discretionary programs and activities would have a net cost that would have to be appropriated within the discretionary caps. On the mandatory side, there will be substantial additional costs for the new Medicare drug and long-term care benefits, as well as for subsidies. Estimates are not yet final, but it has been assumed that these costs would be offset with savings in Medicare and Medicaid, and additional revenues from tobacco and possibly alcohol excise taxes.

11. <u>Other Initiatives</u>

Other Administration initiatives will require small offsets. Campaign finance reform will have costs in the rough vicinity of one-half billion dollars over five years. The United States is in arrears by about $800 million in funding for the multilateral development banks -- including the World Bank, the development banks for Africa and Asia, the International Development Bank, and others.

PAYING FOR INITIATIVES

Let me also briefly summarize the obvious difficulty we have in trying to offset these initiatives through spending cuts and tax increases.

1. <u>Entitlements</u>

The primary source for outlay reduction in the entitlement area is Medicare and Medicaid, yet any reductions in those programs must presumably be reserved for health care reform. only upper income <u>Cuts in Social Security</u> and low-income entitlement programs will be very difficult to identify and propose. That leaves Agriculture, Veterans programs and Federal retirement programs in the entitlement area; all were cut in the reconciliation bill and it will be very difficult to find additional cuts that will be politically doable. If a deficit-reduction commission is established, it is not expected to report until December of 1993.

2. <u>Discretionary</u>

As you know, the new spending caps set in reconciliation for discretionary programs lock in an <u>unprecedented five-year freeze</u>. To preserve our investments in programs like Head Start, WIC, crime, research and development and national service, we must cut deeply into the rest of government. Reducing the caps further to achieve deficit reduction in addition to what was accomplished in reconciliation would severely jeopardize our investment program.

3. <u>Revenues</u>

While revenues could be raised to offset the cost of the initiatives described above, there will be tremendous opposition in Congress to another tax bill so soon after the $250 billion in revenues raised by reconciliation. A tax bill could also be used by Republicans to attempt to repeal the tax increases enacted in reconciliation; this is why Ways and Means resists using the FUTA tax to support extended unemployment compensation. Clearly, any revenue offsets will be controversial and will require careful consideration by the Administration before submission to the Congress.

4. October Savings Package

We are working with the Vice President to implement the National Performance Review on three levels: 1) executive orders and Administration directives; 2) the October package; and 3) the Fiscal 1995 budget process. The bulk of whatever savings are achieved will be needed to fund key investments within the caps, and there will be pressure from Congress to lower the caps for deficit reduction. *The inescapable reality is that little will be available for new initiatives.*

There are alternative conceptions of the October package. One approach would limit the package to the most politically difficult policy options. That would challenge the Congress to match its deficit-reduction rhetoric, while leaving the more politically doable options to finance our investments later in the fall, or in the FY 1995 budget. The second approach would put some attractive options in the October package -- including the "systems" options in the NPR, which CBO will not score -- so that it can be a victory for the Administration and for "reinventing government." Some portion of the savings could be earmarked to finance the first round of Administration investments. Of course, our submission will be just the first move in the game, and the Congress can counter either strategy -- by putting in the October package some options we would prefer to hold in reserve; or by refusing to earmark any October savings for our investments.

Whatever choice we make will be a major strategic decision. We must sooner or later confront the process with our vision of cutting obsolete programs to finance new investments. The October package is the best place to confront the issue. Otherwise, that choice can be postponed only until we attempt to pass -- and pay for -- our other priority investments of this Fall.

NEED FOR CHOICES

It is obvious that we face *very tight* budget constraints. Because of the pay-as-you-go rules and the spending caps, initiatives will be very difficult to fund. We must ensure that our proposals are carefully thought out to achieve the lowest cost possible; and we must choose carefully, and consult closely with Congress on the necessary offsets. The obvious danger is that the Administration will be viewed as overpromising on initiatives, unable to pay for new spending, and failing to deliver on our commitments. Therefore, choices must be made on priorities.

1. <u>Total Cost of Initiatives</u>

Attached is a table showing all of the initiatives above, other than health care. The total cost of these items over five years ranges from about $55 billion to about $65 billion; the defense "bottom up" overage, which could be covered within the defense budget, is $13 billion of that figure. Health care is tentatively projected to require additional "sin" taxes of about $70 billion, and Medicare, Medicaid, and other Federal health care savings of as much as $100 billion, as well as several billion dollars in discretionary offsets.

2. <u>Must Set Priorities</u>

Because of the difficulty of finding offsets for our initiatives, we must choose a limited set of initiatives to advance at any give time over the coming years. Having too many investments on the front burner at any moment will spread our resources too thinly, and will create a self-defeating competition for sources of funding.

3. <u>Proposed Strategy</u>

To preserve our investments, I would suggest the following schedule:

- <u>The remainder of this Session of the Congress</u>: Focus our efforts on the following priorities:

  Emergency Unemployment Compensation; and

  North American Free Trade Agreement (NAFTA), along with some progress on Dislocated Workers; and Crime (as a political counterforce to NAFTA).

- <u>The next Session of the Congress</u>: Bring forward the following additional priorities in the context of the FY 1995 budget:

  Dislocated Workers;

  Welfare Reform;

  Crop Insurance; and

  Peacekeeping and the Middle East.

- <u>Long-range, self-financing priorities</u>: Into the next Session, the following investments can be designed to provide their own internal deficit-neutral financing:

  Health Care (with additional discretionary offsets and revenues from "sin" taxes); and

  Defense, through the annual appropriations process over the next five years.

09/20/93
adm-init.wk3

COSTS OF ADMINISTRATION INITIATIVES
(in billions of dollars)

	First-Year Costs	Five-Year Costs
Mandatory Programs		
NAFTA	0.5	2.5
Extended Unemployment Insurance		
3-month extension	0.8	0.8
6-month extension	1.8	1.8
Dislocated Workers (assumes implementation starting in 1995)	0.6	5.8
Welfare Reform (assumes implementation starting in 1995)	3.0 to 5.0	15.0 to 25.0
Subtotal, Mandatory	4.9 to 7.9	24.1 to 35.1
Discretionary Programs		
NAFTA Cleanup (assumes implementation starting in 1995)	0.1	0.2
Dislocated Workers (assumes implementation starting in 1995)	1.2	8.6
Crop Insurance	1.0	5.0
Crime	0.5	3.5
Peacekeeping	1.0	1.0
Multilateral Development Banks	0.8	0.8
Campaign Finance Reform	0.1	0.5
Middle East	0.1	0.4
Subtotal, Nondefense	4.7	20.0
Defense	2.0	13.0
Subtotal, Discretionary	6.7	33.0
TOTAL, EXCLUDING DEFENSE	9.6 to 12.6	44.1 to 55.1
TOTAL, INCLUDING DEFENSE	11.6 to 14.6	57.1 to 68.1

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 09/29/93

TO:
THE VICE PRESIDENT
MACK MCLARTY
DAVID GERGEN
GEORGE STEPHANOPOULOS
MARK GEARAN
ROBERT RUBIN

[redacted]

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

The attached has been forwarded
to the President.

[redacted]

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

MEMBER

September 29, 1993

29 P8:16

MEMORANDUM FOR THE PRESIDENT

FROM: ALAN S. BLINDER AB

SUBJECT: State Unemployment Rates in August, Labor Department Release, Thursday, September 30, 10:00 a.m.

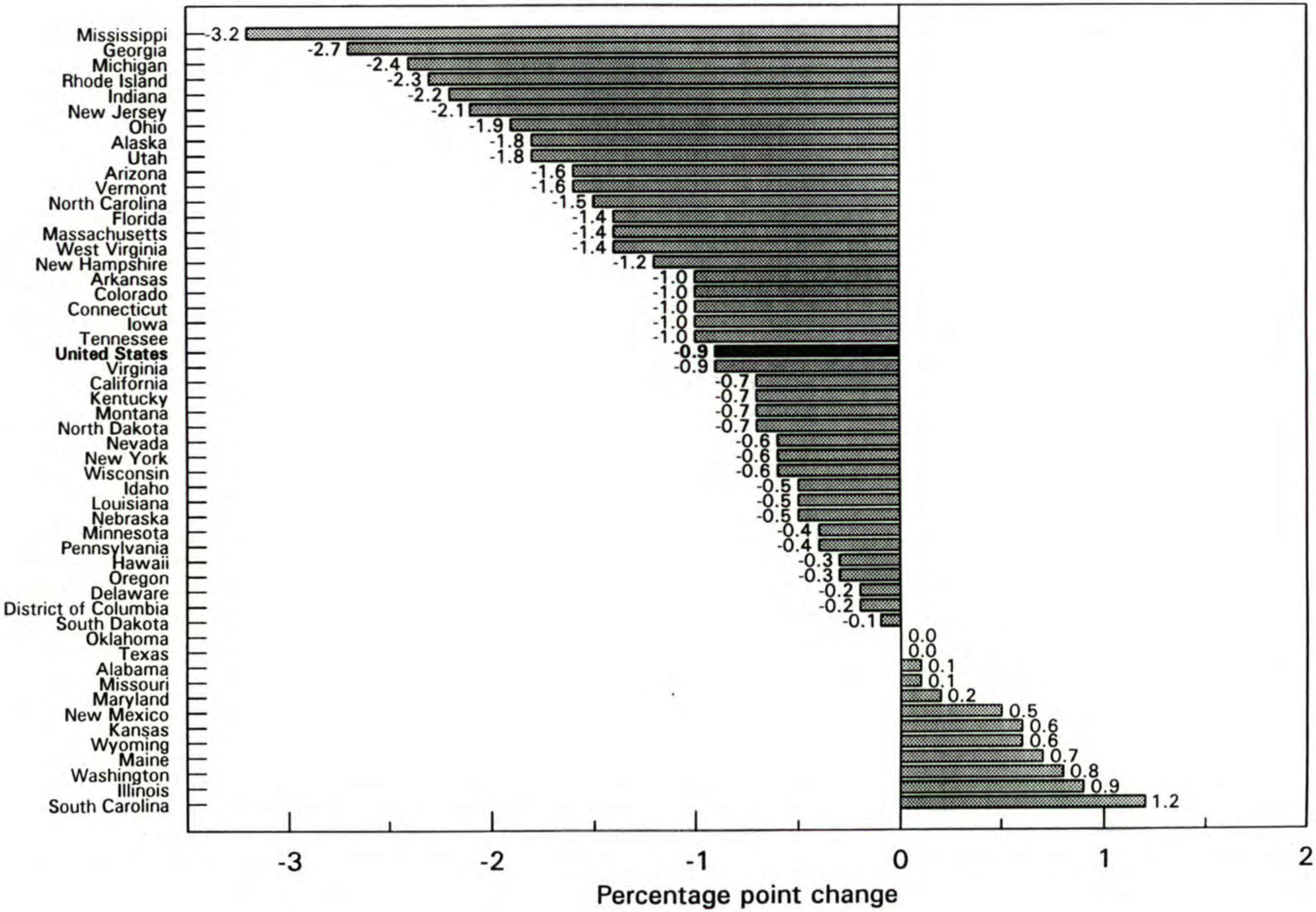
Tomorrow the Labor Department will release State unemployment data for August. The attached map shows ranges of unemployment rates by State. Also attached is a listing showing unemployment rates by State--ranked from lowest to highest.

- The highest unemployment rates were, just as last month, in West Virginia and California.
- The lowest unemployment rates were in Nebraska and South Dakota.
- The biggest decrease in unemployment rates in August was in Ohio (from 6.9% to 5.6%); the biggest increase was in Louisiana (from 6.6% to 7.4%).

State unemployment rates can be volatile from month to month because of small sample sizes. The second chart therefore shows changes in unemployment rates by State over the past 12 months--ranked from largest decline (Mississippi and Georgia) to largest increase (South Carolina and Illinois). Despite the national recovery, unemployment rates are still higher than they were a year ago in 10 States.

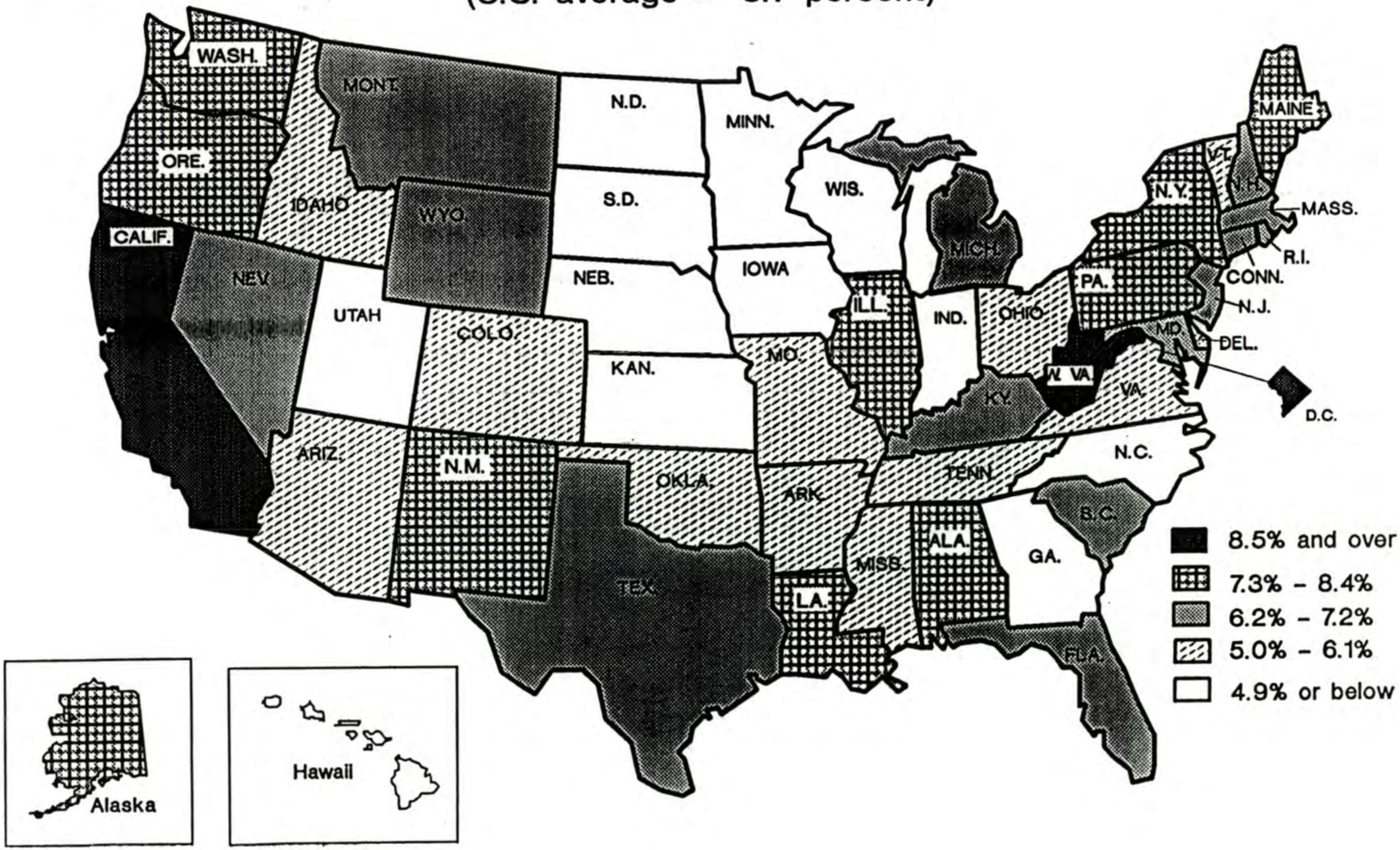
Attachments

Change in Unemployment Rate by State: August 1992 - August 1993



Unemployment rates by state, seasonally adjusted, August 1993

(U.S. average = 6.7 percent)



Unemployment Rates by State, Seasonally Adjusted

August 1993

Nebraska	2.4	Connecticut	6.5
South Dakota	2.7	Michigan	6.5
Iowa	3.2	Nevada	6.5
Utah	3.3	Kentucky	6.7
North Dakota	4.2	Montana	6.7
Indiana	4.3	Maryland	6.8
Hawaii	4.5	Rhode Island	6.8
Minnesota	4.6	Massachusetts	7.0
North Carolina	4.6	Florida	7.1
Wisconsin	4.7	New Jersey	7.1
Kansas	4.8	South Carolina	7.2
Georgia	4.9	Texas	7.2
Delaware	5.0	Alabama	7.3
Vermont	5.0	Oregon	7.3
Colorado	5.3	Louisiana	7.4
Mississippi	5.4	New Mexico	7.4
Tennessee	5.5	Pennsylvania	7.5
Virginia	5.5	Illinois	7.6
Arizona	5.6	Maine	7.6
Ohio	5.6	Alaska	7.7
Missouri	5.8	New York	7.9
Idaho	5.9	Washington	8.3
Oklahoma	5.9	District of Columbia	8.7
Arkansas	6.0	California	9.0
Wyoming	6.2	West Virginia	9.6
New Hampshire	6.3		
		United States	6.7

Firms See More—and Less—to Mexico

Infrastructure, Reliability Problems Said to Outweigh Low Wages

By Tod Robberson
Washington Post Foreign Service

A1

MEXICO CITY— As Mexico's low wages emerge as a major issue in the debate over the North American Free Trade Agreement, U.S. businessmen and Mexican officials here are arguing that problems of infrastructure and a range of other economic factors make Mexican labor far less of a bargain than it first appears.

Mexico's highway system is falling apart, its railroads are dangerously decrepit, bureaucratic hassles and corruption abound, the phone system doesn't work, and Mexican labor can be unreliable, U.S. executives here say. When the scores of risks and drawbacks are included in the equation, they say, many companies will realize they are better off staying in the United States.

Some large and mid-sized U.S. companies, including General Motors, already are finding that Mexico is not the cost-effective manufacturing venue it used to be.

For example, GM decided this summer to shift production of the 1995 Chevrolet Cavalier from a plant in northern Mexico to Lansing, Mich., because, said spokeswoman Nicole Solomon, "It's not just wages but the entire calculation."

Mustafa Mohatarem, chief economist for GM, said in a telephone interview that the lower

See MEXICO, A26, Col. 4

BILL DALEY

WEDNESDAY, SEPTEMBER 29, 1993 THE WASHINGTON POST

MEXICO, From A1

wages paid to Mexican auto workers were not enough to offset other relatively higher costs of doing business here. "Transportation costs, potential delays at the border and . . . higher inventory storage costs in Mexico" contributed to the move back to Lansing, Mohatarem said.

For more than 20 years, Louisiana-based McIlhenny Co., maker of Tabasco hot sauce, produced and packaged products in Mexico for sale here. But in 1989 the company decided that U.S.-based production would be more cost effective.

"Cheap labor had no effect on our decision," said the company's vice president, Paul McIlhenny. Rather, after calculating prices for raw materials and other production costs, "we decided Mexico just could not compete with our operation" in Louisiana.

In large part, business executives who are speaking out on Mexico's problems hope to counter the well-publicized assertions of billionaire Ross Perot that American jobs would hemorrhage southward under the NAFTA treaty—which would break down trade barriers among the United States, Mexico and Canada, creating a free-trade area of some 360 million consumers. Although President Carlos Salinas de Gortari has engineered economic reforms and radically improved the country's business climate, they say, Mexico has many problems to solve before it can live up to the image Perot has tried to give it.

"It's astounding to me that the United States fears us," said Claudio X. Gonzalez, director general of Kimberly Clark of Mexico and Salinas's adviser on foreign investment. "We're the smallest, least-developed economy of the three [NAFTA signatories]. We're the weaker partner in this whole equation. How are we a threat?"

Mexico's infrastructure problems continue to be a major deterrent for American manufacturing companies that use modern "just in time" production schedules to reduce inventories and keep storage costs down.

Unanticipated delays, a daily aspect of life in Mexico, can scramble delivery schedules, said Steve Knaebel, president of Cummins Engine Co. of Mexico. "It's the unpredictability of the place," he said. "You never know when or where the problems will arise."

Knaebel estimated that each time he uses the telephone for a simple business call, for example, it takes three or four attempts before the call is completed. "This is the main tool I use for managing my business," he said, "and I can't even be sure if I'm going to get a line out."

He said Mexico's highway system is so dilapidated that truck transportation can take 30 to 40 percent longer here than in the United States, with 60 percent higher fuel costs adding to the bill. A new system of better-quality toll roads has improved some routes, but the cost is widely regarded as prohibitive for commercial traffic.

Railroads are hardly an attractive alternative, said Juan Manuel Correa, general director of Union Pacific of Mexico. "Overall, the system is obsolete. The technology has largely not been updated for 40 years," he said.

"They still send some of their traffic signals by telegraph—while the rest of the world is in the age of fax machines," Correa said, noting that Mexico's state-owned railroad company still employs 200 telegraph operators. "There is no way this system could be competitive with industrialized countries."

A spokesman for the national railroad company, Ferrocarriles Nacionales de Mexico, acknowledged that a cargo train operating in the 1930s, when the system was nationalized, had a faster average speed than do Mexican trains today.

Correa said business confidence in the railroads is so low that the system accounts for barely 12 percent of Mexico's cargo transportation, "whereas it should make up 19 to 25 percent."

Correa also challenged Perot's assertion that low-cost Mexican labor necessarily makes up for Mexico's deficiencies.

Productivity per worker is a fraction of that in the United States, he said, noting that although the Mexican railroad has pared its staff from 80,000 to 60,000 employees, "they still only need 12,000 to 15,000 to do the job. In the United States, Union Pacific can do the same work with one person that it takes 17 to do in Mexico."

"Labor looks cheap up front, but the total cost can be very high," said a financial analyst at a major Mexican bank. "You're not saving money if it takes two or three times before you can get a job done right."

Bringing Mexicans up to American levels of quality and productivity carries a high price, and there is no guarantee that a trained employee will stay with a company once it has given him a marketable skill, said Ron E. Shaver, an operations manager of Hughes Aircraft Co.

In 1989, Shaver explained, Hughes transferred some of its U.S.-based microelectronics work to the border city of Tijuana to an in-bond *maquiladora*—a plant where materials are imported from United States, assembled with cheap Mexican labor, then shipped back north for sale. But it took years of training before the plant began consistently producing microcircuits at an acceptable quality level.

Cummins Engine's Knaebel noted that although Mexico's minimum wage is less than \$5 per day, other government-mandated benefits and adjustments can make the price tag five to six times higher.

By law, companies in Mexico must distribute 10 percent of pre-tax profits to their employees and pay an extra half-month's salary at the end of the year. In addition, they must pay 150 percent vacation bonuses, and 2 percent of their annual payroll must be contributed to an employee pension fund. Company-paid benefits for fired employees and salary demands by labor unions boost the base figure even higher.

"By the time you add all that up, we ended up paying our plant employees an average of \$5 per hour in 1992. And that was market average," Knaebel said.

Unless a company deals with highly labor-intensive, piecework production, such as garment manufacture, cheap labor alone would not be an adequate incentive to move manufacturing operations here, McIlhenny said. "The exodus [of piece-work manufacturing from the United States] took place years ago. Those jobs were gone even before they started talking about NAFTA. So where is Ross Perot's argument?"

"So why come here? What's the offset?" he asked. "I think it's a market that presents all kinds of opportunities for development and growth. It's a country starved for quality and services. That's where we come in."

7459

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 29, 1993

'93 SEP 29 P6:59

MEMORANDUM FOR JOHN PODESTA

FROM: NANCY SODERBERG NS

SUBJECT: Quote for the Foreign Policy Association

Maurice Sonnenberg has asked the President to supply a quote for the Foreign Policy Association. Many other Presidents have done so. The President gave one of his major foreign policy campaign speeches to the group.

I would recommend sending the attached quote to the group. Tony Lake concurs.

Attachment
Quote

OK
JDP
9-29-93

STATEMENT BY THE PRESIDENT
FOREIGN POLICY ASSOCIATION
ANNUAL REPORT 1993

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THE WHITE HOUSE
WASHINGTON

DATE: 09/29/93

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Information ☒X

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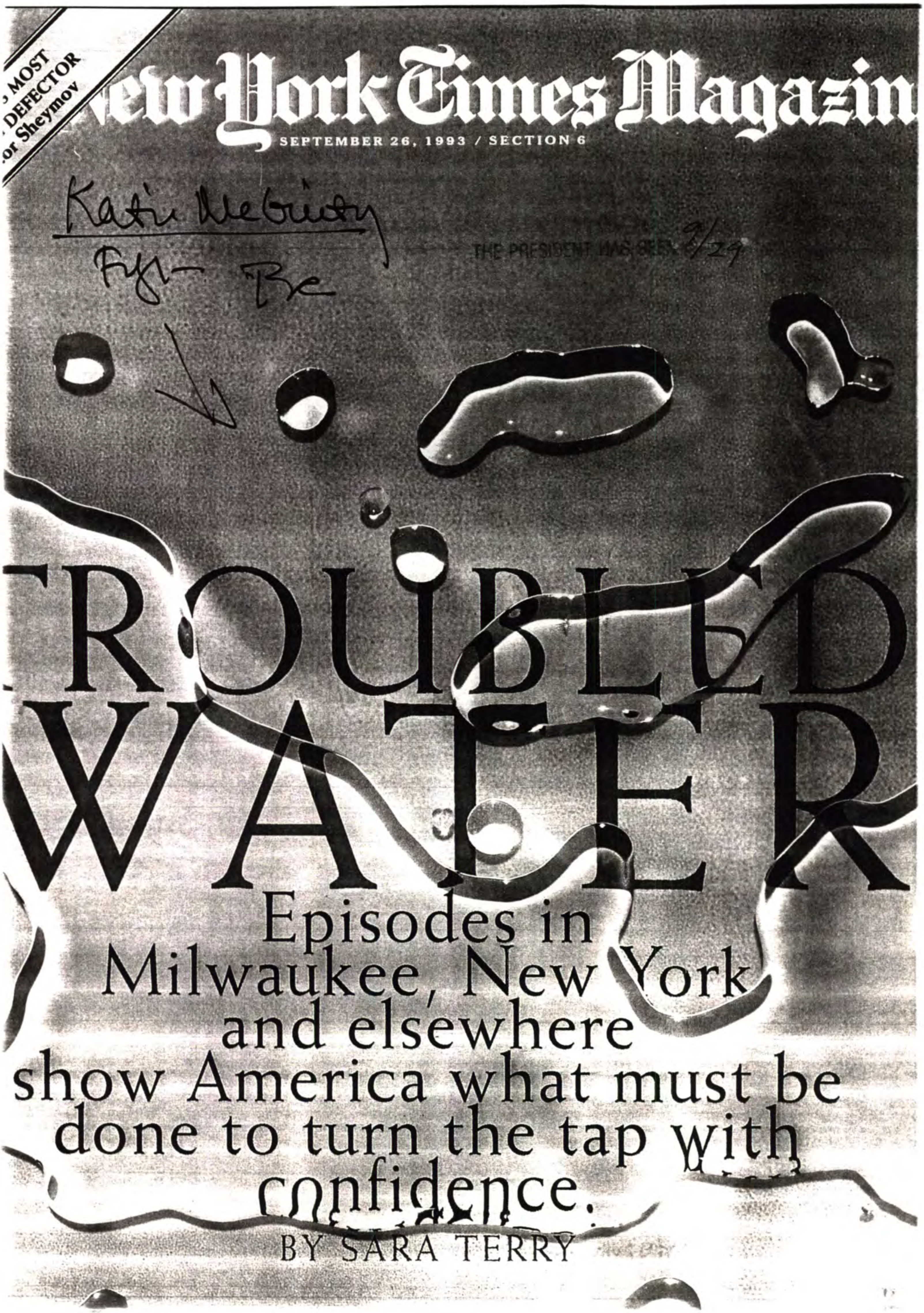

Katie McGinty
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THE PRESIDENT HAS SEEN 9/29

THE WALL STREET JOURNAL WEDNESDAY, SEPTEMBER 29, 1993

Tax Credit Is Likely to Spur Mild Boom In Construction of Affordable Housing

By LAURIE MCGINLEY
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – The reinstatement of the low-income housing tax credit is likely to fuel a small boom in apartment construction, boosting building trades and helping blighted residential areas.

One indication of the potency of the credit will come in a news conference here today, when the New York-based **Local Initiatives Support** Corp., a nonprofit group founded by the Ford Foundation, announces plans to use the low-income housing tax credit to raise $1.5 billion over the next five years for affordable housing projects.

The money will go to community groups to serve as the equity portion for developing more than 35,000 units in 30 cities. The tax credit was made permanent in the August tax bill.

Other groups—ranging from the Enterprise Foundation in Columbia, Md., which like LISC works closely with grass-roots groups to revive urban neighborhoods, to the National Association of Home Builders—expect the tax credit to generate activity in the affordable housing market as well.

Using the credit, individuals and corporations may reduce their federal tax liability by investing in rental projects for low- and moderate-income people. For example, the National Equity Fund, a LISC affiliate, organizes partnerships of Fortune 500 companies that invest in the projects and get tax benefits in return.

Over the years, the credit has had a history reminiscent of "The Perils of Pauline," declared Sen. John Danforth, a Missouri Republican and big supporter. It was approved on a temporary basis in 1986, then was extended several times until it expired in 1992. But even with its stop-and-go history, it has been responsible for the development of more than 90% of the low-income rental housing built in recent years. That makes it by far the government's biggest subsidy program for affordable rental housing.

Along with powerful congressional backers, President Clinton campaigned to make the tax credit permanent. It fits with his ideas of using public-private partnerships to solve problems at the community level.

Now that the credit is permanent, "There's a tremendous rush of activity in housing tax-credit production," said Paul Grogan, president of LISC, which was founded in 1979. "A stopper in a bottle has been removed."

So far, only a small amount of LISC's $1.5 billion commitment has been raised, but LISC officials aren't worried. With commitments from companies such as **Berkshire Hathaway** Inc., the National Equity Fund has raised $120 million in corporate funds in just two months, compared with $223 million for all of last year.

For-profit developers also are scrambling to take advantage of the credit, which was made retroactive to June 1992. After the credit expired, "people ended up twiddling their thumbs or trying to deal with a few little scraps left over from previous years," said Richard Goldstein, a Washington attorney who represents developers and syndicators of the credit. "Now there will be a lot more activity over the next six to 12 months," partly because of the backlog of projects.

That's good news for the construction industry – especially the multifamily sector, which has been lagging for years.

"We'll see much stronger multifamily production for the remainder of the year," predicted Michael Carliner, an economist for the National Association of Home Builders. Even so, 1993 will be the worst year on record, with only 154,000 multifamily units projected to be started.

Next year, however, the homebuilders' group expects "a significant boost" in multifamily starts. Building permits surged in August, noted Mr. Carliner. He said the credit accounts for an average of 60,000 units annually. That number goes as high as 100,000 units if rehabilitated units are included, according to the National Council of State Housing Agencies.

Still, the credit doesn't offer unlimited opportunities. By law, it is capped at $1.25 a person per state, or about $315 million annually. But advocates predict it will lead to increased housing activity for several reasons. In the past, some states haven't used all their credits because of uncertainty in the program.

CAPITAL JOURNAL
By GERALD F. SEIB

Western Woes Could Create Nafta Problem

THE POLLS GENERALLY bear glad tidings for President Clinton these days: His job approval rating is up, and the public is in the mood to buy what he is selling, which is health-care reform.

But hidden behind the numbers is a potentially serious problem. In the politically vital West, particularly in California, there's festering economic insecurity and a striking sense of pessimism.

This poses a long-term threat to Mr. Clinton, for whom the West Coast has enormous political importance. He was, after all, the first Democrat in 28 years to carry California in a presidential election, and he won the White House in large measure by sweeping the Pacific Coast states by a 12-point margin.

But there's an even more acute short-term problem. California's economic insecurity is helping turn jittery Democrats there against the North American Free Trade Agreement. State Treasurer Kathleen Brown, the leading contender for next year's Democratic gubernatorial nomination, has spoken out against Nafta. And a quick look at Democrats in California's 52-member delegation in the House of Representatives suggests that, at this point, the likely votes against Nafta easily outnumber the solid votes in favor, though the White House figures many are still up in the air.

All this suggests that, if Mr. Clinton and the team he has assembled to sell Nafta are to succeed, they need to focus energy in convincing Californians that their economy is rebounding, and that Nafta and its export opportunities are part of the solution.

A DECADE AGO, California would have been a bastion of the kind of thinking that lies behind Nafta: pro free trade, outward looking, and sympathetic to building stronger links to Mexico in particular. But the most populous state has been so battered by recession, real-estate slumps, defense cutbacks and violence that there's less willingness to take the economic risks that go along with a free-trade accord.

"There is a sense that it's too much all at once for the state to absorb," says Bill Bradley, who writes a column about the state's politics. "If it were a different time, if there weren't so many waves of change and crisis battering the state all at once, it would be more salable."

California's unease is easy to chronicle. A Wall Street Journal/NBC News poll this month, for instance, asked people whether they were confident that life would be better for their children's generation. Nationally, 25% expressed confidence. In the West, though, just 18% said they were confident, easily the lowest of any region in the country. Just yesterday, a new Conference Board survey indicated that Pacific Coast consumers have less confidence in the economy than consumers in other regions.

This pessimism is rooted in real-life problems. Unemployment in California was 9% in August, 2.3 percentage points higher than nationally and nearly two percentage points higher than in the state at the beginning of 1991. That means there are some 300,000 more Californians on the unemployment rolls today than two-and-a-half years ago.

And in its latest survey on the economic conditions, the Federal Reserve Board summarizes the situation succinctly: "Economic recovery continues to elude California. . . . In California, weakness continues to be reported in a broad range of sectors – including aerospace and defense-related manufacturing, trade, construction, finance and government."

THE ECONOMIC uncertainties are acute enough that even those who think the state is on the way back up are shying away from Nafta, fearing that any potential flight of jobs would dry up the fragile roots of recovery. "I'm cautiously optimistic because I see some signs of job growth," says Rep. Jane Harman, a freshman Democrat from Los Angeles. But she opposes Nafta for that reason: "I think it destabilizes the fragile job-rebuilding I'm describing."

The problem is that there may never be another chance to revisit Nafta when the job picture is brighter, which is why Mr. Clinton needs to work on Pacific Coast attitudes now. The president's aides sense this. It's no coincidence that he appeared in California in mid-September, just before he formally began his push to win congressional approval of Nafta.

But it's going to take a lot more than presidential drop-bys to turn around attitudes. The White House intends to hit the argument that, besides creating jobs, Nafta will reduce illegal immigration into the state by keeping Mexican workers at home. Another potential weapon is defense-conversion funding, which can help keep workers employed and nerves calm during a rugged transition period. The White House also is about to unveil a new computer-export strategy that figures to help California.

But above all, Mr. Clinton needs to sketch a vision in which California's economic recovery is achieved by looking both south, to Mexico as a potentially giant market, and across the Pacific to Asia. He has ample time to do that before the next presidential race, but precious little time before the crucial Nafta referendum.

Chron

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Marsha
Scott

To Emerson / Marsha
We must do more
to show what we're
doing – B.

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THE WALL STREET JOURNAL WEDNESDAY, SEPTEMBER 29, 1993

Tax Report

A Special Summary and Forecast Of Federal and State Tax Developments

A GROUP GRIPE from units abroad: They are grouped to figure a new tax.

One new tax measure reaches for certain foreign earnings that weren't taxed before until they were remitted as dividends to a U.S. parent. The complex tax on income applies if more than 25% of a unit's assets produce passive income — dividends and interest. Yet, says Eli Fink of Deloitte & Touche, CPAs, many multinationals aren't aware of a key factor: When foreign subsidiaries are in a group — as in a chain under a holding company — the asset test applies to the chain as a whole, not to each unit.

A unit with a high percentage of passive assets can spread the tax to all others in the group, even those with passive assets below the 25% threshold. Also, operating assets are figured at their depreciated value, not market value, raising the relative value of passive assets. Units holding billions of dollars of passive assets overseas could reinvest earnings in operating plants to avoid taxes, but many don't need to expand, Fink says. In addition, companies may be barred from reorganizing just to avoid the grouping rule.

Thus, many U.S. companies no longer will be able to defer U.S. taxes on foreign earnings, Fink says.

EARNED-INCOME CREDITS can add $100 a month to a poor family's paycheck.

So the IRS is trying new ways to publicize the under-used paycheck option and the broadening of eligibility. The working poor claimed $11.2 billion in credits in fiscal 1992, but mostly on year-end returns rather than by regular supplements to paychecks. Many eligible wage-earners didn't know they could claim credits at all. Now the tax act expands the credit program, starting in 1994; and the IRS wants to spread the word.

Spokeswoman Ellen Murphy says the IRS is working with national groups of social workers, community-action agencies, minorities, the homeless and others to develop campaigns to reach those unaware of or confused by the credit. The IRS also seeks new pools of volunteers to be trained in tax issues of the poor. The volunteers would help workers to apply on Form W5 for paycheck credits and to file their annual returns.

A HOME ON THE RANGE was a principal residence for cows as well as people.

Michael L. and Sandra L. Richards sold a residence for $225,000, realized a gain of $112,447, and bought a farm near Culver, Ore., for $185,000. On their 1988 return, they reported a gain on the home sale of only $18,936, indicating they had rolled over the rest of the sale price into a new home. The IRS disputed that, so they went to the Tax Court, although they conceded the farming part of the new property couldn't be called residential for rollover purposes.

The couple even accepted an IRS appraisal of $124,500 for the total property. Yet they argued they had overpaid by $60,500 and attributed that to residential value; that way, they said, much of the gain went into the residence. But Judge Ruwe disagreed. He accepted an IRS appraiser's finding that the residence value was only 42% of the total. Applying that to the $185,000 farm cost, he found the residence value wasn't enough to include any of the sale gain.

The judge held that all of the gain was taxable and imposed a penalty for substantial understatement of tax.

A PENALTY HANDBOOK nears completion. The IRS issued much of it in 1992 to foster uniform imposition of penalties. Now a chapter on return preparers is out; one on estimated taxes is due in October. Those on international, benefits-plan, exempt-group, information-reporting and other penalties should wrap up the project in six to nine months, the IRS's Joan Dolian says.

RECEIPTS OF RETURNS still lag behind expectations. Through last week, 112,962,000 returns were filed — 913,000 fewer than in the 1992 period. People who should file but haven't may account for much of this, especially people who unexpectedly owe taxes because of the cut in withholding-tax rates, tax practitioners say.

THE MOST AGGRESSIVE sales-tax audits are conducted by California, New York and Florida, say companies polled by Sales & Use Tax Alert, a newsletter. But most states are found to be intensifying audits.

A DESIGNATED HITTER errs in the field of taxes.

The Baltimore Orioles named fan Stanley Cohen a "designated hitter" because he volunteered to help sell tickets to their games. The grateful baseball club didn't pay Cohen for selling some 22,000 tickets, but it rewarded him with a free trip to Florida to see the team during 1987 spring training. The Orioles valued the trip at $948 and reported that to the IRS as nonemployee compensation to their fan.

Cohen claimed unreimbursed expenses of $3,000 for phone calls, stationery, transportation and tickets to take prospects to games. But the IRS disputed his deductions, so he turned to the Tax Court. Now Special Judge Dinan says Cohen may deduct only $948 of expenses, a sum equal to his related income. Cohen can't deduct more because he lacked a profit motive. He conceded he sold the tickets for prestige, not profit.

The judge commented that a selling expense of 14 cents on an $8.50 ticket wasn't unreasonable.

BRIEFS: The Czech Republic and the U.S. signed a treaty slashing withholding taxes on interest and dividends sent from one country to the other. . . . Federal excise taxes are about four cents on a glass of wine and five cents on a can of beer, the Congressional Research Service says.

—SCOTT R. SCHMEDEL

Gergen/Gearan
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G.O.P. Scorches Democrats Over Rising Cable Charges

By EDMUND L. ANDREWS

Special to The New York Times

WASHINGTON, Sept. 28 — In what could emerge as an unexpected embarrassment for Democrats, Republican members of Congress are now trying to bludgeon them over soaring cable television prices.

Amid a chorus of gleeful I-told-you-so's, Republican lawmakers accused their rivals today of causing higher cable rates through the very law that Democrats pushed through last year to bring rates down. The F.C.C. rules mandated by the law went into effect Sept. 1.

Calling the law a "monstrosity," a "failure," a pot of "fool's gold" and a host of other names, House Republicans effusively argued that they were right all along about the folly of having Government try to regulate prices.

"I predicted that this would lead to higher rates, less programming and confusion, and, suffice it to say, that has come to pass," said Representative Michael Oxley of Ohio, one of the top Republicans on the House Energy and Commerce subcommittee on telecommunications..

Leading Democrats, stung by hundreds of complaints from constituents about bills that are going up rather than down, demanded answers from the Federal Communications Commission at a Congressional hearing today. The agency's three commissioners, who predicted six months ago that the new rules would lead to $1 billion in rate reductions, acknowledged that prices for many customers had gone up but stuck by their estimate that most monthly bills would go down.

The dispute centers on the Cable Television Consumer Protection and Competition Act of 1992, which the Democratic-controlled Congress passed last year by overriding a veto by President George Bush. One of the chief Democratic authors of the legislation, Representative Edward J.

Continued on Page D4

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To VP
We need to get on top of this. What's the deal?
B

G.O.P. Scorches Democrats Over Rising Cable Charges

Continued From First Business Page

Markey of Massachusetts, predicted it would produce an effective $6 billion tax cut for consumers.

Lean Costs, Lush Saves

Now, less than one month after the F.C.C.'s new regulations became effective, many customers have already seen their monthly bills go up. The biggest increases are to customers with the most bare-bones package, while the biggest declines are to customers who buy expanded services and multiple cable hookups for their homes.

At a hearing before the subcommittee, of which Mr. Markey is chairman, Republicans spared little effort in pinning the blame for higher prices on the Democrats. The coordinated nature of their attack suggested that the issue could emerge as a campaign issue in 1994 — the same way Democrats used the cable issue as a middle-class vote-getter in 1992.

"Let me be absolutely clear about the point of blame," said Representative Jack Fields of Texas, the subcommittee's ranking Republican. "It's not implementing the terms of the law that's the problem. It's the law itself."

Bugs in the System

Mr. Markey and others defended the law, though he has been fielding complaints from some of his own constituents and acknowledged that bugs still need to be worked out. "A lot of the problems are correctable, and they can be corrected in a relatively short time frame," he said today.

About the only thing that is undisputed right now is the state of confusion. F.C.C. officials have said they think more rate cuts will materialize, but they have begun a new price survey of the 25 biggest cable operators and say they cannot be sure about the bottom line on prices.

"If all complaints of creative pricing and rate increases prove true, the cable industry is again open to the charge of being the monopolistic evil empire of the telecommunications world," said James H. Quello, acting chairman of the F.C.C. But he added that the commission was still looking at the evidence and "will not be placed in the position of issuing the verdict first and holding the trial afterward."

'Frustrated Congress's Intent'

Meanwhile, 130 members of Congress — most of them Democrats — have asked the F.C.C. to take a fresh look at the commission's regulations and suggested that the agency's processes "may have frustrated Congress's intent."

Defenders of the F.C.C. point out that Mr. Quello is himself a Democrat and publicly supported the cable bill as it was working its way through Congress.

Mr. Quello added that some of the key details of the commission's rules, which may have inadvertently given cable companies valuable loopholes, were dictated by the language of the law. For example, the law required the F.C.C. to set price guidelines based on fees charged in the handful of markets where cable systems compete head to head.

But the law also forced the agency to define "effective competition" in a way that includes many systems that sign up only 30 percent of the potential customers in their service areas. Often, these are systems that have no real competition and so tend to have high prices.

Vague Mexico Wage Pledge Clouds Free Trade Accord

A1

By ANTHONY DePALMA

Special to The New York Times

MEXICO CITY, Sept. 28 — As they try to make the case for Congressional approval of a free trade agreement with Mexico and Canada, President Clinton and other supporters repeatedly say the pact will raise minimum wages in Mexico and reduce the country's ability to undercut businesses north of the border with cheap labor.

But by focusing on how minimum wages might rise, the Clinton Administration has put itself in a somewhat awkward position because that particular pledge is not found anywhere in the 2,000-page North American Free Trade Agreement it is meant to support. Nor is it in the special side agreements to the pact, or in Mexican labor law.

Rather it is a personal promise made by President Carlos Salinas de Gortari of Mexico that this country's minimum wage — which can go as low as $4 dollars a day, depending on the type of work — will be increased in tandem with increases in worker productivity.

A Vague Pledge

Mr. Salinas's pledge, announced publicly in August on the same day the side accords were announced, was seen as crucial to getting the pact past a worried United States Congress. But the pledge was so vague, and the issue of measuring productivity so potentially troublesome, that Mr. Salinas is now under pressure to come forward with a concrete plan for lifting the incomes of Mexico's poorest workers.

Mexican officials have said only that their Departments of Labor and Economic Development are working with their National Commission of Minimum Salaries to devise a formula for the increases.

Labor unions say they have reached an agreement with the Government to give bonuses to productive workers in specific industries, but that does not seem to meet the letter of Mr. Salinas's pledge. Beyond that, little is known on either side of the border about what Mexico will actually do.

"Nobody really has a good understanding of what they're going to do," said Mauricio González, a partner at a Mexico City consulting company.

If an accurate and reliable format could be worked out, linking productivity to wage increases could go far toward returning the Mexican work force to the standard of living it had before the debt crisis of 1982 brought soaring inflation and a deep national recession. But the average American

Continued on Page A13, Column 1

factory worker is 4.6 times more productive than the average Mexican factory worker, although in some new Mexican plants the rates can be roughly comparable. Still, few believe that Mexico can close the gap quickly.

It is also not clear how Mexico would manage productivity-based increases, or when they would become effective. Mexican officials say it is doubtful that anything could be in place by the beginning of January, when they hope the trade agreement will be signed and in force.

The Mexican negotiators of the pact were careful not to commit themselves to wage parity with the United States. Mexico is going to try only to make up for some of the losses suffered by workers over the last decade, when the buying power of the minimum wage dropped 60 percent.

There is even uncertainty about what Mr. Salinas's pledge actually means. "We will be assured of an effective and permanent improvement of minimum wages now and for the future," Mr. Salinas said in a speech in which he outlined the plan.

Harley Shaiken, a labor economist at the University of California at Berkeley, said, "As a statement of intent it is a preamble, but the devil is in the details, and this has no details."

A United States Labor Department official, speaking on condition of anonymity, said the Clinton Administration was using Mr. Salinas's pledge because of the "symbolic value" it represented. The official said a new system would have a practical, though limited, effect on shrinking the gap between wages in the United States and Mexico.

Clinton Stresses Pledge

Despite that, the pledge has become a key part of Mr. Clinton's efforts to sell the pact. In a speech in New Orleans this month, the President praised the trade agreement and the side accords — one on the environment, the other on labor — that are intended to toughen parts of the original pact which lowers or eliminates tariffs on most goods traded between the United States, Mexico and Canada.

Raising pay in Mexico may be crucial to the pact's approval and success.

The side agreement on labor, Mr. Clinton said, "commits the Mexican Government to enforce its own labor laws, and you should know what that really means."

"It means that for the first time in history a government has committed itself to raise the minimum wage as its economy grows, thereby raising the wage structure throughout the country," he said.

But Mr. Salinas's pledge was not enough to quell all complaint. Representative Richard A. Gephardt, the House majority leader, said Mr. Salinas's promise fell short because so few Mexican workers receive just the minimum wage. Last week he said he would vote against the agreement.

10 Percent Get Minimum

According to the Bank of Mexico, the minimum wage now applies to only about 10 percent of Mexican workers, and the Mexican Social Security system reports that only 16 percent c its 8.8 million enrollees receive th minimum wage. But the practice ha developed in Mexico of using increase in the minimum wage as the basis fo negotiation involving salaries highe than the minimum. Some higher-pai workers, mostly Government employ ees, would be directly affected becaus their salaries are calculated as mult ples of the minimum wage.

But as in the United States, increase in the minimum wage do not necessar ily result in across-the-board ir creases. In the United States, the mini mum wage has been increasing whil average wages have fallen.

In Mexico, there are actually 26 minimum wages; each of 88 differen occupations has three minimums tha vary according to where the jobs ar performed. In general, wages are high est in Mexico City and other urba areas, and lowest in rural states.

Minimum wages are set by the Na tional Commission of Minimum Sala ries, which is made up of representa tives from business, labor unions an the Government. From 1986 to las January, the commission changed th levels 16 times.

Government Deeply Involved

The Government's involvement is ar essential part of Mr. Salinas's efforts t tame inflation and keep investors inter ested in Mexico. Under a set of wag and price controls in effect since 1987 just before Mr. Salinas took office businesses and unions have kept nego tiated wage increases below the leve of inflation, while the Governmen agreed to keep down gasoline and elec tricity prices while also pumping mon ey into a public works programs callec Solidarity.

The program has worked. Inflation is below 10 percent for the first time in 2 years. Despite a slowing of Mexico's economic growth, investment has continued strong. There has even been some recovery in real wages over the last few years. But it has not been enough to compensate for staggering losses of the 1980's. Real wages today are 68 percent of what they were in 1980.

All that has worsened the gap between wages in the United States and Mexico, even though Mexican productivity has been increasing by 4 percent or more each year since 1989. Mexican compensation was 22 percent of Unitec States wages in 1980. It dropped to percent in 1987 and since has risen to 1 percent, according to a report by the Democratic Study Center, a nonprofi academic foundation in Washington.

"We don't expect that in three, four or five years we will have the same minimum salaries as the United States," said Juan S. Millán Lizárraga, secretary of education for the Confederation of Mexican Workers, the largest labor syndicate in Mexico. "But we expect to cut the gap."

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Articulation of Policy Draws Mixed Reviews

Clinton Team's Speechmaking Blitz Offered Little More Than Generalities, Critics Say

By Thomas W. Lippman
Washington Post Staff Writer

The speechmaking blitz by President Clinton and his senior foreign policy advisers over the past week highlighted a struggle that began on Inauguration Day to articulate the administration's approach to world affairs clearly and coherently.

It is a campaign that may not yet have succeeded, judging by early returns yesterday. European diplomats were sympathetic, noting that it frequently takes months for the foreign policy of a new administration to shake out. But U.S. critics said that even now the Clinton team has offered little more than generalities, not an overall policy.

NEWS ANALYSIS

Clinton pledged in his Inaugural Address that "when our vital interests are challenged, or the will and conscience of the international community is defied, we will act—with peaceful diplomacy wherever possible, with force when necessary."

He and his senior advisers have been attempting ever since to make clear what challenges to the nation's "vital interests" would prompt a response, and what that response might be. "Our overriding purpose," Clinton told the U.N. General Assembly on Monday, "must be to expand and strengthen the world's community of market-based democracies."

But in the end, as U.N. Ambassador Madeleine K. Albright said in her speech last Thursday at the National War College, the United States will approach international conflicts on "a case-by-case basis, relying on diplomacy whenever possible, on force when absolutely necessary."

A case-by-case approach may be the only one possible in a world where the certainties of the Cold War have evaporated, many analysts have said. The Clinton team may face an insuperable task in trying to express an overall vision for what promises to be an inherently disorderly era.

But the problem with the case-by-case approach, critics said, is that it exposes the administration to the forces of lobbying, emotive television images and congressional grandstanding without the tools to resist these pressures.

The administration's policy has had many formulations.

Last spring, Albright espoused "assertive multilateralism," saying the United States would use its influence to prevent regional and ethnic conflicts, "but usually we will not want to act alone. Our stake will be limited and direct U.S. intervention unwise."

At about the same time, a "senior administration official," later identified as Undersecretary of State Peter Tarnoff, expressed what came to be known as the "Tarnoff doctrine," saying the United States lacks the resources to lead as it did during the Cold War and would require "new rules of engagement" in the world.

Secretary of State Warren Christopher quickly repudiated what was seen as an expression bordering too closely on isolationism and retrenchment. "We stand prepared to act decisively to protect our interests whenever it is necessary," he said. "In this new era, United States leadership is required to deal with new priorities, problems that respect no boundaries. . . ."

On Sept. 21, as part of a series of speeches over the past week by Christopher, Albright and national security adviser Anthony Lake that led up to Clinton's U.N. address, Lake espoused a "strategy of enlargement" of democracy and free markets abroad.

But none of these formulations has provided clear guidance for dealing with three crises that the Clinton administration inherited, in Somalia, Bosnia-Herzegovina and Haiti.

Demands in Congress and the news media that the administration either do more to save lives or stay out because U.S. interests are not affected were not stilled by the on-the-one-hand, on-the-other-hand formulation that Christopher used in his segment of the week's four-speech sequence.

"The central purpose of our foreign policy," he said Sept. 20 at Columbia University, "is to ensure the security of our nation and to ensure its economic prosperity as well, and to promote democratic values. . . . The United States must maintain its military strength and reinvigorate its economy so we can retain the option to act alone when that is best for us."

But he added, "we should not ignore the value of working with other nations."

The four speeches "give you a clearer focus on what their vision is than before," said Rep. Lee H. Hamilton (D-Ind.), chairman of the House Foreign Affairs Committee. "But that's not the end of it. We're struggling to find our role now that the containment [of communism] role has dropped out. It's not easy to do."

Clinton's speech, in which he said the United Nations must learn to say no to some requests for peace-keeping intervention, "is not yet an indication of policy," said former national security adviser Brent Scowcroft. "It's an abstraction, an indication of what policies might be."

WEDNESDAY, SEPTEMBER 29, 1993 THE WASHINGTON POST

Lake
again next. This isn't
really criticism but the outline
of policy doesn't answer
the specific questions
(Haiti, Bos, Som)

TRENDLINES

Productivity's Double Edge

B Rubin

THE PRESIDENT HAS SEEN
9-29-93

What's Slowing Job Growth? U.S. Workers' Efficiency

By John M. Berry
Washington Post Staff Writer

The Clinton administration and many analysts who have studied the likely impact of creating a free trade zone encompassing the United States, Canada and Mexico have concluded that it would, on balance, increase the number of well-paying jobs in U.S. export industries by 200,000 or more.

But even if Congress agrees to implement the North American Free Trade Agreement and those estimates are correct, the added jobs, as valuable as they would be, would be only a blip in the nation's inexorable long-term decline in manufacturing employment.

As the chart at the right shows, the real threat to U.S. factory jobs is not foreign competition but the ever-increasing efficiency of production at home.

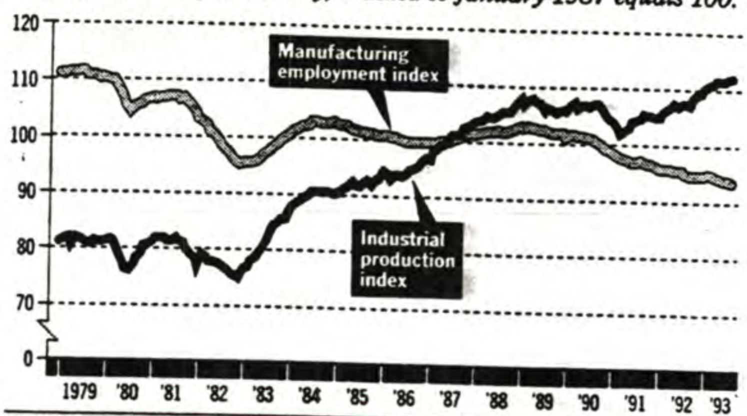
Since 1979, when U.S. manufacturing employment hit an all-time peak of just over 21 million, output in that part of the economy has risen significantly while the number of factory jobs has declined.

Both employment and production fell in the recessions of 1980 and 1981-82. After 1982 employment never regained all of the ground it lost even, though output kept rising.

In the 1990-91 slump, employment and production dropped again. But this time employment has continued to fall. Over the past year, for instance, manufacturers have dropped 275,000 workers from their payrolls at the same time factory production was going up by 4.6 percent.

See TRENDLINES, F3, Col. 3

U.S. MANUFACTURING PAYROLLS *have lost more than 3 million jobs since a 1979 peak, even though factory output has climbed sharply. The reason is the rapid growth of productivity. While economic recessions and expansions have affected employment and production, the long-term trend toward smaller payrolls is likely to continue as efficiency improves. Chart shows manufacturing employment and productivity, indexed so January 1987 equals 100.*



SOURCES: Bureau of Labor Statistics; Bloomberg Business News BY TOBEY—THE WASHINGTON POST

More 'Good Jobs' Mean Fewer Jobs Overall

TRENDLINES, From F1

While the drop in employment has been more severe since the latest recession ended, the two trends, one up and one down, have been in place for years.

Although strong foreign competition has been a factor spurring goods-producing firms to increase the efficiency of their operations, simply having to operate in an environment of lower inflation has probably played a bigger role. The U.S. deficit in manufactured goods trade is much too small to account for many of the jobs that have been lost since 1979. While imports have gained larger shares of some markets, such as for new cars, U.S. firms have made their own gains in exporting products, including machinery and other capital goods.

One indication that U.S. manufacturing firms generally have not lost their markets is that over the past decade and a half, their production has increased nearly as fast as the overall U.S. economy has grown.

Since the beginning of 1979, when one worker of every four worked in manufacturing, factory production has increased 39 percent, as indicated by the rising line on the chart. However, what was one job in four then is now down to one in six, and the proportion is shrinking steadily.

What has made the lines on the chart cross is that U.S. factory workers have steadily become more productive. In fact, the average manufacturing employee now produces more than half again as much per hour worked as his or her 1979 counterpart.

While the productivity gains have led to lower total employment in manufacturing, those gains and similar progress in other industries are the ultimate source of higher living standards for all Americans. Unfortunately, productivity has grown much less rapidly in the non-manufacturing parts of the economy.

Remarkably, manufacturing output per hour worked kept right on rising during the 1990-91 recession, even though in prior recessions it usually fell as factory production slumped. This time, employers made investments in labor-saving equipment and cut nonessential workers to the point that their payrolls fell faster than the market for their goods declined.

In the first half of this year, when overall business productivity fell at an annual rate of more than 1 percent, manufacturing productivity continued to rise at a 5.3 percent rate.

That extremely rapid improvement in efficiency allowed manufacturers to step up production with hardly any increase in the number of hours their employees were working. And since the length of the average work week in manufacturing grew, the number of payroll employees kept on falling.

President Clinton has said that one of his key goals is the creation of more good jobs at good wages. His statements, and those of Labor Secretary Robert B. Reich, have given the impression that the added good jobs will come in the manufacturing sector of the economy, where workers in many industries get above-average pay and fringe benefits.

But whatever the route to better U.S. jobs—improved schools, more retraining programs, tougher action on foreign barriers to U.S. goods or smaller federal budget deficits that foster lower interest rates and more business investment—the number of workers on manufacturing payrolls is likely to keep falling.

unless [illegible] [illegible] prod.

After all, the very essence of what creates a "good" job—well-educated, skilled workers backed by improving technology and a big chunk of capital—also is the essence of the sort of strong productivity growth that has caused the decline of manufacturing payrolls for the past decade and a half.

WEDNESDAY, SEPTEMBER 29, 1993 THE WASHINGTON POST

THE PRESIDENT HAS SEEN
9-29-93

GS / Bergen / Cerasno
Here is something we ought to discuss
B

William Raspberry

Time for the National Guard

The civil authorities have lost control of this city's streets. It's time to bring out the troops. Somebody has got to stop the killing.

When I wrote those words—in February 1989—I was not alone in my alarm about Washington's escalating violence. But the cynics said we should just cool it. After all, it was mostly dope dealers killing each other. It would be over as soon as the turf claims got settled. Meanwhile . . . well, good riddance to bad rubbish.

My call for the National Guard came after a year that had seen a record 372 homicides and during a year that had already seen 75 killings by Feb. 17, when the column appeared—"13 shootings on Tuesday alone." A lot of us were afraid the deadly trend would escalate to include our own relatively safe neighborhoods.

Well, the escalation has happened—and not only in the direction we feared. The violence once reserved primarily for settling disputes over drug trafficking soon came to be used to settle ordinary traffic disputes. What we used to call "gangland style" killings escalated into drive-by shootings by gunmen heedless of the presence of uninvolved bystanders. Semiautomatic weapons once used to guarantee the collection of dope-related debts started to be used in "ordinary" robberies, gunmen frequently killing their compliant victims seemingly just for the hell of it.

S. MICHAEL WILLIAMSON—THE WASHINGTON POST

We started to get murders on schoolyards, at public pools, at football games; murders because someone felt "dissed," murders because some armed idiot just "felt like killing someone."

Now there's this latest thing I've heard about. It's rumored that there are people who drive around at night with their headlights off, determined (reportedly as some bizarre and barbarous initiation ritual) to shoot the first motorist who blinks his lights at them.

I'm not pretending to have seen this sort of escalation coming, though maybe I should have. The likelihood of getting away with it always tempts the violence-prone to violence. And the increase in their violence changes the prevailing norm and thereby tempts others to violence. Internal constraints disappear, and finally you and I half-wish we were armed so we could dispatch the next young thug who messes with us.

In certain parts of Washington—and in other cities around the nation—the threat of violence is more than just another unpleasant fact of life. It is for some people *the* fact of life. I mean men and women who will no longer take jobs that require them to work at night. I mean neighborhoods that are certain to be abandoned by all but the most foolhardy and desperate shopkeepers, thanks to a recent spate of killings of merchants, many of them Asian Americans. I mean children who cannot go to the local playgrounds or corner stores—who often cannot even go outside to play—for fear of random gunfire.

Is it time for the National Guard? In all honesty, I cannot tell you precisely what I'd have the National Guard do—although it's a certainty I would not have them standing around shouldering unloaded rifles.

I believe we need to deal with the depression and despair of our young people—their joblessness, their hopelessness, their empty vision of the future. But I also believe that none of this is possible unless our children's homes and schools and playgrounds are safe places. We've got to do what it takes to make our cities safe again: with federal help and with federal troops, if necessary.

If we can deploy American soldiers in Mogadishu to protect the Somali people from violent "war lords," is it beyond reason to deploy a few hundred troops here, at least until the streets are calm enough for ordinary law-enforcement to take over?

I had nearly finished this piece when, just minutes ago, I got a call from an acquaintance who was nearly crazy with fear. There had just been a shooting at J. F. Cook Elementary—her grandson's school.

"These children are scared to death," Barbara Metcalf said. "I feel that I need to take my children, my little grandkids, out of school and just keep them home, if necessary. The mayor's not doing her job, nobody seems to be doing anything. What we need to do is call out the National Guard."

She gets no argument here.

LETTERS TO THE EDITOR

We Don't Take PAC Money

"No Longer Freshmen" [editorial, Sept. 7] told only part of the story about freshmen members of Congress and our efforts to reduce the influence of PAC money.

Overlooked were the freshmen who refuse PAC contributions as well as efforts being made to diminish the influence of PACs.

There are 10 freshmen members who do not accept contributions from PACs: Reps. Scotty Baesler (D-Ky.), Jay Dickey (R-Ariz.), Peter Hoekstra (R-Mich.), Martin Hike (R-Ohio), Steve Horn (R-Calif.), Michael Huffington (R-Calif.), Robert Inglis (R-S.C.), Martin Meehan (D-Mass.), Nick Smith (R-Mich.) and myself.

Also, the Freshmen Republican Reform Task Force has endorsed reducing the influence that PACs have over the political process by cutting the maximum PAC contribution from $5,000 to $1,000 per election. We have not forgotten our campaign promises to make a difference.

Rep. Tillie Fowler (R-Fla.) and I, as co-chairs of the task force, have advocated this and other changes, including limiting out-of-state fund-raising and severe restrictions on "soft" money. We are now seeking bipartisan support to change the system of campaign financing and to help restore voter confidence in Congress.

PETER G. TORKILDSEN
U.S. Representative (R-Mass.)
Chairman, Freshmen Republican Reform Task Force
Washington

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
9-29-93

93 SEP 28 P7:48

SEPTEMBER 24, 1993

~~MEMORANDUM FOR CAROL RASCO~~

FROM: MACK McLARTY

SUBJECT: CALL FROM GOVERNOR NED McWHIRTER/TENNESSEE WAIVER PROBLEM

Governor McWhirter called me today to discuss his waiver problem. He was warm in his manner and related that he was leaving today on a foreign trade trip and would not be back until October 8th. He was constructive in his tone regarding the waiver problem and realizes that we have a difficult situation. He said he would be willing to consider coming forward with more funding if necessary to help reach a possible resolution.

The main purpose of his call was to ask that we not make any decision until he returns on October 8th.

In the end, the answer may have to come from me or the President, given the fact that Ned Ray has been a strong supporter, as you know. We will cross that bridge when we come to it, but I did want to emphasize the need to delay the decision until mid-October, unless you see that as a problem. If there is, we can discuss this further.

Mack

[illegible]

cc: The President
Marcia Hale
Desk

[redacted]

THE WHITE HOUSE
WASHINGTON

Mark

See me re: Rice

B.

[redacted]

9/29

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

'93 SEP 28 P8:14

September 28, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Joan Baggett and Linda Moore, Political Affairs

SUBJECT: Senator Hutchison's Indictment and Its Political Implications

As you know, Senator Kay Bailey Hutchison was indicted yesterday by a grand jury which has been investigating possible illegal activity during her two-and-one-half year tenure as state Treasurer.

The Senator's Indictment. Two second degree felony counts and one Class A misdemeanor count of Official Misconduct. The indictments allege that for a period of two years Hutchison used several state employees and state facilities to perform personal and political tasks for her in violation of state law. Several schedulers, personal secretaries and other aides testified before the grand jury, presumably to discuss charges that Hutchison used state computers to keep fundraising records and asked Treasury employees to coordinate her political appearances and fundraising, to help her maintain her network of political supporters and to run personal errands. The second degree felonies are punishable by 2-20 years in prison, while the misdemeanor count carries a maximum sentence of one year.

One third degree felony indictment for Tampering with Governmental Records and one third degree felony indictment for Tampering with Physical Evidence. These charges allege that she and others altered and concealed computer archive tapes in order to hide illegal political activity (i.e. keeping fundraising records on state computers) conducted by Treasury employees. Third degree felonies are punishable by 2-10 years in prison.

Staff Members' Indictments. Two of Hutchison's former aides were also indicted. Michael Barron, former Deputy Treasurer, was indicted for three third degree felonies. Barron was indicted for Official Misconduct for ordering employees to unlawfully destroy government records which were the subject of the investigation. He was also indicted for Tampering with Governmental Records and for Tampering with Physical Evidence for the same alleged activity as Hutchison.

David Criss, former planning director at the state Treasury, was indicted for second degree Official Misconduct. The indictment charges that Criss unlawfully engaged in political work for his and Senator Hutchison's benefit using state time and property. The alleged wrongdoing first surfaced last year when Criss was caught using the state computer to keep Hutchison's fundraising records.

Hutchison claims that Ronnie Earle, the District Attorney who sought the indictments, is conspiring with state Democrats to prevent her from leading a strong GOP ticket next year. State Democrats and many news accounts point out, however, that Earle has investigated numerous Democratic officeholders, including former state Attorney General Jim Mattox and Texas House Speaker Gib Lewis. Earle insists that he would not have asked for an indictment if he did not have very compelling evidence.

Hutchison's consistent dismissal of the charges as a political problem, not a legal problem, has made Earle even more determined to get a conviction. And Hutchison has indicated that she will fight to the end. Obviously, there are two other possible scenarios: 1) Hutchison plea bargains with Earle to avoid jury trial by resigning her office or 2) she survives the trial with an acquittal.

Many people feel that an acquittal is very unlikely given that her indictment was based on evidence gathered by investigators and testimony given by her own political appointees. Several people who have testified have been granted immunity and there is some speculation that the two indicted staffers may turn state's evidence to avoid imprisonment. In any case, everyone is hoping for a speedy trial, preferably one that ends before the January filing deadline.

The Political Implications. Yesterday's developments have increased speculation about who will be the Democratic standard bearer in a tough race against a wounded incumbent or for an open seat. Richard Fisher is the only Democrat who has offically announced his candidacy. Several Members of Congress are looking at the race including Jim Chapman, Mike Andrews and Martin Frost.

Secretary Cisneros is widely believed to be the only hope for the Democrats in this race, and this belief is not unfounded. A recent poll conducted for Garry Mauro tested Cisneros in a trial heat with Hutchison. Hutchison garnered 46%, Cisneros 39%. All other statewide officials except Governor Richards lagged far behind in the low- to mid-20s. These are incredibly high numbers considering the fact that Cisneros has never run statewide.

The statewide and congressional races have become increasingly competitive in the past few years as the Democratic Party has slowly lost its grip on the Texas electorate. All of the Democrats running next year, from Governor Richards on down, want and need a candidate as strong as Cisneros leading the ticket. Cisneros has the opportunity to redefine the Democratic Party in Texas and his victory would put you in strong position heading into '96.

Recommendation. We should keep a close eye on the progress made in the trial. As the trial and the January filing deadline near, we should consider asking Stan to do some in-depth polling on Cisneros to get more information on his viability, strengths and weaknesses.

If Hutchison appears to be headed for a conviction and the poll shows the expected positive results for Cisneros, you should seriously consider asking Cisneros to resign his Cabinet post to become a candidate for the Senate. As you may know, he is **not** inclined to run. You would need to lay out "no lose" scenario for him -- that you will do everything you can to ensure his victory but you will also welcome him back into the Administration at a very high level if he is not successful.

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THE PRESIDENT HAS SEEN 9/29

To Ira/Teddy

I strongly advise working as closely as possible w/ Erskine Bowles on these issues + having him work on follow up w/ this reporter + "experts" cited herein.

Br.

cc: E. Bowles, SBA

THE WALL STREET JOURNAL TUESDAY, SEPTEMBER 28, 1993

Health Plan's Break for Small Business Remains Blurry

Lack of Data Adds to Skepticism About Financing of Clinton Proposal

By BRENT BOWERS
Staff Reporter of THE WALL STREET JOURNAL

Small-business owners panting to figure out the subsidy they could get under President Clinton's health-care plan might need to put their calculators back in the drawer for a while.

Some unanswered questions about the plan's proposed subsidies for small businesses are making it harder to say who can get the break, and how much the program will cost.

The shortage of hard data is adding to skepticism about how the health-care overhaul will be financed. "The Clinton numbers have changed from week to week and in some cases are based on unrealistic assumptions," says Rep. Jan Meyers of Kansas, the ranking Republican member of the House Committee on Small Business. "Probably a lot of the figures we have won't be worth much, not by design, but because people don't have a full grasp of the numbers."

Under the Clinton proposal, contributions of businesses with 50 or fewer employees would be capped from a low of just 3.5% of payroll if wages average less than $12,000 a year to a maximum of 7.9% if wages average more than $24,000.

Thus, many small companies would pay only a few hundred dollars a year for health coverage that is projected to cost an average of $1,800 for individuals and $4,200 for families. (The plan calls for employers to pay 80% of health-care premiums and for workers to pay 20%.) The government would pick up the rest of the tab from an enormous "subsidy pool" of $419 billion spread out over six years for both businesses and low-income individuals.

But small-business specialists say it isn't clear yet how a key figure, payroll, will be defined. Indeed, administration officials acknowledge that they haven't yet worked out a formula for calculating a company's average wage.

A Big Omission

That is a big omission. For example, a work sheet prepared by the administration contains a "scenario" in which a small business has 10 employees who earn an average $12,000. "Business pays no more than $420 per employee, or 3.5% of average worker pay," the work sheet says.

But Thomas Kuhlman, vice president in the Chicago office of employment-benefits consulting firm Towers Perrin, notes that the *owner's* pay will have to enter the calculation, although not always in the same way.

"They don't define what payroll is," he says. He says his firm is assuming the health-care plan will follow the same rules as tax law, meaning that owners of regular corporations will have to include all their compensation in computing average wages, but that owners of so-called Subchapter S corporations won't, because they aren't considered employees. (Such corporations are legally organized as corporations, but taxed as partnerships.)

"In the absence of detail, which certainly is missing, that's our best guess," Mr. Kuhlman says. Thus, he says, a business owner who makes $60,000 and pays four workers a total of $37,000 would have an average worker pay of $9,250 at an S corporation and qualify for the most generous subsidies, while the same owner would have average pay of $19,400 at a regular corporation, and qualify for much less relief. (This hypothetical example assumes that the S-corporation owner pays himself no straight salary at all. Moreover, offsetting the difference to some extent would be a requirement for the S-corporation owner to pay the full cost of his own coverage as a self-employed person, Mr. Kuhlman says.)

Sam Starr, a tax partner in the Washington office of Coopers & Lybrand, anticipates that any salaries that S-corporation owners pay themselves would probably be included in computing average wages, but company earnings that flow through to them as undistributed taxable income might not.

An official who is advising the Clinton administration on the small-business aspect of the plan acknowledges that "S corporations are an issue. We're having discussions."

As businesses attempt to lower their average worker pay, the adviser asks, will there be a "stampede" to S corporations? "That's one of the issues."

Question of Stock Options

The adviser, who requests anonymity, adds: "We haven't defined payroll. We're having a number of discussions" about what should be included. Some question marks: Do stock options, stock dividends or capital gains count? "We do need to refine our plan," he says.

Another unanswered question is what small-business's share of the $419 billion subsidy pot would be. While this hasn't been spelled out, "it's a huge chunk," says White House health-reform spokesman Kevin Anderson.

Even so, the nation's biggest small-business lobbying organization, the National Federation of Independent Business, opposes the Clinton proposal. One reason, says Leslie Aubin, the federation's health-care-policy analyst, is that small businesses don't trust the administration's figures. "The numbers don't add up," she says. "How do you find out how many businesses qualify for subsidies? If we don't get the right numbers, we won't be able to achieve health-care reform."

No Figures

Indeed, the administration hasn't yet worked out exactly how many concerns qualify, much less how many workers they have. And officials at the federal Bureau of Labor Statistics, the Small Business Administration and the Census Bureau all say that they have no figures breaking down average wages at companies with fewer than 50 workers. Private consulting firms also say they lack such data.

"That's a number we're still working on," says Mr. Anderson, the White House spokesman. "The models come up with dollars that you need in macro terms before they come up with a head count."

Some specialists say they are confident the administration has done its homework and is basing its calculation of $419 billion in gross subsidies on hard data or reliable extrapolations. (The administration emphasizes that after subtracting expenditures that would be shifted out of Medicaid and Medicare programs, the net budgetary cost of the subsidy program would be a little over $160 billion.)

Mr. Kuhlman of Towers Perrin says he is eager to see the final numbers. "It's really going to be an interesting economic game," he says.

THE WALL STREET JOURNAL TUESDAY, SEPTEMBER 28, 1993

THE PRESIDENT HAS SEEN 9/29

Mack
Pres. should do a note to Herb + Dan or Frank
should call + ask him to help
w/ GOP congressmen
B.C.

No Need to Be Scared of Nafta

By Herbert Stein

Do you remember the "three million lost jobs" scare? It was a big thing around 1985 and 1986. The scare was that the U.S. had lost, or was losing, or would lose, three million jobs as a result of its rising trade deficit.

I remember it because I wrote an article about it on this very page on July 29, 1985. I said that there was no reason in economic theory for a trade deficit to cause the loss of jobs. In this case the theory was confirmed by the facts. Employment in the U.S. rose strongly throughout the period of the rising trade deficit and the rise of employment began to slow down only after the trade deficit began to decline. That does not mean that a rising trade deficit is good for employment. It only means that trade deficits have little to do with employment.

Now we are being treated to another scare. We are told that the adoption of the North American Free Trade Agreement, eliminating barriers to imports from Mexico, will cost the U.S. 200,000 or 500,000 or some other number of jobs. But this claim has no more validity than the earlier claim of three million jobs lost, a claim now generally forgotten.

Only the Beginning

The complaint about Nafta is that the reduction of U.S. barriers to imports from Mexico will cause an increase in such imports, which will compete with U.S.-made products and force the U.S. workers who make those products out of their jobs. But this is, of course, only the beginning of the story. The Mexicans who export more to the U.S. will have higher incomes and more U.S. dollars, and the barriers to exports from the U.S. to Mexico will be reduced. The greatest probability is that, having larger incomes and more U.S. dollars, with the costs of U.S. products reduced by the cut in Mexican tariffs, the Mexicans will buy more from the U.S.

Some people say that the Mexicans will not buy more from us because even after they increase their sales here they will be too poor to afford, say, an American automobile. But the Mexicans with their present incomes buy a great deal from us, and their purchases have increased as their incomes increase and tariff barriers decline. This whole argument is rather fantastic. It suggests that we cannot export to countries that are poorer than we are. But since all other countries are poorer than we are, it suggests that we cannot export at all, which is preposterous. We are the world's largest exporter.

But suppose that the Mexicans do not want to increase their imports from us, or do not want to increase their imports as much as their exports. What becomes of the U.S. dollars they acquire by their increased exports to us? There are two possibilities. One is that the Mexicans who acquire the dollars sell them for pesos. That drives down the value of the dollar relative to the peso, increasing the costs of Mexican products in the U.S. and reducing the costs of U.S. products in Mexico. If the Mexicans are really determined not to hold any more U.S. dollars, this process will continue until the excess of Mexican exports is eliminated, and thus the acquisition of additional U.S. dollars is stopped.

The more likely possibility is that to the extent that the Mexicans do not want to use their additional dollars to buy U.S. products, they will invest them in the U.S., as the Japanese and others with whom we ran trade deficits in the past 12 years did. That would increase the supply of capital in the U.S., reduce interest rates here, and increase employment in industries that are responsive to interest rates, like construction.

All of these offsetting responses to the reduction of trade barriers may not occur simultaneously. So there may be an initial tendency to affect employment in the U.S. But no one can responsibly claim to know whether this initial tendency would be positive or negative. Probably the best guess is that the initial tendency would be zero.

This initial tendency would not, however, be the actual effect. The actual effect would depend on the way the economy as a whole, and the policy-making authorities, respond to the initial tendency. The basic fact is that there are always some sectors of the U.S. economy in which employment is declining, but that does not prevent total employment from rising. In 1980, 26% of all private employees worked in industries where employment would decline by 1989, but total employment increased strongly between 1980 and 1989.

If our fiscal and monetary authorities follow policies that will keep aggregate demand rising at an adequate pace, total employment will rise. Nafta will have trivial implications for their ability to do that. Insofar as government policy can solve our jobs problem, the solution does not lie in rejecting, or accepting, Nafta but lies in better management of our fiscal and monetary affairs.

If Nafta is not about jobs, what is it about? What is in it for us? In part it is about the real incomes of the residents of the U.S. It is about permitting us to maximize our incomes by buying where we can get things cheapest and selling where we can get the highest return for our labor and our product.

But given the relative size of the two economies, the income gain for the U.S. would probably be small. What Nafta is really about is the character of the world in which our children and grandchildren will live. We have to ask ourselves whether we think it important that other countries, especially our nearest neighbors, should achieve increasing economic welfare through reliance on generally free markets and exchange with the rest of the world, including us.

For the past 50 years the U.S. has taken the lead in the reduction of world-wide barriers to international trade. That policy contributed to our own prosperity. But the expectation of that was not the sole or indeed the major reason for our policy. The economic benefits for us were always indirect and difficult for any individual to foresee, whereas the dislocations involved for particular sectors were easy to dramatize. What carried the day for liberal trade policy was the case beyond the addition of some tenths of a percent to the national income of the U.S. It was the recognition that, in addition to serving our economic interests, liberal trade policy was an application of American principles, an expression of American concern for the well-being of others, and above all that it made a contribution to the stability of the world we live in.

It is to our interest that Mexico should see its future welfare in free markets and in association with us. It is in our interest that the recently liberated countries of Eastern Europe should find prosperity through free economies. The best thing that the industrial world, and especially the advanced countries of Western Europe that are their neighbors, can do to assist in this process is to open their markets to these struggling countries. What kind of message do we send to Europe if we cannot eliminate our barriers to trade with our neighbor, Mexico?

What We Can Do

Two-thirds of the world's population lives in countries with per-capita incomes less than 20% of ours. That is not a condition with which we as human beings can be happy. Neither is it a condition with which we can in the long run feel secure. One of the few things we know how to do to help correct that condition is to open our markets more freely to these countries. If we cannot rise above the level of spurious bean-counting about jobs to take a step that is so clearly in our economic and political interest as Nafta, the prospect for dealing wisely with the world's greater problems will be dim.

A former chairman of the president's Council of Economic Advisers, Mr. Stein is an American Enterprise Institute fellow.

Board of Contributors

We have to ask whether we think it important that our neighbors achieve increasing economic welfare through generally free markets and exchange with the world.

9/29
THE PRESIDENT HAS SEEN

THE WALL STREET JOURNAL TUESDAY, SEPTEMBER 28, 1993

Clinton Likely To Push Pension Funding Plan

Task Force Recommends Forcing Firms to Make Contributions Faster

By ALBERT R. KARR
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – The Clinton administration is expected to introduce legislation that would force companies to bankroll more quickly nearly $40 billion of pension-plan underfunding.

The proposal, which was drafted by a task force over the past six months, is likely to seek to close legal loopholes that have allowed many companies to maintain deeply underfunded pension plans.

"Employers with underfunded pension plans can – and do – contribute little or nothing," Martin Slate, executive director of the Pension Benefit Guaranty Corp., declared in a recent speech.

Underfunding not only threatens the pensions of many future retirees, but it could also boost future demands on the PBGC, which insures some $900 billion in defined-benefit pension funds.

Between 1987 and 1991, the PBGC said, underfunding for single-employer plans climbed to $38 billion from $27 billion. Mr. Slate said that the figure is expected to rise even higher for 1992. Moreover, deeply underfunded plans now account for 80% of the total underfunding, but pay only 25% of PBGC premiums.

But President Clinton is likely to face strong opposition over the proposal, which is still subject to change before it is unveiled – possibly as early as this week. Labor unions and many large employers with underfunded plans are expected to fight some of the provisions. The Bush administration last year ran into opposition when it tried to get support for a proposal that languished on Capitol Hill.

While the Clinton administration believes Congress is more receptive toward tackling the problem, it would be one of many major pieces of legislation President Clinton is trying to push, including health-care reform and the North American Free Trade Agreement.

Under the task-force draft, the practice of double counting, permitted under a 1987 law, would be ended. Companies use double counting to reduce both the minimum contribution required for all pension plans and a separate so-called deficit-reduction contribution that underfunded plans are required to make.

Under this system, the plan's financial gains, which reflect asset improvements and liability reductions beyond the original estimates, are counted twice, thus reducing a company's total contribution to the pension plan.

Added Contributions Expected

It would change the way future interest rates are calculated as well as the age at which retiree deaths are figured. In addition, the proposal would shorten the time given to companies to cover shortfalls in their pension plans, and it would require added contributions when lump-sum payments for early retirements or other payouts threaten to outstrip contributions to the funds.

The regular deficit-reduction contribution would be applied to pension plans that are funded 60% or less; a lower contribution would be required for plans that are funded more than 60% but less than 100%. The regular deficit-cutting contribution now applies only to plans that are funded 35% or less; plans that are funded more than 35% but less than 100% contribute a lower amount.

In addition, balance sheets would have to reflect pension-benefit increases in multiyear labor contracts in the year they are negotiated, with the increases accounted for over a shorter period of time. Currently, plans don't have to show the increases until the year they take effect, with a longer amortization period.

The task force decided against adopting a proposal made during the Bush administration that would generally bar the PBGC from guaranting pension boosts by underfunded plans. And despite the provisions to speed up the fundings, the task force is expected to recommend that limits be placed on how much to increase the annual deficit-reduction contribution through the year 2001.

Removing Caps on Premiums

The proposal would seek to prod pension plans to narrow underfunding gaps by lifting the cap on the insurance premium rates paid by underfunded plans, possibly over three years. Currently, the basic premium rate for all pension plans is $19 per worker and retiree, with an additional premium of as much as $53 a participant required of underfunded plans. Without a cap, the PBGC estimates that the rate for underfunded plans at the current cap would average $125 per participant.

Mark Ugoretz, president of the Erisa Industry Committee, an employer group, applauded the Clinton administration's efforts to force companies to "fund their plans."

James Klein, executive director of the Association of Private Pension and Welfare Plans, agreed that "by and large, our members are fairly comfortable" with the funding provisions. But he added, "It goes way beyond what large underfunded employers would tell you is acceptable."

Most of the companies in both groups are fully funded and face a bigger insurance burden if other plans are underfunded.

THE PRESIDENT HAS SEEN

Stop Subsidizing the Arms Race

By Jeff Bingaman

WASHINGTON

At the United Nations yesterday, President Clinton called on the world to halt nuclear testing and ban the production of fuels for nuclear weapons. But while the Administration is saying that attacking the proliferation of weapons of mass destruction is an urgent priority, the Senate has sent a different signal by approving subsidies for arms exports. The House has rejected this approach and a conference committee can soon put the matter to rest.

A provision of the 1994 Defense Department Authorization Act, passed Sept. 14, provides $1 billion in loan guarantees for the export of weapons to NATO members, Australia, Japan, South Korea and Israel.

At a time when Yasir Arafat and Yitzhak Rabin are shaking hands, such subsidies for foreign arms sales are a mistake. They may encourage other countries to promote the proliferation of weapons and destabilize developing countries.

Instead of encouraging defense manufacturers to try to adapt to the post-cold-war world and to restructure our defense-oriented industrial base, Congress is using taxpayers' dollars to subsidize companies that are willing to put off the inevitable.

Supporters of the provision say there are no proliferation concerns, that only our close allies are covered under the program. Wrong. When we subsidize sales to our allies, and other countries subsidize sales to their own allies, weapons proliferate exponentially: the close allies of Russia and China include North Korea and Syria.

It would be a mistake to believe that more sales to our allies will not contribute to increased arms sales around the world. The U.S. controls the world market for arms sales and other arms-exporting countries will follow our lead. They face the same challenges we do to preserve jobs and maintain declining defense industries.

The new U.S. export guarantee would lead to increased subsidies by foreign governments to defense industries in their countries to keep sales competitive, and would put increased pressure on those governments to sell where the market is largest: the Middle East and the third world.

will they?

Arms exports do not help conversion. The impact of defense downsizing will be felt for years, and Congress and the Administration will be under pressure from companies, workers and communities to do something to prevent the inevitable transition.

Cold war's over. The Senate doesn't get it.

If Congress gives in to pressure to maintain the status quo, the U.S. will lose an opportunity to help move defense companies into sustainable commercial development.

Besides, we will lose an opportunity to help move Russia and the other Soviet successor states away from defense economies and into commercial development when they see that the U.S. considers arms exports a form of defense conversion.

And we will misuse scarce Federal dollars in trying to hold on to a rapidly declining world market for arms — dollars that could be used to support conversion, work-force training and community development. Or even to reduce the Federal budget.

Wisely, Congress has established a $1.6 billion conversion program to help companies adjust. The Administration has pledged to spend $20 billion in conversion over the next five years for technology and manufacturing programs, worker training and economic development programs.

A robust conversion program and increased Federal support for commercial exports — even an export loan-guarantee program for defense companies seeking to develop markets for civilian goods — makes sense. What makes no sense is the prospect that arms proliferation will detour developing countries worldwide, especially when old adversaries in the Middle East are finally on the uphill path to peace. □

Jeff Bingaman, Democrat of New Mexico, is a member of the Senate Armed Services Committee.

Tony - what about this?

B

New Curbs on Nuclear Weapons

President Clinton yesterday announced the most serious effort in years to curb the spread of nuclear arms and other weapons of mass destruction. In his speech to the United Nations General Assembly in New York, he pledged to seek global bans on the production of nuclear material for bomb-making and on nuclear testing. And he offered important inducements to get other countries to cooperate.

His commitment comes not a moment too soon. Iran, North Korea and others are poised to develop nuclear weapons. And now from Russia comes word that the Soviet nuclear arsenal may have been far larger than previously admitted, leaving far more plutonium and enriched uranium to dispose of safely in that dangerously fragmenting society.

Mr. Clinton's predecessors tried to curb the spread of nuclear arms by keeping nuclear material out of the hands of bomb-makers; they stopped short of seeking a ban on the production of plutonium and enriched uranium. But as more and more nuclear material is produced it has become harder and harder to keep track of. That's why a ban on production makes sense.

Mr. Clinton can start by urging the Senate to bar funds for the Advanced Liquid Metal Reactor, which generates electricity by converting uranium that can't be used in warheads into plutonium, which can. And he can heed members of Congress who want him to urge Japan, Britain and France to re-examine their plutonium production policies in a world of nuclear excess.

Mr. Clinton's commitment to curbing proliferation is evident in the inducements he is offering other nations to go along. Overriding the objections of American weapons laboratories, he will begin negotiations to ban nuclear testing, which could strengthen worldwide adherence to the Nuclear Nonproliferation Treaty.

He will also permit international inspections of U.S. stockpiles of nuclear material extracted from dismantled nuclear warheads, making it easier for Russia and other states to accept such monitoring. In so doing, he overcame the overwrought objections of bomb-makers who contended that inspections would unveil secret techniques.

Mr. Clinton will also share U.S. intelligence on global trafficking in arms-making technology and materials, a step the guardians of secrecy in the intelligence agencies had resisted.

And if all else fails to induce nations not to build weapons of mass destruction or export technology that enables others to do so, he will allow them to purchase missile and other advanced technology from the U.S. Some arms controllers may denounce that as a Faustian bargain.

But Mr. Clinton is not proposing indiscriminate sales; he'd issue export licenses on a case-by-case basis, and only to states that live up to their obligations not to proliferate. It's a risk worth taking. How can the U.S. get other states to join the Missile Technology Control Regime if there are no privileges of membership?

If his efforts succeed, Mr. Clinton could do more for U.S. security than those who built up America's nuclear arsenal in the first place.

What about this -

THE NEW YORK TIMES, TUESDAY, SEPTEMBER 28, 1993

Tony - This is great support congratulations! Have to keep pushing -

THE PRESIDENT HAS SEEN 9/29

Rube Goldberg, Call Your Office

By Stuart M. Butler

WASHINGTON

As Vice President Al Gore points out in his National Performance Review, the Federal Government excels at taking simple tasks and making them complex. That's why we should not be surprised by the Administration's prescription for reinventing health care. It's a bureaucrat's fantasy — and a patient's nightmare.

The Administration could have based its reform program on an existing consumer-driven benefits system that works. Instead, it opted for a Rube Goldberg-type system based on something that has never worked: price controls.

Hillary Rodham Clinton's 500-person task force had as its mandate three primary tasks: extending medical benefits to the uninsured without breaking the bank, guaranteeing continued insurance coverage even if we change jobs or get sick and taming the inflated costs of health care.

There was a relatively simple, straightforward model of how to do that, but they ignored it: the Federal Employees Health Benefits Program, which covers nearly 10 million employees and retirees and their dependents — a cross-section of America, white- and blue-collar workers, janitors, secretaries, messengers, as well as two million retirees and their spouses.

Under the Clinton plan, a national board would tell us what package of benefits we must have. By contrast, under the Federal employees' system, the workers decide for themselves which services they want included and which they do not. Once a year they receive information on all the plans available where they live — typically two to three dozen. The cost of premiums, out-of-pocket expenses and services — it's all there in black and white. They pay about one-third of the premium and the Government pays about two-thirds.

Federal employees get plenty of advice on which plans are best, from unions, retiree associations, advertising and the news media. There is even an inexpensive, easy-to-understand guide published each year by Washington Consumer's Checkbook, a consumer organization that rates other family purchases.

The Federal employee health system is a Government program in name only. The Government doesn't fix the prices of premiums or specify a standard benefits package. All it really does is make sure each plan meets certain financial and truth-in-advertising standards, and acts as a clearinghouse for premium payments. Costs are controlled not by regulation but by individual Americans choosing plans on the basis of price and services in a highly competitive market.

Competition works. Two weeks ago the U.S. Office of Personnel Management announced that premiums for the several hundred plans available through the program would increase by an average of just 3 percent next year, that more than 40 percent of enrollees would see *decreases* and that many would even get "new, improved preventive care services." Very few other health plans can make such statements.

Every full-time Government employee involved in the effort to reinvent health care — from the Presidential adviser Ira Magaziner to the stenographers who kept the minutes

HEALTH CARE
SECOND OPINIONS
An occasional series.

— is covered by the 33-year-old Federal employee program, as are all members of Congress.

But instead of using that program as a model (as the Heritage Foundation's own health reform plan does), the President would establish state-sponsored "health alliances" to bargain with insurers on our behalf, and shower doctors, hospitals and other providers with new regulations. He would set up a new National Health Board to tell us what medical services we can and cannot have, how much money we are allowed to spend on health care each year and how many physicians will be trained to serve us and in what specialities.

The linchpin of the Clinton cost control system is a proposed cap on insurance prices. There would be no controls on the costs of providing benefits; explicit controls would panic the medical community. But eventually, the Clinton plan would produce sweeping, permanent price controls by stealth.

Here is how it would happen. First, with costs rising faster than premiums, insurers would be forced to do the obvious: crack down even harder on hospitals and doctors by increasing paperwork, second-guessing treatment decisions and denying claims. (If doctors and patients are frustrated by insurance companies today, just wait until the insurers face price controls.)

Second, health plans approved by the alliances would be subject to fines for exceeding their budgets, and could pass on part of these fines to doctors and hospitals — a crude form of price control. And if this failed to hold down costs, as it would, the Clinton plan would give states standby power to regulate prices directly.

Even these measures would be unlikely to keep the plans within budget. But Washington knows how to deal with such problems: slap price controls on doctors, hospitals and medical laboratories — just as it has done with Medicare.

So the Clinton health system would be Medicare writ large: constantly over budget, with tighter and tighter controls and with more paperwork and bureaucracy, not less. And it's folly to expect such a complicated Government system to deliver quality care for a lower price. Price controls have never achieved such results in the past, and they won't work now.

Health care is a vastly complicated industry that depends on millions of individual decisions about one of the most personal areas of our lives. It defies central planning, even by a reinvented Government.

There are only two ways to provide universal coverage and control costs. One is to sweep away the current system — insurance companies, employer-provided insurance and choice of services — and let the Government buy medical care for us with tax dollars. This option — copying Canada properly — would avoid the clutter in the Clinton plan. It is a clear and honest choice. But it would mean explicit rationing, which most of us vehemently oppose.

The other choice is to create a real health care market by placing control of health dollars firmly in the hands of each family, letting families seek the insurance plans or medical services offering the best value for money. Today, those dollars are typically controlled by employers; so families have little incentive to consider value for money, and they risk losing coverage if they change jobs.

Why did Clinton ignore a health plan that works?

Mr. Clinton wants the Government, the health alliances and the insurers to control the dollars. A real consumer system, by contrast, would allow groups of employees to accept cash instead of health benefits from their employers and use the money to buy whatever plan they considered the best value. It would then be the workers' own health plan, and would be unaffected by a job change.

The tax code would have to be changed to give families the same tax relief for their chosen plan as for a company plan, ending discrimination against families who buy their own plan or pay for services directly. Insurance rules would have to be amended to prevent cancellation or arbitrary premium increases during a long-term contract. And low-income families would need vouchers.

Such a system — similar in many respects to the Federal Employees Health Benefits Program — would use the efficiency and choice of the market to control costs while assuring us that an illness, a job change or even unemployment wouldn't affect our insurance coverage.

And unlike the Clinton plan, it is no theoretical leap of faith. □

Stuart M. Butler is vice president and director of domestic policy studies at the Heritage Foundation.

I think premium went down in several categories this year

THE NEW YORK TIMES, TUESDAY, SEPTEMBER 28, 1993

Ira — (1) what's the answer to why this won't work → premium did go down in several categories —

(2) what's the answer to his attack on our plan — Medicare writ large?

(3) what if instead of his proposal this system was simply mandated for all ~~for~~ w/ large pools for smaller ones? employers.

9/29

THE PRESIDENT HAS SEEN

Observer

RUSSELL BAKER

Childish Questions

The news is seething with unanswered questions. Why, for instance, is the Government willing to raise taxes on tobacco but not on alcohol to finance a national health program? Surely booze matches smoke as a health menace, doesn't it? Is it because the anti-smoke lobby has muscle while the temperance lobby has none? Or because pols of both parties fear the booze lobby's power to anger millions of beer-sodden televiewers?

Speaking of the health program, why are lawyers (namely, both Clintons and most of the Congress) now in charge of inventing it? Doesn't everybody know that lawyers can't stop themselves from making everything so complicated that nobody can figure it out without hiring a lawyer? Wasn't the present income-tax law designed by lawyers? Why do we have to suffer an April 15th experience every time we get sick?

On health, info and tainment.

Speaking of design, won't they have to redesign the human hand for the wonderful new information age when digital electronics delivers the promised palm-size computers? Won't the keyboard of a palm-size computer be so small that operating it will require fingers like toothpicks?

Speaking of the wonderful new information age when, they now tell us, we'll be able to "talk back" to our television sets, what makes them think we have anything to say to our television sets? The purpose of television is to spare people with nothing on their minds the necessity of making conversation, isn't it? Who wants to live in a world where millions of people with nothing on their minds sit around struggling to think of something interesting enough to say to their television sets?

Speaking of information ages, isn't it too late for a wonderful new one? Haven't the television industry's bottom-line inspectors already announced that information is what's killing ratings on network news? What the audience now craves is infotainment, isn't it? If the digital-electronics folks want to succeed, shouldn't they drop that "information" nonsense and bring us the wonderful new infotainment age?

Speaking of info, if not of tainment, are New Yorkers aware that their city is within striking distance of an arresting statistical distinction? Or is it perhaps not arresting for a city to have innocent bystanders shot at the rate of one per day over an entire year? "So far this year," The New York Times reported Sept. 20, "at least 255 shooting victims in New York City have been categorized by the police as innocent bystanders." Since Sept. 19, the day the story was written, was the 262d day of 1993, doesn't this indicate that the city was only seven shot innocent bystanders shy of the one-a-day pace? With an increase normally to be expected as the shooting picks up during the Christmas season, doesn't 365 shot innocent bystanders seem eminently possible before midnight Dec. 31?

Thinking of sex, human nature and hard times, why will so many good and kind people applaud the news that Lisa Marie Abato is striving to put even more people out of work in wretchedly depressed California? Yes, this is the same Lisa Marie Abato whom connoisseurs of pornographic cinema remember as "Holly Ryder," so after such a successful career, why is she collecting signatures to put an anti-pornography initiative on the California ballot? Is she ashamed of her life's work? Or can it be that like so many cured sinners — smokers, drunks, agnostics who see the light with the waning of youth — she cannot resist a compulsion to play the public pest?

Speaking of play, if a rose by any other name would smell as sweet, would not a football team by any other name have just as many players anticipating, undergoing or recovering from surgery? Why then does the team doing business under the name "Washington Redskins" resist appeals to give up this name and cease offending certain American Indians? When one of the offended, like Ben Nighthorse Campbell, happens to be a United States Senator, hence capable of creating anguish even for a football team, doesn't a little name surgery make good sense? Wouldn't it make good sense for sports teams of all kinds, since there are now so many that keeping track of them is nearly impossible? Why not do away with all those silly old names and, as the Government does for us humans, give them numbers? Wouldn't the Washington 1272-135-703's sustain just as many torn ligaments as the Washington Redskins? □

On My Mind

A. M. ROSENTHAL

So Where's the Catch?

First, take the three foreign affairs speeches made in the past week by President Clinton, his national security adviser and his U.N. delegate. Then squeeze them good and hard to get rid of the inevitable pulp of jargon, pieties and diplomatic roundabouts.

What is left is the juice of some important policies, and an unusual question.

1. When military action is needed, the U.S. will ask the U.N. for help and permission — when it is in American best interests to do so.

Otherwise, the U.S. will rely on regional alliances like NATO or on pickup groups united by common interests in the crisis of the moment, or go it alone. American forces will not be committed to a permanent U.N. standing reserve, despite past hints. And now the U.S. will ask questions about getting out before it gets in.

All fine, and pretty much what the U.N. was created to be — a place where nations could work together in a crisis when they wished without surrendering the right to self-defense or collective action outside the U.N. when they didn't wish.

The Clinton U.N. policy is the result of some rethinking, encouraged by a political pounding that convinced the policy makers that the American public would not stand for U.N. commitments in any crisis beyond the one at hand — if that.

That does leave a problem. American journalists and politicians will have to give up talking of Secretary General Boutros Boutros-Ghali as if he were plotting to command U.S. troops in a mad charge from U.N. headquarters to the sea and across. He is simply an experienced diplomat who suffers from having ideas of his own — which member nations can accept or reject.

2. The U.S., now the U.N.'s champion deadbeat, will pay its $1 billion in past dues and peacekeeping assessments. Now American Presidents can lecture the U.N. without embarrassment.

Repayment should not immediately be loaded with conditions about dues reductions and "reinventing" the U.N. That would be like walking into a bank and saying you will pay back the automobile loan provided you get a better deal and six vice presidents are fired.

3. The U.S. will work for a treaty to end world production of highly enriched uranium and reprocessed plutonium, used for nuclear bombs.

Now, the question: Where is the catch? There must be one lurking in this interesting thinking. But I can't put my finger on it; very upsetting.

The speeches of Mr. Clinton, his national security adviser, Anthony Lake, and the U.N. representative, Madeleine Albright, are connected to realities — and strengthened by a healthy dollop of idealistic optimism about expanding democracy.

Sorry, no catch found. But what is missing is a strong track record on handling crises. "Solving" Bosnia was impossible, certainly not without the commitment of U.S. combat troops. Even in fierce American hawks, the thought turned their brown eyes blue.

But the Administration never told us exactly what it would do in Bosnia. It still hasn't. How long would U.S. troops serve there as peacekeepers? And why 25,000, almost half the total?

Examining Clintonian policy.

On Somalia too the President does not give us the answer to the question he says he will always demand of the U.N.: How do we get the hell out of here? Will Americans agree to keeping troops in both places?

So we have to hold judgment on how the Clintonians will handle new foreign crises. The way things are, we won't have to wait long.

As for treaties, they are lovely, when observed. But only wishfulness is behind the hope that China, North Korea, Iran and Iraq will obey nuclear treaties unless their current leaders are good and gone.

And how about a look in our own mirror? Nuclear weapons have been a death threat since Hiroshima. But death reality — in a dozen wars since Hiroshima — has come from the tanks, bombs, short-range missiles and long-range guns on sale in the arms bazaar. China and the former Soviet republics are big death salesmen, but right up there with them is the West, including the U.S.

Maybe one day an American President will say, Enough — from now on we supply arms only to friends in peril and will use economic power against countries that keep the death bazaar open.

Could Bill Clinton be that President some day? After all, it is the one true universal health plan. □

interesting

Tony

This is fun

+ smart

B.

Tony – I like this but doesn't say how B-Ghali the UN could do it – How does Then think they could?

THE PRESIDENT HAS SEEN 9/29

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THE WASHINGTON POST

TUESDAY, SEPTEMBER 28, 1993 THE WASHINGTON POST

Jim Hoagland

Dead or Alive in Somalia

BC

NEW YORK—When American citizen Ion Perdicaris was kidnapped by Berber chieftain Raisuli in Morocco, Theodore Roosevelt dispatched this message: Perdicaris alive or Raisuli dead. The American was promptly released.

It is impossible to imagine Bill Clinton being either that terse or that categorical. Nor could he afford to be. Today, Raisuli might lob a chemical warhead at a rescue party. He would certainly have in his arsenal recoilless rifles and rocket-propelled grenades powerful enough to stop U.S. tanks and helicopters, as Somalia's Mohamed Farah Aideed does.

Because the United States and the Soviet Union foolishly showered high-tech weaponry on bloodthirsty regimes and bandit groups posing as ideological soulmates throughout the Cold War, no American president can now be as succinct and as immediately successful as TR was in 1904.

Aideed's challenge to American forces operating in Somalia is more than an outrage. It is a sign of the times.

Aideed forces have blown up four U.S. soldiers with mines and over the weekend killed three others by shooting down their helicopter in Mogadishu. Total fatalities in the U.N. force the Americans serve with have reached 56 since June.

> *"Aideed is a thoroughly rotten villain but not a terribly important one for the world's only superpower."*

Clinton administration strategists underestimated how much things have changed, along with Aideed's determination and the sophistication of his band's weaponry. Aideed came out shooting rather than accepting ultimatums to cooperate in a political redesign for Somalia that would eliminate his power. He has also ignored demands that he surrender to be tried for his crimes. No Raisuli he.

What began 10 months ago as a benign effort by 28,000 American soldiers to feed starving children has mushroomed into a small war between Aideed and United Nations peacekeepers, who rely on American firepower for their offensive capability.

Each new atrocity makes it more difficult for the Clinton administration to extricate the remaining 5,000 U.S. soldiers from Somalia as promised, even as the new deaths create public pressure on Clinton to withdraw. As U.S. casualties mount, Pentagon and other officials grimly say we cannot cut and run and leave Aideed unpunished.

Most of us can share that sentiment. America's dead should be avenged, for moral and practical reasons. America's future support for multinational peace missions—including in Bosnia—will be dramatically undermined if local warlords can knock off GIs with impunity.

That reality should lead Clinton to switch tracks now. Instead of dispatching Rangers and other special forces to hunt down Aideed, which deepens U.S. involvement and risks even more casualties, U.S. policy makers should reflect on the Perdicaris-Raisuli history.

Aideed is a thoroughly rotten villain but not a terribly important one for the world's only superpower. The American attention he gets builds him, or his successor within his clan army, into a national symbol of resistance. It turns him into a tool for more important anti-American forces like Iran or Sudan, ever alert for new opportunities to pull Uncle Sam's beard.

It is time to shrink and clarify America's goals in Somalia, which cannot serve as a model for democracy in Africa without a massive U.S. commitment, one that Clinton is in no position to make. This fight should no longer be cast as a U.S. vendetta against one Somali warlord.

Although the Perdicaris-Raisuli story has been often told, a key detail is usually omitted. Roosevelt did not send his verbal thunderbolt to the bandit. He sent it to the sultan of Morocco. It was up to the sultan to deliver one alive American or one dead bandit. The sultan got Raisuli to back off.

The closest thing to a sultan for Somalia is U.N. Secretary General Boutros Boutros-Ghali, who pushed for the expansion of the mission from humanitarian relief to political reconstruction when the United Nations took over from American commanders in March.

U.S. troops (and U.S. civilian officials working for Boutros-Ghali) should take themselves off the Aideed hunt. This would prove that Washington's protestations that this is not a U.S.-Aideed battle are genuine. It would also force the United Nations, which has been willing to let the United States carry the burden of opposing Aideed almost alone, to put up or shut up.

Will Boutros-Ghali and the political leaders and military contingents of the other U.N. members in Somalia then commit the resources needed to bring Aideed to justice? If the answer is no, the United States should understand what that says about the United Nations' weakness compared with its ambitious goals. America then should cease its participation in the Somali operation.

Clinton's speech to the General Assembly yesterday failed to reflect America's growing misgivings about Somalia. While it would not have the ring of TR's one-liner, there is a brief ultimatum that Clinton should deliver: The United Nations must do more to bring Aideed to justice or its hopes for greater American help in peace-keeping will wind up dead.

THE PRESIDENT HAS SEEN 9/29

White House Nears a Decision on Recycled Paper

By JOHN H. CUSHMAN Jr.
Special to The New York Times

WASHINGTON, Sept. 27 — The White House, which is about to decide whether the Government should buy more recycled paper, today called in representatives from industry, environmental groups, labor unions and cities for a last round of debate on the hotly contested details.

At issue is how to fulfill President Clinton's promise, made in April at Earth Day festivities, to give a vigorous stimulous to the market for recycled paper by putting the buying power of one of the biggest single consumers on the side of recycling, the Federal Government.

Those who favor a major Government intervention want to see an executive order requiring that all printing and writing paper used by the Government include a minimum proportion of recycled paper, starting at 20 percent and increasing later.

Others, including big paper companies, oppose this on grounds that it would disrupt production and cost jobs. They prefer a rule that calls for only 10 percent recycled content and perhaps uses a looser definition of recycling that includes materials like magazines that were published but never bought, or even certain scrap from the paper processors.

The Administration circulated a draft this summer that pleased those who wanted the more aggressive approach.

Two weeks ago, environmental advocates began contending that the Administration, after heavy lobbying by the industry, appeared to be backing away from its original plan.

The most senior Democrats in the House and Senate, Speaker Thomas S. Foley of Washington and Senator George J. Mitchell of Maine, both of whom have big constituencies in the forest product industries, were said to be pushing for the looser standard.

But one participant at the meeting today, Alan Hershkowitz of the Natural Resources Defense Council, said he was confident that the Administration would call for a strong new standard.

Mr. Hershkowitz noted that Vice President Al Gore had called for such measures in his book on environmental issues, published while he was a Senator, and had even offered legislation calling for half of all material bought by the Government to be made 50 percent from waste.

At today's meeting, no decision was announced, but one is expected within a few days. The meeting was led by the President's top environmental aide, Katie McGinty, and by Alice M. Rivlin, deputy director of the White House Office of Management and Budget.

Participants said they were asked to discuss several questions. Among them were whether jobs might be lost under various approaches and whether the industry would be able to supply all the Government's needs if the stricter standard was adopted.

Influencing Market

Although no single customer dominates the paper market, the Government buys 300,000 tons of printing and writing paper a year, giving it a market share of 1 percent or 2 percent of total consumption and making it among the very largest buyers. Its procurement standards would clearly influence the whole industry.

The Administration's decision could mean big financial rewards to companies that can meet the new requirements, and some in the paper industry favor the more aggressive approach.

Local governments, too, are pushing the Administration hard, since every ton of paper that is recycled and bought by the Government is a ton that need not go into municipal landfills or disposed by other means.

Federal policy calls for the nation to recycle 25 percent of all solid waste, said David Gatton, environmental advisor at the National Conference of Mayors, who attended the meeting at the White House. But only 17 percent of waste is currently being recycled.

"If we don't have a Federal procurement policy that helps push the markets, and the private sector, to use more recycled content materials, we are never going to make it to 25 percent," he said.

[redacted] [redacted]

BVP

Mayor Durkin

wanted to see me

~~it~~ I'd like to discuss

what he said —

TBG

U.S. and Peru at Odds Over Death of Airman

By NATHANIEL C. NASH

Special to The New York Times

LIMA, Peru, Sept. 24 — The attack on a United States military transport plane by two Peruvian jet fighters in April 1992, in which an American airman was sucked out of the plane, has come back to haunt the Government of President Alberto K. Fujimori and strain relations with the United States.

A foreign aid appropriations bill passed by the Senate on Thursday included an amendment prohibiting the United States from disbursing $100 million in aid planned for the Peruvian Government in the 1994 fiscal year, until Peru settles damage claims with the family of Sgt. Joseph Beard.

Sergeant Beard fell from the American C-130 military transport at 20,000 feet off the northern coast of Peru, when strafing by Peruvian fighters blew a hole in the fuselage, on April 24, 1992. His body has never been found.

The amendment, sponsored by Senator Jesse Helms, Republican of North Carolina, has the support of Democratic senators, and seems to reflect the Clinton Administration's policy of using foreign aid to Peru to improve the Fujimori Government's record on human rights and respect for international codes of conduct.

"The desire is not to be punitive with Peru, but there hadn't been any movement on compensating the Beard family for months," a member of Senator Helms's staff said in a telephone interview. "This is a very sensitive issue in the Congress because the death of a United States serviceman is involved, and responsible nations, when this kind of thing happens, do what they can to compensate the families."

The amendment also instructs the United States to urge international lending organizations to withhold loans to Peru until a settlement on the Beard issue is reached.

The case presents thorny issues for Mr. Fujimori and Peru. The Beard family is seeking payment of about $900,000, which an Air Force analysis calculated would be the present value of the sergeant's earning power over his expected lifetime. Peru is offering to pay between $100,000 and $150,000.

In a country with so much poverty, a deep recession and average monthly wages of about $60, a payment of almost $1 million to the family would unleash criticism. There is also fear that if Mr. Fujimori agreed to such a payment, it would cause deep resentment in the armed forces, which still assert that they were justified in shooting at the plane.

Mr. Fujimori repeated the Government's claim that Peru was not responsible for the incident, and that the shooting was provoked by the pilots of the American plane, who refused to communicate with the Peruvian pilots or obey their signals to land. Peru claims its pilots feared that the large transport was carrying drugs.

Yet, if the Helms amendment is approved over the next few days by a House-Senate conference committee, Mr. Fujimori will have little choice if Peru is to get the much-needed aid.

"The position of the Peruvian Government and the results of the investigation were clear, that there does not exist the responsibility in reference to this case," Mr. Fujimori said. "But the Government of Peru, on humanitarian grounds, is trying to compensate for the debts."

According to Peruvian officials, the cooling of tensions between Peru and the United States is important for Mr. Fujimori, since he travels to the United Nations next week to present his case for seizing almost dictatorial powers on April 5, 1992. He shut down the Congress and the courts, in an effort to stop corruption and combat the leftist guerrilla group called the Shining Path.

Though strongly supported by Peruvians, he became almost an international pariah and has been struggling since to convince Western nations that his actions were his only recourse to prevent the Shining Path from toppling the Government.

In the wake of what is called the Fujimori coup, the United States stopped all but relief aid. When less than three weeks later the Peruvian jets strafed the American C-130, it only added to the acrimony.

"Our point is that even when we know we are tracking a plane loaded with drugs, we don't shoot it out of the sky," said a State Department official who asked not to be identified.

THE NEW YORK TIMES, TUESDAY, SEPTEMBER 28, 1993

Tony - what are the facts - what did the family get from military in benefits
Can we resolve this

9/29

THE PRESIDENT HAS SEEN

[redacted]

[illegible]

Tony

[redacted]

9/29

THE PRESIDENT HAS SEEN

Robert E. Machol

The Horror Stories Will Continue

✓

The horror stories are convincing. There is the set of requirements for buying an ashtray, which Vice President Gore has so dramatically illustrated. And I, like any other civil servant, can tell dozens of others. I purchased a senior-citizen airline ticket for an official trip at a much cheaper price than the government would have paid for the same ticket. Then my agency informed me that it was against the rules, and months later I was reimbursed only after promising never to do it again. A colleague who deals extensively with videotapes needed a TV-VCR. He could have bought it at Circuit City for a song, but had to let the purchasing people buy it at a much higher price.

Mr. Gore would like to cure this and eliminate the horror stories. And I would love to see him do it. But it isn't going to happen. And the reason it isn't going to happen is that he hasn't changed the system. Government employees are not motivated to do things efficiently or to save the taxpayers money. Here's why:

If I write a requirement that is stupid and takes up a lot of paper and costs a lot of money to implement and does no good at all, I don't get in trouble. But if I write a sensible, short-and-sweet requirement that omits some highly improbable contingency, and one ashtray happens to fall and shatter and causes an injury due to flying glass, I get in deep trouble. What would you do? And if I'm a supervisor who approves that requirement, my career progresses nicely. But if I make waves about simplification I get the reputation of a troublemaker, and my career goes down the drain.

I challenge Mr. Gore to come up with one example of a civil servant who has been rewarded for eliminating a horror.

I challenge Mr. Gore to come up with a single example of a civil servant who has been penalized for creating a horror or rewarded for eliminating a horror. I would bet that the man who wrote that ashtray requirement is still there writing requirements. And if you could find a supervisor who objected to those requirements, you would find a supervisor who hasn't been promoted for a long time.

Many horror stories are based on following some apparently silly rule. But the rule isn't really silly. There was a reason for it when it was put in place. The problem is that the rule is being followed rigorously when it is clearly inappropriate. We have to get civil servants to deal more intelligently and flexibly with rules.

Granted, the examples here are trivial. But they are not always trivial. My agency put out a Request for Proposal for a multi-hundred-million-dollar system. When the proposals came in, we rated them and sent them to our top political appointee to approve our decision. But he was trying to make brownie points to advance his career, and picked a different contractor, whose bid was lower. Everybody knew that that contractor could not complete the development for the quoted price, but "I saved the government money by choosing the low bidder" can be effective. Several years and many millions of dollars later the contract was terminated, amid litigation—with nothing useful having been delivered and our desperate need for that equipment unmet.

Mr. Gore, every day, all summer, I wear sweaters in my air-conditioned government office. And every day, all winter, I have the fan on in a forlorn attempt to get a little coolth in my overheated office. To whom should I complain about this? And what will happen after I complain?

I can answer that last question. Nothing. Somehow you have to change the motivational rules. Unless people are given incentives to behave differently, the changes will only be cosmetic.

The writer, an emeritus professor of systems at Northwestern University's Kellogg Graduate School of Management, is working at a federal agency.

VP - We should use this in some way - Do something at his agency convert him — & get him to write another piece

TUESDAY, SEPTEMBER 28, 1993 THE WASHINGTON POST

B.

Legislative Demands

THE PRESIDENT HAS SEEN

Henry Ryan - BR

We who March to be heard as one voice for Participation, who value and want to enhance our Diversity, and who want to see our nation Invest In All of Our People must in the next few weeks contact those whom we elect to set policy, to see that they co-sponsor and later vote for the bills and measures that will help to fulfill the goals of our March. The legislative priorities are as follows:

JOBS

H.R. 2010 and S.919 National Service Trust Act of 1993 (Matthew G. Martinez, D-CA and Edward Kennedy, D-MA). Companion bills to amend the National and Community Service Act of 1990 to establish a Corporation for national service, and provide national service educational awards to persons participating in such service, and for other purposes. As we go to press the Senate has just passed S.919 by a vote of 58 to 41. The House passed H.R. 2010 last week. The legislation now goes to a House-Senate Conference Committee to iron out the differences in the two versions.

– Jobs Stimulus and Investment Appropriations to provide $16.3 billion as originally requested by the President in H.R. 1335 for investment in infrastructure; jobs and human resources, community, urban, and rural development; and energy, environment, and technology programs.

H.R. 5 and S. 55 – The Cesar Chavez Workplace Fairness Bill (William Clay D-MO and Howard M. Metzenbaum D-Ohio) Companion bills to ban the practice of permanently replacing striking workers when they demand better working conditoins, better pay and benefits.

7 **H.R. 1280 and S. 575 – Comprehensive Occupational Safety and Health Reform Act** (William D Ford D-MI and Edward M. Kennedy D-Mass.) Companion bills to reform the Occupational Safety and Health Act to create safer workplaces and to give workers a voice in safety and health issues.

S.861-S.866 The Urban-Community Building Initiative (Bill Bradley D-N.J.) A package of legislation to give urban residents new tools to improve work skills, infrastructure, safety, family life, access to capital and jobs, and opportunity to save and invest.

– Head Start Full funding for an expanded, high quality Head Start Program, with an increase of no less than $800 million next year.

H.R. 1804 and S.846 Goals 2000: Educate America Act (Dale E. Kildee D-MI and Edward M. Kennedy D-MA) Companion bills to improve learning and teaching by providing a national framework for education reform; to promote the research, consensus building, and systemic changes needed to ensure equitable educational opportunities and high levels of educational achievement for all American students; to provide a framework for reauthorization of all federal education programs; to promote the development and adoption of a voluntary national system of skill standards and certifications, and for other purposes.

H.R.6 Elementary and Secondary Education Amendments of 1993 (Dale E. Kildee D-MI) A bill to extend for six years the authorization of appropriations for the programs under the Elementary and Secondary Education Act of 1965 and for other purposes.

H.R. 581 The Local Partnership Act of 1993. (John Conyers D-MI) A bill to authorize $3 billion in payments to units of general local government for fiscal years 1993 and 1994, establishing a revenue sharing program to local governments to rehire unemployed workers, restore services, or expand programs on education, public safety, health, social services such as emergency food and shelter, and programs mandated by the Federal government such as the Water Pollution Control Act, the Americans With Disabilities Act, and public works projects.

– Foreign trade agreements should be approved only if they contain provisions to secure international standards for the protection of worker rights and measures that ensure that the global environment is respected. Among the labor rights that must be secured in trade agreements are:

- the right of association to organize, bargain collectively, and withold labor (strike) if necessary without permanent loss of one's job;
- prohibitions on the use of any form of forced or compulsory labor;
- minimum age for the employment of children;
- minimum wage standards sufficient to bring a full-time worker above that country's poverty level, or one half of that country's average wage;
- acceptable hours of work and occupational safety and health;
- job training and worker displacement programs designed to assist U.S. workers impacted by trade agreements.

PEACE

S.850 The National Economic Adjustment and Conversion Information Act – Barbara Boxer (D-CA). A bill to establish the Office of Economic Conversion Information within the Department of Commerce and for other purposes.

– Legislation to establish an Enterprise fund for a democratic South Africa to provide equity investments, loans, grants, feasibility studies, education and training to enable Black South Africans to participate effectively in economic recovery in post apartheid South Africa. The legislation is a prototype for the initiatives that must be taken to assure that private and public resources flow, not only West/East but also North/South to assure that democratization, national reconciliation, and economic development come to fruition in the developing nations.

S.892. The Public Health and Safety Act of 1993 (John R. Chafee R-R.I.) A bill to prohibit the manufacture, importation, exportation, sale, purchase, transfer, receipt, possession or transportation of handguns and handgun ammunition with certain exceptions.

H.R.1133 Violence Against Women Act of 1993 (Patricia Schroeder D-CO) A bill to combat violence and crimes against women.

JUSTICE

Health Care Reform – A single legislative package offering comprehensive, affordable universal coverage that contains provisions for long term care and assistance for the purchase of prescription drugs, health education and preventive care, mental health initiatives, reproductive and maternal health care and immunization of children against preventable diseases.

H.R. 2105 Environmental Justice Act of 1992 (John Lewis D-Ga.) A bill to establish a program to assure nondiscriminatory compliance with all enviornmental, health and safety laws and to assure equal protection of the public health.

H.R. 51 New Columbia Admission Act (Eleanor Holmes North D-D.C.) A bill to provide for the admission of the State of New Columbia into the Union.

H.R. 1993 King Holiday and Service (John Lewis D-GA) A bill to authorize appropriations for the Martin Luther King, Jr. Federal Holiday Commission, extend such Commission, establish a National Service Day to promote community service, and for other purposes.

S.1021 A bill to assure religious freedom to Native Americans. (Daniel Inouye D-Hawaii)

H.R. 224 and S.17 Equal Remedies Act of 1993 (Barbara B. Kennelly D-CT and Edward M. Kennedy D-MA) Companion bills to amend section 1977A of the Revised Statutes to equalize the remedies available to all victims of intentional employment discrimination, and for other purposes.

H.R. 431 Civil Rights Act of 1993 (Henry A. Waxman D-CA) A bill to prohibit discrimination on account of sexual orientation.

H.R. 1172 and S.1037 Justice for Wards Cove Workers Act (Jim McDermott D-WA and Patty Murray D-WA) Companion bills to amend the Civil Rights Act of 1991 with respect to the application of such Act, thereby, repealing the special exemption for the Wards Cove Packing Company inserted into the Civil Rights Act of 1991, and restoring to approximately 2,000 Asian and Pacific American and Alaskan Natives the full protections enjoyed by all other Americans under the Civil Rights Act of 1991.

THE PRESIDENT HAS SEEN 9/29

Bob Rubin
see earlier
talk on Dietops

THE WASHINGTON POST

William Raspberry

Lots of Reasons, One Bad Result

It's not just racism, but black job losses were highest in the recession.

BY TIM BRINTON

When America has a recession, *black* America has a depression.

This notion, long a staple of civil rights rhetoric, turns out to be dismayingly accurate. Indeed, according to the lead story in Tuesday's Wall Street Journal, blacks were the only racial group to suffer a net loss of jobs during the 1990-91 recession. Everybody else—whites, Asians, Hispanics, women—gained more jobs than they lost during that period of restructuring, relocation and downsizing.

In an impressive—and deeply disturbing—piece of computer-assisted journalism, the Journal analyzed the employment records of 35,242 companies that file reports with the Equal Employment Opportunity Commission. These companies employ more than 40 million people—about a third of the national work force—so the findings are of profound significance.

Sorting out the causes and cures of the trend may take years of investigation and analysis—no doubt beginning with Congressional Black Caucus Foundation's 23rd annual legislative conference.

But some things already are clear, including the fact that EEOC filings on "minority" employment—because they include statistics for *all* minorities and women—tend to hide the specific work force problems of blacks. For instance, Dial Corp., which takes pride in its diversity program, was able to show an impressive increase in "minority" hiring, thanks to the recruitment of Asian-Americans and American Indians and to the fact that a disproportionately small percentage of white women were laid off. But blacks at Dial lost jobs at a rate two-thirds higher than for the work force as a whole.

It is also true—though not discernible from EEOC reports—that blacks still suffer from racial discrimination, both unconscious and deliberate. Job qualifications unrelated to the actual work to be performed—subjective assessments of their ability to get along with their co-workers, general but unsubstantiatable notions of their overall competence—all work against blacks at the personnel office. (Test-case experiments involving white and black applicants of identical age and qualification consistently show employers preferring whites.)

But what is also clear is that racial disparities are not necessarily the result of racism. The Journal sought explanations from executives of companies where the black job losses were proportionately highest, and the responses, while not exactly reassuring, at least seem to make sense.

Sears, for example, says the closing of expensive distribution centers in the inner cities and the reduction of clerical and support staff hit black employees hardest. Schering-Plough says 70 percent of its reduction in black employment is attributable to the company's divestiture of its Maybelline Cosmetics division. J. P. Morgan blames the move of its clerical and data-processing staff from New York City to Delaware for its disproportionate loss of black workers.

McDonald's says what looks like a job loss is the result of what is in fact a positive development—the selling of 200 corporate-owned outlets to franchisees, 53 of these to blacks.

Other explanations abound: the relatively low seniority of black workers, the concentration of blacks in divisions that were divested or shut down during downsizings and reorganizations, the EEOC's de-emphasis of class-action suits in favor of individual discrimination claims.

And, of course, there are legitimate questions of qualification. For instance, only 13.1 percent of blacks in the work force are college graduates, compared with 24.6 percent for whites and 38.6 percent for Asians. Moreover, the corporate executives who complain about the poor quality of public education must surely have particular doubts about the products of inner-city schools.

There is, in short, enough in the Wall Street Journal analysis to satisfy every prejudice, prove every racial theory and confirm every fear.

The task for the black leadership (and for American leadership generally) is to figure out which lines of attack hold the most promise of progress: an intensified attack on racism, a campaign to improve the education of our young people, renewed attempts at job creation, or maybe all these things together.

I have often argued that most of the problems associated with the so-called underclass have their origins in inner-city joblessness and that the remedies must include a reasonable chance for people to be self-sufficient.

If I am right, the trends reported by the Journal threaten to make everything immeasurably worse—and not just for black America. There's work to be done, and not a lot of time to do it.

THE PRESIDENT HAS SEEN 9/29

JOHN BREAUX
LOUISIANA

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CHIEF DEPUTY WHIP

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September 23, 1993

MEMORANDUM

TO: Mr. Mack McLarty

FROM: Office of Senator Breaux

John Breaux

SUBJECT: President's meeting with Japanese Prime Minister; LCAC sales to Japan

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The Japanese Defense Agency (JDA) is close to making a decision regarding the procurement of amphibious landing craft for the Japanese Navy. The two competitors for this procurement are the Landing Craft Air Cushion (LCAC) manufactured by Textron Marine Systems in New Orleans and a much higher cost Japanese designed craft not yet constructed by Mitsui Shipbuilding in Japan.

JDA staff is now involved in intensive discussions regarding this procurement and are expected to reach a decision very soon.

Prime Minister Hosokawa and Defense Minister Nakanishi are scheduled to be in New York this weekend for United Nations meetings. President Clinton is expected to meet with the Prime Minister on Sunday evening and Secretary of Defense Aspin is scheduled to speak with the Defense Minister on Monday.

Given the high level of US government interest already expressed about this program, we are convinced that the Japanese may well wish to reach a decision on the LCAC procurement during this visit. We believe that if the President and the Secretary of Defense will mention this issue once again, the ~~JDA~~ will make the decision to purchase the Textron LCAC.

Mack
Let's determine
how to followup.
Didn't mention in
meeting but
should do something.

BC

Tony
agree that we should
get non-involved nations to help in rebldg —
presumably the Muslim world will — B.

THE PRESIDENT HAS SEEN 9/29

Keeping the Bosnian Peace

THE U.N. peace-keeping operation being cranked up in Bosnia is different in that its disadvantages are so obvious, painful and raw. It offers the Bosnia Muslims essential if wan comforts, but it ratifies dismemberment of a U.N. member state and helps the perpetrators, Serbia and to a lesser extent Croatia, consolidate their criminally acquired gains. Bosnia approves the result only under extreme duress.

It takes an effort of will to rise above disgust for this project. But at least it promises to protect the bloody remnant of Bosnia from further depredations. There is a real question, however, whether current plans are sufficient to realize even this modest aim.

That is because the American approach contains severe contradictions. Some of the conditions for an American peace-keeping role are relatively easy in that they are in allied hands. These include providing for an "exit strategy" (a measure that carries with it, by the way, the danger of advertising inconstancy) and shifting control of peace-keeping from the United Nations to NATO (a political and operational necessity).

But other conditions of U.S. deployment hinge on conduct of the belligerents. With the public and Congress insisting that an American role be effectively casualty-free, the United States demands that a cease-fire be in place, that local forces are separated, that artillery is moved off the front line and that humanitarian supplies be flowing freely. To meet these extremely demanding conditions, the parties will have to show a remarkable and uncharacteristic peaceful aspect.

Yet in some ways the conditions are not stringent enough. It seems that U.N. negotiators may put off addressing some vital map questions—the lines in Sarajevo, the boundaries of Muslim enclaves—until everybody is more in the mood. This sounds like dreamland.

The United States is considering putting in half of the 50,000 Bosnia peace-keepers at a cost of up to $2 billion a year for a few years or more. This is heavy money for a deal that rewards the ~~perpetrators hardly less than it succors~~ their victims. Such a plan cries for an extra element of balance—assistance in the recovery of the Muslim persons and communities that have been devastated. This would add some moral acceptability to a package in urgent need of it.

[redacted]

THE PRESIDENT HAS SEEN

[redacted]

To VP

When are we on this?

B.

[redacted]

44

Reforming Superfund

"Time to Reform Superfund" [editorial, Sept. 2] is based on a false premise. Contrary to The Post's assertion, Congress never "decreed that dumpers [of hazardous substances] would have . . . joint and several liability." In fact, the Superfund statute is silent on whether liability for cleanup costs should be joint and several or based in some manner on each party's share of the contamination at a site.

The joint and several liability imposed at most Superfund sites arises not from congressional decree but from courts applying centuries-old common law principles to the facts of individual cases. Under these traditional legal principles, two or more persons who contribute to an indivisible harm ("joint tortfeasors," in the language of the law) are jointly and severally liable for the damages that arise.

The rationale is simple: Those who cause harm should first make the damaged party whole, and only then argue among themselves about how best to allocate costs. Courts applying these common-law principles have largely (though not uniformly) found all parties who sent hazardous substances to a site to be jointly and severally liable for cleanup costs.

Changing the joint and several liability scheme applied by the courts at most Superfund sites may be a good idea. But such a change would not simply alter a statutory provision dating to 1980, as the editorial implies. It would carve out a significant exception to a long-established principle of common law.

EARL C. SALO
DAVID B. SANDALOW
Washington

arl C. Salo is assistant general counsel for Superfund, office of the general counsel of the Environmental Protection Agency. David B. Sandalow is an attorney in that office.

"Time to Reform Superfund" is correct in saying that "Superfund is the most flawed and troubling federal legislation, generating intolerable injustices and urgently needs to be fixed."

Local Governments for Superfund Reform, a national coalition of local governments dedicated to sensible Superfund reform, has been actively promoting proportional liability as part of its comprehensive reform platform. LGSR and others want a reduction in litigation and a greater proportion of taxpayer funds to go directly and promptly to cleanups.

LGSR also supports revisions to remedy selection that take into consideration cost-benefit analysis and future land uses as criteria. The Chemical Manufacturers Association proposal does not address the issue of retroactive liability. We believe municipal co-disposal landfills—which operated in full regulatory compliance at that time, and many of which are already closed—should not be held liable under the "polluter pays principle," which was not in existence at the time. The Superfund should absorb those costs, the same as orphan shares, through appropriate congressional funding and increased private-sector fees.

Local governments have four broad responsibilities at Superfund sites. They must: satisfy the public's need to have the risk eliminated in a timely manner; protect the local tax base and economy; return polluted, nonproductive land to productive, taxable status; and control their expenses at those sites. Toward these ends, LGSR supports comprehensive Superfund reform that addresses liability, funding, cleanup standards, remedy selection, future land use, local government participation in the process and other administrative issues that promote increased efficiency and effectiveness and speed cleanups.

TRENTON WRIGHT
Sterling, Conn.

The writer is vice chairman of Local Governments for Superfund Reform.

[redacted]

[redacted]

[redacted]

THE WHITE HOUSE
WASHINGTON

9/28

83 SEP 29 A11 : 19

Mark

See mem re:

EPA chromium regs
for sulphite mills
Seems to me
a problem
B.

[redacted]

cc: Lindsey

[redacted]

THE WHITE HOUSE
WASHINGTON

September 27, 1993

MR. PRESIDENT:

I've copied the attached to the Vice President, Mack and George.

If you have concerns about the recommended course of action, I can follow up with Bob Rubin.

JP

John Podesta

OK - This will go down well only if we can answer concerns [illegible] of [illegible] continued [illegible] revision [illegible] the states; waivers

[redacted]

[redacted]

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

September 22, 1993

27 P2: 13

MEMORANDUM FOR THE PRESIDENT

FROM: Ronald H. Brown Ronald H. Brown
Secretary of Commerce

Mickey Kantor MK
United States Trade Representative

Robert E. Rubin RER
Assistant to the President for Economic Policy

THE PRESIDENT
9/28/93 db

On August 11, 1993, you met with the CEOs of three major steel companies. They requested the meeting because of their dissatisfaction over the outcome of the recently completed unfair trade cases involving flat-rolled steel products. While the Department of Commerce found evidence of dumping and subsidization in all of the 72 pending cases, the International Trade Commission (ITC) found injury in only 32 cases. As a result, additional import duties will be assessed on less than half (43 percent) of the imports from which the industry sought relief.

This result prompted these producers to request that one of the ITC Commissioners whose term had expired recently be replaced immediately. They have also requested the Department of Commerce to institute a monitoring program for steel imports for which the ITC found no injury. Where evidence of unfairly traded imports exists, they would expect Commerce to take action against such imports under U.S. trade law.

The National Economic Council (NEC) deputies have discussed this issue at length. After careful consideration, we have decided to reject the industry's request for monitoring at this time. Our reasons include the following:

- If we agree to monitor steel imports, other sectors such as automobiles and machine tools would demand similar treatment. Indeed, they have already asked for monitoring.

- Implementing a monitoring program now would greatly reduce our chances for concluding a Multilateral Steel Agreement (MSA), as part of the Uruguay Round. The MSA is intended to eliminate subsidies to the steel industry worldwide to the substantial benefit of the U.S. steel industry.

- Monitoring would alienate our trading partners as it constitutes additional action by the United States Government (USG) in a situation where the administration of U.S. law resulted in a decision which the domestic industry finds unpalatable.

- It would also make the Administration look as if it were second-guessing the ITC injury determinations.

We do, however, envision the possibility of implementing a monitoring program as part of a broader multilateral steel solution. The monitoring program could guard the U.S. industry against unfairly traded imports during a transition phase in which the European Community and other foreign parties gradually reduced subsidies to their steel industry and conformed with multilateral disciplines. The negotiation of such a solution, however, would require the U.S. industry to withdraw its interest in the unfair trade cases in which they received relief in the form of additional duties.

Our current plan is to proceed as follows:

- Create an NEC interagency working group jointly chaired by the Department of Commerce and USTR. This group would examine not only the trade questions, but the full range of issues having an impact on the health and competitiveness of the U.S. steel industry (e.g., pension funds, energy, environment.)

- Invite the executives with whom you met on August 11, 1993, to meet with Secretary Brown and Ambassador Kantor to discuss the present and future problems facing their industry, both domestic and international. Similar meetings have taken place with executives from the automobile and aerospace industries. The invitations will be extended for a one-hour meeting on September 28, 1993, at the Department of Commerce.

- Inform the executives that while a monitoring program will not be implemented at this time, we would consider such a program in the context of the broader multilateral steel agreement.

These steel producers will likely react negatively to our decision not to monitor imports. Also, members of the House Congressional Steel Caucus who supported the request may criticize our decision publicly. However, we believe this is the only viable course to take if we are to achieve our broader goals and objectives in the Uruguay Round. We do not expect that this decision will have an impact on our efforts to secure Congressional approval of NAFTA.

THE WHITE HOUSE

WASHINGTON

27 P6:25

September 27, 1993

[illegible]

THE PRESIDENT HAS SEEN
9-28-93

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER HP

SUBJECT: SENATOR MITCHELL AND THE MID-EAST

The Senator is planning to lead a major bipartisan delegation to the Middle East later this year at the invitation of the PLO and Israel. The Majority Leader asked if, when he makes the announcement of his trip, he could say the President is pleased that he is taking the group to the Middle East. It is the Senator's view that this will be helpful as we face future aid requests.

I told Senator Mitchell I was confident he could say you were "pleased" he was taking the delegation to the Middle East. Obviously, we may want the NSC to work with him and his colleagues before the trip actually takes place.

My guess is that he is thinking of going between Thanksgiving and Christmas since he still harbors every intention of not being in session then.

THE WHITE HOUSE

WASHINGTON

27 P10:09

September 27, 1993

[illegible]

MEMORANDUM FOR THE PRESIDENT

FROM: **BILL GALSTON** WAG

SUBJECT: **PROGRESS ON GOALS 2000**

THE PRESIDENT HAS SEEN
9/28/93 db

Your letter of September 24 to Chairman Ford broke the legislative logjam, and the Goals 2000 bill may come to the House floor as early as the second week of October. In a related development, Sen. Mitchell spoke favorably today about early Senate action on the bill.

Goals 2000 is still far from perfect and is bound to come in for its share of criticism from Republicans and some moderate Democrats during the next few weeks. Negotiations that may result in further improvements prior to floor consideration continue in both the House and the Senate.

I attach an article on Goals 2000 that appeared just this morning. Its author, Mort Kondracke (a frequent critic of the administration), gives you very high marks for standing your ground in the long struggle over this bill. While the article gets some details wrong, the basic plot-line--an administration staunchly dedicated to real education reform in the face of substantial Congressional resistance--is accurate and reflects great credit on your leadership.

cc VP
Mack
Howard
George

Pennsylvania Avenue

By Morton M. Kondracke

Education Reform Nears Floor After Clinton Veto Threat

President Clinton's education reform plan is nearing Congressional floor action after intense negotiations set in motion this summer when Clinton threatened to oppose the version of his bill produced by the House Education and Labor Committee.

In June, Clinton wrote a stern letter to the committee's chairman, Rep. William Ford (D-Mich), insisting on removal of amendments to the Administration's Goals 2000 plan that would have tied federal education aid to local schools' fulfillment of so-called "opportunity to learn" standards, such as classroom size and dollars spent per pupil.

Administration officials and Congressional aides say that the offending amendments have been removed or rewritten to the point where the Administration is ready to support a new committee bill. Hill aides say the measure will come to the floor in October. A Senate version will also be ready for floor consideration soon.

While Clinton is clearly making health care reform the No. 1 priority of his presidency, education reform was a major theme in his presidential campaign.

The need for education reform was dramatized this month by release of a federal report showing that 23 percent of the nation's adults are functionally illiterate, that another 24 percent are nearly so, and that young people aged 21 to 25 have worse literacy skills than a similar group tested in 1985 — despite the fact that public spending for education has gone up 50 percent in the last ten years.

The Department of Education's new statistical report, "The Condition of Education," also shows that students in the United States remain near the bottom of the industrialized world on international math and science tests — though near the top in reading ability.

The Administration's answer to the school quality crisis was Goals 2000, designed by Education Secretary Richard Riley to help states systematically reform their public schools by establishing high performance standards in key academic subjects and testing pupils to make sure they can meet them.

But liberals on House Education and Labor added controversial amendments placing "school delivery" or "opportunity to learn" standards on an equal footing with performance standards in math, science, history, and English, and linking federal aid to compliance with federally written delivery standards.

The House measure was declared "unacceptable" by the National Governors Association, of which Riley and Clinton were once both leaders. It was also attacked by Republicans, including Senate Majority Leader Bob Dole (Kan), as undermining state control of schools."

The White House was deeply dissatisfied with the bill, too. Clinton wrote Ford that "we have an obligation at the national level to support states and communities in their efforts to help all children...but we cannot mandate a state's fiscal priorities."

Clinton declared, "Amendments which require states, as a condition of federal support, to commit to specific corrective actions for schools that fail to meet these standards go too far... I urge you not to support amendments that expand the definition or role of opportunity to learn standards."

Clinton also said he would oppose House proposals to change the strict bipartisan character of a new National Education Goals Panel and to limit the panel's control over a sub-panel, the National Education Standards and Improvement Council, a group of education professionals responsible for drafting education standards.

The President's letter did not contain the word "veto," but Administration officials say that its clear message was that the President would block his own program from becoming law if it limited the flexibility of states to improve their own schools.

The letter set off an intense round of negotiations between an Administration team of Riley, consultant to the Secretary Michael Cohen, and White House domestic aide Bill Galston and Reps. Ford, Dale Kildee (D-Mich), Patsy Mink (D-Hawaii), Major Owens (D-NY), and Jack Reed (D-RI).

Now, a House aide said on Friday, "as far as we are concerned, the talks are concluded" and floor action can be scheduled.

The new bill reportedly will define "opportunity to learn" standards relating to teacher qualifications and curricula, rather than class size or money. It also severs the link between academic performance assessments and "opportunity to learn" standards and makes clear that state compliance with any federal standards is voluntary.

Assuming the bill actually emerges as officials describe it, Clinton and Riley deserve credit for sticking to their principles on education. If they can actually foster improvement in the nation's schools, it will be as important an accomplishment as health care reform.

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FILE NO.

REPLY TO:

THE PRESIDENT
9/28/93 db

Bruce
Pls look into
can we do anything
about this—
B.

MEMORANDUM

TO: PRESIDENT BILL CLINTON

FROM: MARIA VICTORIA ARIAS

DATE: September 14, 1993

RE: VIVAN ALONSO

Attached is my prior memo dated August 21, 1993. Please tell me if this matter has been referred to anyone in particular.

Thanks.