

THE WHITE HOUSE
WASHINGTON

DATE: 10/06/93

NOTE FOR: ERSKINE BOWLES

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

Information ☐

Action ☒

See President's note --

'Erskine
Need to get on top of this.'

Thank you.

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

cc:

3E

The Honorable Erskine Bowles
Administrator
Small Business Administration

VIA SPECIAL MESSENGER

Health-Plan Subsidy for Small Business Holds Surprises

Analysis of Four Hypothetical Firms Shows Payments Could Vary a Lot

By BRENT BOWERS

Staff Reporter of THE WALL STREET JOURNAL

Many small businesses with low-paid workers look forward to a federal subsidy under President Clinton's health-care plan. But what is their piece of the pie?

Figuring that out is no piece of cake. The administration says annual health-insurance contributions of companies with 50 or fewer workers would be capped from a low of 3.5% of payroll where wages average less than \$12,000 a year to a high of 7.9% where they average more than \$24,000. However, the administration is vague about defining payroll and the exact methods for calculating an employer's projected payments.

So, The Wall Street Journal asked three health-care analysts to compute the Clinton plan's expected subsidies for four hypothetical small companies. Their conclusion: Small-business owners should expect surprises. The size of a subsidy could vary tremendously — more than most entrepreneurs realize — and would depend on numerous factors such as a company's structure. Thus, in the four case studies, the average subsidy per worker ranged from \$159 to \$1,706 a year.

All three analysts emphasized, however, that computations at this early stage of the health-care debate depend a lot on guesswork. The analysts are: Jane Jensen, a principal and health-care actuary at William M. Mercer Inc. in Denver; John O'Donnell, director of health-care policy and legislation at Buck Consultants in Secaucus, N.J.; and Thomas Kuhlman, vice president in the Chicago office of benefits consultants Towers Perrin.

Here are the four scenarios — based on the Clinton proposal that employers would be responsible for 80% of yearly premiums

and workers for 20%, with the annual cost of insurance coverage projected to average \$1,800 for individuals and \$4,200 for families nationally.

A restaurant: The owners, a husband and wife, pay themselves \$20,000 each a year. The dining establishment employs 10 full-timers; three need individual coverage and the rest require family coverage. These workers each earn an average of \$13,500 a year. Ten part-time workers — evenly split between individual and family coverage needs — put in an average of 15 hours a week and make an average of \$5,500 a year.

Analysis: The employer's 80% share of individual insurance is \$1,440 for its full-time workers and half of that, or \$720, for part-time workers. The Clinton plan projects that the restaurant's annual contribution for family insurance would be \$2,240, representing 80% of the weighted average premium adjusted for the number of two-worker families in a proposed regional health alliance. For half-time workers, family coverage would cost the restaurant half of that, or \$1,120.

Using these figures, the company's share of annual premiums for all employees — including the owners — would be \$33,680. But its total payroll of \$230,000, divided by 17 workers — including the owners and counting each part-timer as half of an employee — yields an average wage of \$13,529. That means the company's contribution would be capped at 3.8% of payroll, or \$8,740. The government would pick up the difference, or \$24,940 a year.

Point to ponder: "There are glaring omissions" in the Clinton proposal for calculating employment levels, says Mer-

cer's Ms. Jensen. Take a company with one full-time worker earning \$15,000 and one half-timer earning \$5,000. "Do you figure average wage by dividing \$20,000 by 1.5 to get \$13,333, or do you assume the half-timer is 'equivalent' to a full-timer earning \$10,000 and thus divide \$25,000 by 2.0 to get \$12,500?" she asks. "The proposal doesn't say. There are thousands of those kinds of [unanswered] questions."

A vitamin-pill maker: Organized as a usual C corporation, it is owned by four partners. Each gets \$110,000 in salary and bonuses, \$50,000 in dividends and \$50,000 in tax-deferred profit-sharing and pension benefits. The 50 full-time employees — 20 with individual coverage and 30 with family coverage — earn an average of \$15,600.

Analysis: The combined annual payroll of the 50 workers' wages and the four owners' salaries and bonuses comes to \$1,220,000, or an average of \$22,593. With an average wage below \$24,000, the manufacturer meets one requirement for a lower cap on payroll contributions. But the concern wouldn't receive the lower cap because its work force exceeds 50 people, including the owners. So, it would pay the maximum 7.9% of payroll, or \$96,380 a year. Its annual payment for 20 individual health-insurance policies and 34 family policies would come to \$104,960. The government subsidy? A scant \$8,580 a year.

A consulting company: The company, set up as a sole proprietorship, is owned by a woman who takes its entire annual pretax profit of \$13,000. As the sole employee, she must also pay the individual's portion of health insurance.

Analysis: The owner would be ineligible for a subsidy on her individual annual contribution of \$360 because she makes

more than 150% of poverty-level income for someone living alone. As the employer, however, her yearly contribution would be capped at 3.8% of \$13,000, or \$494. Uncle Sam would fork out a \$946 subsidy.

Point to ponder: The Clinton plan allows the owner to deduct the entire \$854 from her personal income taxes.

A textile producer: Organized as a so-called Subchapter S corporation, its owner takes no salary. But he gets \$170,000 a year in corporate pretax profit, which flows to him as undistributed taxable income. Sixteen full-time workers earn an average \$10,500 a year. Four get individual coverage and the rest get family coverage.

Analysis: The picture here is murky. Indeed, two sets of assumptions produce startlingly divergent results. If you count the owner as a member of the work force but exclude his income, the manufacturer's average wage is \$9,882 and the employer's share of the health-insurance bill would be 3.5% of \$168,000, or \$5,880. Since the premium for the 17 employees would be \$34,880, the federal subsidy would be \$29,000 a year.

But if you include the owner's income as "wages," the employer's contribution toward the premium is 5.5% of \$338,000, or \$18,590. That would produce a smaller government subsidy of \$16,290.

Point to ponder: Under current federal law, Mr. Kuhlman of Towers Perrin notes, owners of Subchapter S corporations "aren't considered employees for purposes of participating in benefit plans." Will Mr. Clinton ignore such owners' income in figuring their companies' payroll? "That's an issue the administration needs to sort out," he says.

THE WALL STREET JOURNAL WEDNESDAY, OCTOBER 6, 1993

THE PRESIDENT HAS SEEN

10 6 93

THE WHITE HOUSE
WASHINGTON

DATE: 10/06/93

NOTE FOR: Robert Rubin

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

Information ☒

Action ☐

When you are finished with the attached booklet, please forward it to the Office of Records Management. (Room 80-OEOB)

Thank you.

Thank you.

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

cc:



STATE OF ARKANSAS
OFFICE OF THE GOVERNOR
State Capitol
Little Rock 72201

THE PRESIDENT HAS SEEN

10 06 93

Jim Guy Tucker
Governor

October 6, 1993

President Bill Clinton
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

The attached is a proposal from the State of Arkansas to Secretary Les Aspin for one of the planned Defense Finance and Accounting Service (DFAS) consolidated facilities to be located in Arkansas. I hope you will review this proposal at your leisure.

As you know, the work for this project began in early 1992 and is the result of a combined effort of many public and private entities within Arkansas. I feel that the proposal is a competitive offer to the Department of Defense (DOD) and that an Arkansas location will give the DOD many important advantages as it enters the 21st century.

You are well aware that the people of Arkansas work hard and take pride in doing a job well. These competencies will afford a successful and efficient relationship between an Arkansas based DFAS facility and its customers.

Any attention you may be able to bring to this proposal would be greatly appreciated by the people of Arkansas. Feel free to have your staff contact me with any questions you may have.

Sincerely,

Jim Guy Tucker

JGT/jhn

VBZulins
- *DFAS proposal*
- *we need to return*
B

A PROPOSAL

TO THE

DEPARTMENT

OF DEFENSE

ARKANSAS INDUSTRIAL DEVELOPMENT COMMISSION



STATE OF ARKANSAS
OFFICE OF THE GOVERNOR

State Capitol
Little Rock 72201

Jim Guy Tucker
Governor

October 4, 1993

Mr. Les Aspin
Secretary of Defense
U.S. Department of Defense
The Pentagon
Washington, D.C. 20301

Dear Secretary Aspin:

On behalf of the citizens of Arkansas, I am pleased to submit a proposal for locating one of the planned Defense Finance and Accounting Service (DFAS) consolidated facilities in our state.

I believe the location of this facility in Central Arkansas will be mutually beneficial to our state and to the DFAS. An Arkansas facility would offer a reduced cost to government, superior customer service to DFAS customers, savings to the U.S. taxpayer, use of existing defense assets, and utilization of a local labor supply facing adverse circumstances from proposed defense cuts.

I would like to point out that, while certain facts and figures within this proposal examine the high quality of Arkansas labor, the subjectiveness of this area makes it very difficult to quantify. Let me state that the work ethic, dedication to continual educational improvement, and the overall spirit of Arkansas' workers would assure the Department of Defense that a facility in Arkansas will be prosperous, efficient, and productive.

Lastly, I would like you to know that I will do everything necessary to provide the resources and initiative to ensure a positive environment for a DFAS facility in Arkansas. If you have any questions about our resources or this proposal, I hope you will call me.

Sincerely,

Jim Guy Tucker

JGT/jhn

Appendix A

Appendix B

Appendix C

Appendix D

THE PRESIDENT HAS SEEN
THE WHITE HOUSE 10-6-63
WASHINGTON

Crosby/Columbian
etal

we need to discuss

B.



U. S. Department of Justice

Office of Legal Counsel

THE PRESIDENT HAS SEEN

10-6-93

Office of the
Assistant Attorney General

Washington, D.C. 20530

October 2, 1993

MEMORANDUM FOR WEBB HUBBELL

FROM: Walter Dellinger *WHD*

Attached is a preliminary draft of our opinion concerning the legality of the President deploying the D.C. National Guard to help maintain peace and order in the District of Columbia. Our view is that the President could use the D.C. Guard, at least for a limited period of time, for this purpose.

One possible approach is for the President to "federalize" the D.C. Guard. By making the Guard part of the United States military, however, this would subject them to the Posse Comitatus Act which prohibits use of U.S. military troops for civilian law enforcement. This ban does not apply in circumstances in which use of the "federalized" guard has been authorized by Congress. We believe that use of a "federalized" D.C. National Guard could be defended as falling within an existing statutory authorization allowing such use when the President seeks to suppress "domestic violence" that "hinders the execution of the law" and thereby deprives citizens of a right "named in the Constitution" (here, for example, the right of interstate travel, or the right of law abiding citizens to be able to assemble peacefully). The use of a "federalized" D.C. National Guard in the existing circumstances, however, would stretch this provision beyond any prior historical application and could lead to requests for the President to "federalize" the National Guard in many other cities facing significant violence.

An alternative would be for the President to deploy the D.C. Guard in their "state militia" status. Our office has consistently taken the position that the President stands in a relation to the D.C. National Guard that is similar to the relation obtaining between the Governors of the States and their respective State National Guard units. His use of the D.C. National Guard as a state militia is controlled by a 1889 law governing the District of Columbia. This Office concluded in 1989 that this century-old law authorizes the deployment of the D.C. Guard in militia status to carry out or support civil law enforcement. Although the matter is not free from doubt, we concur that there is plausible legal authority for this use of the D.C. guard (although it appears that no D.C. funds are presently available for this purpose.) Our detailed analysis is attached, as well as a summary of options.

Summary of Options

Calling Guard into Federal Service

- legally supportable, but
- would extend applicable authority beyond the reach of existing precedents
- would need an articulated objective to avoid indefinite Guard presence
- requires President to declare local law enforcement efforts a failure and situation in D.C. tantamount to a crisis
- creates a precedent for other cities petitioning President to federalize the Guard to assist them

Increasing Use of Current Counterdrug Program

- legally supportable
- limited to Guard volunteers
- permissible Guard activities limited to logistics, administrative support and surveillance
- must be tied to federal anti-drug efforts, not to freestanding support of local law enforcement

Using the Guard in D.C. Militia Status

- legally supportable, although no precedent exists except with respect to crowd control support for massive demonstrations and parades, and counterdrug efforts
- avoids creating a national precedent for federalizing Guard
- requires District funding of the operation, with such funding apparently not now available

Memorandum



PRELIMINARY DRAFT

Subject	Date
The President's Use of D.C. National Guard for Civilian Law Enforcement Activities in the District of Columbia	October 1, 1993
To Walter Dellinger Acting Assistant Attorney General Office of Legal Counsel	From H. Jefferson Powell Christopher Schroeder Todd F. Gaziano Office of Legal Counsel

Introduction and Summary

In response to your request this morning, we have examined the possibility of the President deploying the District of Columbia National Guard (D.C. Guard) as part of an effort to maintain peace and order in the District of Columbia. This memorandum presents our preliminary view that the President could call out the D.C. Guard in its "militia status" for certain civilian law enforcement functions. Although such action would not be free from challenge, our preliminary view is that the President could use the D.C. Guard, at least for a limited period of time, to maintain peace and order under current conditions.

State National Guards enjoy a dual status under the United States Constitution because they are subject to the command of either state authority or the President. State National Guards can be called into federal service by the President under various provisions of the United States Code, particularly 10 U.S.C. §§ 331-333. When that occurs, the President is their Commander in Chief, under the constitutional provision making him Commander in Chief of the "Militia of the several States, when called into actual Service of the United States," U.S. Const., art. II, § 2. State National Guards can also be deployed in their militia status, in which case they are subject to the command of the Governor of the respective states pursuant to whatever authorities state law grants. When that occurs in the District of Columbia, the President is also their Commander in Chief, under D.C. Code 39-109.

Each of the President's dual capacities presents him with different options. This memorandum discusses first the option of "federalizing" the D.C. Guard and using them in the federal

status, then the current use of D.C. Guard personnel in counterdrug activities, and finally the option of using the D.C. Guard in their militia status pursuant to D.C. law.

The President's "federal" options are defined in part by Congress. The Posse Comitatus Act, 18 U.S.C. § 1385, makes it a crime for anyone to use the Army or the Air Force to execute the laws "except in cases and under circumstances expressly authorized by the Constitution or Act of Congress." When the President calls a National Guard into federal service, the Guard becomes part of the United States Army or Air Force, and is thus subject to the Posse Comitatus restrictions. One can make a case that the restrictions would not apply here, because the President's power to enforce the laws and suppress insurrections or domestic violence under 10 U.S. §§ 332, 333 would authorize his action, but using these statutes here stretches beyond historical precedents and may otherwise be undesirable.

On the other hand, exercising his authority under the D.C. Code -- analogous to the authority of the governor of any state -- may be justifiable. If that authority is invoked, however, a significant question arises regarding funding the salaries of the D.C. Guard, as we understand that the District may not have such funds at the present time.

I. Calling the Guard into Federal Service

The Posse Comitatus prohibition is avoided if there is express statutory or constitutional authorization for deploying the National Guard in law enforcement activities. There are a number of such express statutory authorizations that are not applicable here, including authority to federalize the Guard in time of invasion. 10 U.S.C. §§ 3500, 8500.

The most nearly applicable is the President's authority under 10 U.S.C. §§ 332, 333.¹ Section 332 empowers the President to deploy the militia or the armed forces "whenever the President considers that unlawful obstructions, combinations or assemblages, or rebellion against the authority of the United States, make it impracticable to enforce the laws of the United States." In 1882, the Attorney General advised the President that this provision empowered him to send troops to combat "outlaws" in the Territory of Arizona, based on information from

¹ The President's inherent constitutional authority to federalize the state militias, if any, is limited by Congress's exercise of its constitutional authority to "provide for calling forth the Militia to execute the Laws of the Union, . . . and for governing such Part of them as may be employed in the Service of the United States." U.S. Const., art. I, § 8, cls. 15-16.

the Territory that local law enforcement had insufficient personnel to make arrests, and that a situation of lawlessness existed in the Territory. 17 Op. Atty Gen. 333. This section has also been invoked along with § 333 in connection with the urban riots of 1967 and 1968, and as authority to send troops to aid in desegregation efforts in the 1950s.

Section 333 empowers the President to suppress any "insurrection, domestic violence, unlawful combination or conspiracy" that "hinders the execution of the law," and so deprives any part of the citizenry of a right "named in the Constitution" and secured by law, so long as the President finds that the existing authorities are unable, fail or refuse to protect those rights. 10 U.S.C. § 333(1). Alternatively, he can intervene in cases of insurrection, domestic violence, unlawful combination or conspiracy if any of these "opposes or obstructs the execution of the laws of the United States or impedes the course of justice under those laws." § 333(2). Before exercising any of the authority under §§ 332 or 333, the President must first issue a proclamation ordering the "insurgents" to disperse. 10 U.S.C. § 334.

As indicated earlier, the authority of § 333 has been invoked a number of times in the past, including in aid of desegregating Central High School in Little Rock, and in helping quell violence during urban riots in Detroit, Chicago, Baltimore and the District of Columbia in 1967 and 1968.

The District is not now experiencing a pronounced episode of extraordinary unrest or violence to bring it easily within the scope of such precedents. Nevertheless, the President would probably be given considerable latitude in his judgment that sufficient domestic violence existed to warrant the action. A plain meaning justification for invoking § 333(1) proceeds as follows: High levels of domestic violence restrict the First Amendment right of assembly, and right of interstate travel, insofar as they instill a fear that moves people to stay indoors or discourages people from travelling through the District. Thus citizens in the District are being deprived of rights "named in the Constitution" and protected by numerous District of Columbia laws that ostensibly protect citizens from violence, because the level of domestic violence "hinders" the execution of those laws. That the condition is chronic rather than acute may not be significant.

Still, applying § 333(1) authority at a time when the amount of domestic violence now occurring is within the range of recent historical experience for the city would stretch its application beyond historical precedents, and would constitute an admission that the "normal" condition in Washington had become one in which regular law enforcement fails to accord the citizens their constitutional rights. On the other hand, it would appear that

the situation in Arizona that supported the deployment of troops in 1882 was one in which local law enforcement was proving inadequate to cope simply with day to day violence and lawlessness, but we have not researched the facts of that situation sufficiently to draw a firm comparison.

An argument for authority under § 333(2) can also be advanced. The climate of fear created by high levels of crime and violence can obstruct the enforcement of and impede the course of justice under federal criminal statutes aimed at drugs and associated violence by, among other things, making citizens less willing to cooperate in investigations.

Assuming §§ 332-333 can be invoked, there remains some doubt about the length of time the D.C. Guard could continue to be used. While the language of the statutes contains no express time limitation, the situations apparently contemplated by the statutes are ones in which local authorities are temporarily disabled from protecting citizens. In such cases, the Guard is to come in, help restore order, and then depart. This comports with the historical precedents.²

It would be prudent, and it may be legally necessary, to articulate a goal or objective that would enable withdrawal of the Guard after some reasonable period of time if these statutes were invoked, rather than contemplating indefinite supplementation of local law enforcement. Doing the latter would risk violating the Posse Comitatus Act. A preliminary examination of the legislative history of Posse Comitatus reveals several statements indicating that while appropriate actions under the predecessors of §§ 332-333 would not be violations, the Congress also meant "to put a stop to the practice, which has become fearfully common, of military officers of every grade answering the call of every marshall and deputy marshall to aid in the enforcement of the laws." Congressman Knott, 7 Cong. Rec. 3846, 3849 (quoted in 41 Op. Atty Gen. 313 (1957)). The limits of §§ 332-333 authority need to be read in light of the purposes the Posse Comitatus Act was designed to serve, namely to prevent the Army and the Air Force from becoming regular adjuncts to normal law enforcement activities.

Finally, not only would utilizing §§ 332-333 here run beyond existing precedents, it would also risk creating a difficult precedent for the future, as mayors of other cities and governors might ask the President to federalize the Guard in their states to aid in domestic law enforcement in other communities.

² We have not completely researched the legislative history of § 333 to determine whether it sheds any light on the expectations concerning how long the Guard could remain on active duty.

II. The D.C. National Guard and Counterdrug Activity

Title 32, section 112 authorizes appropriations to "the Governor of a State" who allows "the National Guard of that State" to participate in federal "drug interdiction and counterdrug activities." A 1989 OLC opinion addressed whether the D.C. Guard could participate in that program, and specifically, whether the money authorized pursuant section 112 could be used to pay the D.C. Guard. See "Use of the National Guard to Support Drug Interdiction Efforts in the District of Columbia," 13 Op. O.L.C. 110 (1989) (preliminary print) (1989 Opinion). The 1989 opinion concluded that the D.C. Guard, in its militia status, could participate in the federal program pursuant to § 112. The 1989 Opinion relied heavily on the authorization in section 112, and did not present the situation where the President independently was considering using the D.C. Guard in militia status to enforce the District's drug laws.

The use of the D.C. Guard in counterdrug activities pursuant to § 112 does not provide a useful analogy to the contemplated use of the D.C. Guard for general law enforcement activities for other reasons. Neil Woodcock, who is the National Guard Liaison Officer in the Bureau of Justice Assistance, Office of Justice Programs, DOJ, explained that the National Guard does not make any arrests, handle any contraband, testify in court, or engage in any front-line law enforcement activities. The general duties of the National Guard in the counterdrug program are to provide training to other federal officials, help in planning counterdrug operations, aerial surveillance (e.g., of marijuana fields), radar surveillance, transportation (both air and ground transportation), cargo inspection, and other logistical support, including engineering support. For example, an examination of the activities of the D.C. Guard volunteers for the week ending September 18, 1993 reveals that the great majority were assigned to record keeping and accounting functions. Other guard personnel were engaged in cargo inspection at Dulles Airport, aerial transportation of personnel and property to and from counterdrug operation sites, aerial surveillance, and one person was serving with the DEA as a liaison for the National Guard volunteers.

We obtained a Memorandum for the Secretary of Defense from Deborah R. Lee, Assistant Secretary of Defense for Reserve Affairs (September 30, 1993) that questions the authority of the D.C. Guard to engage in anything but support activities. Moreover, Neil Woodcock has stated that the National Guard Bureau has issued regulations that would prohibit the state national guard to engage in any activity that would violate the Posse Comitatus Act while serving pursuant to 32 U.S.C. § 112. We do not believe that these regulations are required by the Posse Comitatus Act, because § 112 provides its own congressional

authorization, but it is further support for our conclusion that the existing use of the National Guard is not a good analogy for their use in general civilian law enforcement activities.

III. The D.C. National Guard in Militia Status

As we mentioned above, National Guard personnel have a dual status. "Since 1933 all persons who have enlisted in a State National Guard have simultaneously enlisted in the National Guard of the United States." Perpich v. Department of Defense, 496 U.S. 334, 345 (1990). The Supreme Court has drawn a sharp legal distinction between Guard members acting in their state capacity and the same persons acting as federal troops. "In a sense all of them now must keep three hats in their closets -- a civilian hat, a state militia hat, and an army hat -- only one of which is worn at any particular time." Id. at 348. Guard personnel in service are either acting as members of a state militia or as federal troops, never as both. See id. at 347 (state Guard personnel "ordered into federal service . . . lose their status as members of the state militia during their period of active duty"). When acting as state militia, Guard personnel do not fall within the terms of the Posse Comitatus Act. See, e.g., 1989 Opinion, 13 Op. O.L.C. at 111 n. 4. In most circumstances, therefore, the question of whether Guard personnel could be used to support law enforcement would be a pure question of state law, as long as the personnel had not been federalized.

The D.C. Guard, however, clearly present certain unique concerns. The District, of course, is not a state. Its National Guard is organized pursuant to an act of Congress, Act of Mar. 1, 1889, 25 Stat. 772, as amended, and its commander in chief is the President of the United States. D.C. Code § 39-109. It would be possible to argue, therefore, that members of the D.C. Guard are anomalous: unlike the members of state Guard organizations, the argument goes, D.C. Guard personnel have no "state militia hat" and when in service are invariably acting as federal personnel.

We reject this conclusion. In creating and organizing the D.C. Guard, the Congress plainly intended to establish a militia parallel in nature and status to the Guards of the several states. In light of Congress's broad powers to legislate for the District, U.S. Const., art. I, § 8 cl. 17, this intention is entitled to great weight. The 1889 Act, now codified at D.C. Code §§ 39-101 to 39-906, closely resembles state constitutional and statutory provisions organizing state Guards. The Act distinguishes between activity in militia status and activity "when called into the service of the United States," D.C. Code § 39-604, a distinction that would be meaningless if the D.C. Guard were necessarily and invariably acting in a federal capacity. The distinction Congress drew in the 1889 Act is parallel to that adopted by the Supreme Court in Perpich,

although that decision did not address specifically the status of the D.C. Guard.

The President's duties and responsibilities as commander in chief of the D.C. Guard, furthermore, resemble those of a state governor with respect to a State Guard. For these reasons, "[t]his Office has consistently taken the position that 'the President . . . stands in a relation to the D.C. National Guard that is similar to the relation obtaining between the Governors of the several States and their respective State National Guard units.'" 1989 Opinion, 13 Op. O.L.C. at 113-14 (footnote with citation omitted). If this conclusion is correct, the Posse Comitatus Act, which by its terms is limited to the Army and Air Force (and which applies to Army and Air Force National Guard units **when** called into federal service), is simply inapplicable.³ The President's authority with respect to the D.C. Guard, **in its militia status**, is defined entirely by the 1889 Act, which for these purposes is the equivalent of the state laws that define the powers of governors over state Guards. We therefore turn to the President's authority under the 1889 Act.

In our 1989 Opinion, this Office concluded that the Act authorizes the deployment of the D.C. Guard in militia status to carry out or support civil law enforcement. Citing D.C. Code § 39-602, we stated that that section's "authorization to order out the Guard for 'other duties, as [the Commanding General of the Guard] may deem proper' has long been viewed as broad enough to include law enforcement activities." 1989 Opinion, 13 Op. O.L.C. at 112. In support of this statement, the Opinion described the "natural reading of section 39-602" and two OLC memoranda from 1963. Neither of these bases for the Opinion's statement is, however, completely satisfactory. Section 39-602 states:

Prescribing Drills.

The Commanding General shall prescribe such stated drills and parades as he may deem necessary for the instruction of the National Guard, and may order out any portion of the National Guard for such drills, inspections, parades, escort, or other duties, as he may deem proper. The commanding officer of any regiment, battalion or company may also assemble his command, or any part thereof, in the evening for drill,

³ In addition to avoiding the Posse Comitatus problem, employing the District Guard in militia status, if lawful, will clothe the Guard members with immunity from civil criminal liability for actions undertaken "in the discharge of [their] military duty." D.C. Code § 39-805.

instruction, or other business, as he may deem expedient; but no parade shall be performed by any regiment, battalion company, or part thereof, without the permission of the Commanding General.

While the 1989 Opinion's reading of § 602 is not impossible, neither is it in our view the "natural reading" of the language. Except for the reference to "other duties," the section in its entirety seems to us plainly directed toward ceremonial and training activities. Involvement in law enforcement activities certainly would not be ceremonial, and would not seem to be concerned with "the instruction of the National Guard" which is, after all, a military organization. (Section 602 is in a chapter of Title 39 labelled "Active Military Duty.")

The 1963 memoranda cited in the 1989 Opinion are not particularly persuasive on this point. One memorandum addressed the narrow question of whether the D.C. Guard in militia status could act to supplement the civilian police "during a [specific] massive demonstration or parade." Memorandum of July 30, 1963, at 1. The memorandum concluded, without discussion, that the words "or other duties" are "broad enough to be construed as authorizing the National Guard to support activities of the civilian police force during any massive demonstration or parade in the District." *Id.* at 2. The other memorandum addressed the liability of Guard personnel who might fail to report for duty to supplement the police in "handling the crowd . . . in [a specific planned] civil rights demonstration." Memorandum of August 9. That memorandum's discussion of § 602 was not a ringing endorsement of the section's availability as authority for the employment of the Guard in law enforcement:

Although the term "other duties" can be reasonably interpreted as including activities in aid of civil authorities, thereby bringing such duty within the purview of the courts-martial provisions of Section 49, it is possible that such a construction would not be sustained by the courts in an action attacking the validity of such a court-martial, since it is possible that the term "other duties", as that term is used in Section [602], might be construed by the courts in pari materia with the other terms used in that section which relate primarily to drill- and training-type activities as distinguished from the aid-to-civil-authorities-type activities expressly covered by Section 48.

Although the issue is not free from doubt because of the existence of contrary authority, chiefly the 1989 Opinion of this Office, it is our conclusion that § 602 does not provide the President authority to employ the D.C. Guard in militia status in the manner proposed.

There is a second possible source of authority in the 1889 Act. Section 39-104 provides that the "enrolled militia shall not be subject to any duty except when called into the service of the United States, or to aid the civil authorities in the execution of the laws or suppression of riots." We think that § 104's reference to activity "in aid of the civil authorities in the execution of the laws" is affirmative authorization for the Guard's employment in law enforcement activities.⁴ Section 104, to be sure, addresses not the Guard per se but rather the "enrolled militia" of the District, which is described in another section as all able-bodied male citizens of the District, with certain exceptions and age limitations. See D.C. Code § 39-101. This provision nevertheless appears to authorize the employment of the D.C. Guard for law enforcement purposes because the Guard is a subset of the "enrolled militia" and nothing in section 104 forbids the use of a part rather than the whole. See 1989 Opinion, 13 Op. O.L.C. at 112-13 (assuming such an argument).⁵ While the question is not free from doubt, we conclude that § 104 provides plausible legal authority for the proposed use of the D.C. Guard.

Bear in mind, however, that calling up the D.C. Guard in their militia status will require funding the operation through District funds, which will require coordination with the appropriate District officials. At this time, we are unaware that such funds are presently available.

⁴ The 1989 Opinion apparently reached the same conclusion and quoted § 104 as ancillary support for its conclusion. See 13 Op. OLC at 112-13.

⁵ The District Guard includes, we assume, female as well as male personnel, and thus is not literally a subset of the "enrolled militia" defined in § 39-101 but rather an organization only some of whose members are part of the latter group. However, section 101 does not limit membership in the militia to males but simply provides that the designated males "**shall** be enrolled in the militia" (emphasis added). Women (as well as men older than age 45) plainly may volunteer for service in the militia under § 39-106.

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~~Boyd~~ / ~~Ginger~~ / GS
Both men are
pretending

Getting on the Somali Case

WHO HAS NOT puzzled in dismay over how the United States got from a bold, legitimate and successful feeding mission in Somalia to the current confused and frustrating quest for . . . well, for what? From the United Nations to the United States and on down, almost everyone has lost the thread of an exercise that sometimes looks as though it will engage and endanger international forces out to the horizons of time. In this condition of risk and indeterminacy, no wonder that the shock of casualties is kindling a demand for withdrawal from a presumptive "Vietnam."

It is a tug that cannot be ignored, but one that must not be succumbed to in panic. For it was right and only logical—lest the original crisis soon be recreated—for the U.N. forces to try to create conditions in which their necessary humanitarian accomplishments would not be reversed when they left. It is said that the purpose was impossibly grand, and no doubt some statements of it did go beyond the actual size and intent of the mission. But it was the tactics that went awry. Gen. Aideed, a warlord who had been prominent among those creating the crisis, set out to serve his own political ambitions by taunting—who better?—the American interveners. The United Nations, deciding that

its integrity and the future of peace-keeping were on the line, overreacted. Its military responses had the effect of magnifying the place of Gen. Aideed. Its political responses made the mission seem increasingly and alarmingly open-ended.

President Clinton must get on the case. The quick-reaction combat part of the American deployment in Somalia is, after all, directly in the American chain of command; it is not under U.N. command. The Pentagon, which was caught by surprise by Gen. Aideed's field tactics, should make what fixes are necessary to lower the risk to American forces—and to lower the damaging sense of a David-and-Goliath confrontation.

Mr. Clinton must come up with a statement of policy that better balances Somali realities and American political and military requirements. The appropriate and appropriately modest mission is not to take over Somalia's destiny but to lend a helping hand and make sure the humanitarian effort at feeding a starving nation succeeds. Revenge should not be part of this mission; the rescue or release of any U.S. prisoners should be. The United States has business to complete in this mission. It should do so and then get out. Mr. Clinton needs to articulate much more precisely what the intentions and limits of this exercise are.

Drug Prices: Today and Tomorrow

ANTITRUST LAW is full of paradoxes. The drug companies, feeling bruised by President Clinton's references to their prices, proposed to set up an industry-wide agreement to hold their average price increases to the inflation rate. In response the Justice Department (correctly) shook its long, menacing finger at them and told them that if they did any such thing they would be immediately sued for price collusion. If the agreement were to set a maximum price, the department said, there's a risk that it would soon become in effect the minimum price. But the same thing is true of the price controls that are the most obvious alternative.

As a practical matter, the Justice Department's stiff letter to the Pharmaceutical Manufacturers Association may not make much difference. Seventeen of the biggest drug manufacturers, accounting for two-thirds of the \$60 billion-a-year market, have already announced that, separately and without collusion, they will hold their average price rises to the inflation rate or less. That doesn't violate the law. But this incident suggests the kind of barriers that can impede this gigantic reorganization of health care since, at some level, it will certainly require a degree of cooperation among the companies and institutions being affected by it.

Drug costs have not gone up much faster over the past decade than the other costs of health care. But drug prices are particularly sensitive because some insurance plans—most notably the federal Medicare system for the elderly—do not cover prescriptions. They remain the only major component of health care in which individuals still pay most of the costs out of pocket.

The president's health plan would expand Medicare to cover prescription drugs. How would it prevent that from setting off another round of price increases? The plan speaks of rebates, administered by the Department of Health and Human Services, to push the retail prices down closer to the prices paid by high-volume buyers like the HMOs and government agencies.

The Justice Department is quite right to discourage the drug industry from turning itself into a cartel. But the Clinton plan's proposal for rebates is a kind of peculiarly intricate price control, and it presents a different kind of danger. In areas like the retail sale of drugs under Medicare, where competition is unlikely to be a reliable constraint on prices, Congress is going to have to look at the president's plan with special concern.

Spell It Out to the U.N. on Somalia

America's national pride could be injured if the Clinton Administration decides to extricate U.S. troops from the gathering disaster in Somalia. America's national interests could be injured if it does not.

The latest fiasco in Mogadishu, which left some 12 U.S. soldiers dead, 78 wounded and 1 or more hostage, provides all the evidence the Administration needs. U.S. troops are now prime targets in a deadly Somali power struggle — even though Washington never formally decided to take sides and no essential American interests are at stake.

Only two weeks ago, Washington informed the U.N. Secretary General, Boutros Boutros-Ghali — apparently without effect — of its desire to radically redefine the U.N. mission. It now needs to issue a blunter ultimatum: Unless the U.N. retreats immediately from its efforts to capture or face down Gen. Mohammed Farah Aidid and refocuses on diplomacy and relief, American troops will be withdrawn as soon as it is safe to do so.

But Washington has done just the reverse, responding to the bad news from Mogadishu by sending 250 additional troops to supplement the 4,500 Americans already there and reiterating its determination to restore order. This despite the rising clamor in Congress for an "exit strategy."

The Administration may be accurate in its prediction that U.S. withdrawal could jeopardize earlier gains in famine relief. But that risk can't be allowed to hold American lives hostage to a mission gone strategically adrift.

Even before Mr. Clinton came to office, American leaders understood that Washington couldn't answer every deserving call for help. In fact, the Bush Administration justified its decision to send

troops to Somalia but not Bosnia on the grounds that food supply routes could be secured in a limited time with minimal risk to American lives.

That may have been true at the time. But the nature of the mission changed dramatically in June right after Washington turned control over to the U.N. After an ambush of U.N. peacekeepers by forces thought to be loyal to General Aidid, the Security Council unwisely made the general's capture and trial an essential part of the mission and set about pacifying his south Mogadishu stronghold.

Mr. Boutros-Ghali and his special representative, Adm. Jonathan Howe, have pursued that mandate aggressively, multiplying U.N. and civilian casualties and draining political support from more successful efforts at reconstruction and relief outside Mogadishu. Recent pleas from Washington and other Security Council powers to break off the confrontation have gone unheeded. An explicit U.S. ultimatum may now be the only chance to force change and save the mission.

During the cold war, Washington reflexively refused to back down even from acknowledged mistakes. The fear was that the U.S. would lose global credibility. But what happens to U.S. credibility when the Secretary of State spells out ground rules and the U.N. Secretary General ignores them? This sour episode can only diminish Americans' appetite for activism abroad.

General Aidid is a brutal warlord responsible for targeting American lives. But he's not a global threat like Stalin or Hitler or even Saddam Hussein. His only interest is political power in Somalia, and his legitimacy as a political actor there is not, in the end, for foreigners to judge. If Washington can't change the goals of the mission, thus extricating itself from the quagmire the United Nations has enmeshed it in, it's time to come home.

Admiral Kelso Keeps His Command

In deciding not to sack Adm. Frank B. Kelso 2d from his post as Chief of Naval Operations, Defense Secretary Les Aspin has made a decision based on politics, not principle. By overruling Navy Secretary John H. Dalton's call to remove Admiral Kelso, Mr. Aspin spared President Clinton further corrosion of his uneasy relationship with military brass.

Secretary Dalton held Admiral Kelso responsible for the events at Tailhook '91, the seamy Las Vegas convention of retired and active-duty Navy aviators, and for the subsequent botched investigation. "The deficiencies in the investigations," the Pentagon charged, "were the result of an attempt to limit the exposure of the Navy and senior Navy officials to criticism regarding Tailhook '91." In other words, the Navy was more interested in covering itself than in uncovering the truth.

By singling out Admiral Kelso, Mr. Dalton, a Naval Academy graduate, asserted a principle that flag officers seem eager to forget when things go wrong. Command responsibility begins at the top,

and see-no-evil myopia can't be tolerated.

That said, there's also an argument to be made for showing this particular senior officer some mercy, given his efforts in the past to integrate women more fully into important combat roles in the Navy. His efforts to expand the role of women, first by opening up the number of shipboard jobs and, eventually, by allowing them to serve in combat, contributed to Mr. Aspin's later decision to open fighter aircraft and most combat vessels to females.

But in accepting Mr. Aspin's decision to go easy on both Mr. Clinton and Admiral Kelso, it is important not to lose sight of this fact: Mr. Dalton's instincts were exactly right. He conducted an independent inquiry free of the channels of bureaucratic self-protection. He recommended the right course of action: getting rid of the people at the top who had allowed an unacceptable situation to develop and then moved too slowly to punish those responsible.

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Aideed's Hit-and-Run Fight Recalls Setbacks of '60s

■ Somali warlord Mohamed Farah Aideed's battle against U.N. troops and his propaganda victories have historical parallels in the U.S. experience in Vietnam.

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By Keith B. Richburg
Washington Post Foreign Service

NAIROBI, Kenya, Oct. 5—Somali warlord Mohamed Farah Aideed, once a guerrilla commander in his country's civil war, kept a book on Chinese revolutionary tactics on the nightstand in the bedroom of his Mogadishu command compound. But these days he must be finding more to draw from in the lessons of the Vietnam War's Tet offensive.

History scarcely recalls that the 1968 Tet uprising actually was a massive military defeat for the Viet Cong guerrillas who staged it—thousands of militia fighters dead, their top leadership arrested and executed, and most of their guerrilla infrastructure in South Vietnam wiped out.

What is remembered about Tet is that it scoured the American public's appetite for the war, belying U.S. military commanders' optimistic predictions of success within their grasp and eventually forcing the United States into peace talks with its enemy.

Aideed's bloody assault Sunday on U.S.-led U.N. peace keepers, resulting in 12 Americans killed, 78 wounded and others missing and held hostage, might be comparable to Tet. Aideed's militia, never considered to contain more than a few hundred men, is believed to have suffered heavy casualties, with his command-and-control structure severely disrupted by the arrest of many of his top lieutenants.

"Undoubtedly it is having an impact . . . especially in the financing" of Aideed's guerrilla operations, said U.S. Army Maj. David Stockwell, the chief U.N. military spokesman.

But with such a heavy toll of Americans dead and wounded, and now the haunting spectacle of an American prisoner being interviewed on a grainy videotape, Aideed has once again shown his penchant for snatching a propaganda victory from the wreckage of a military setback.

Today, he was back on the air on his clandestine radio station hailing what he called a great victory against "U.S. colonialism." In that sense, Aideed's urban hit-and-run guerrilla war finds parallels to the Viet Cong war against U.S. troops.

"I think the Viet Cong and the NVA [North Vietnamese Army] realized that it doesn't matter how many men they lose, as long as they keep some," Stockwell said in a telephone interview from Mogadishu tonight. "The longer they can outlast the visiting force, the more discontent will grow at home in the U.S." He said "there are some parallels" to the situation in Mogadishu.

Aideed repeatedly has turned military defeat into public relations victory in the key battleground for U.S. public and congressional opinion.

It happened July 12, when Cobra helicopters used TOW missiles and cannon fire to blast a strategy meeting of Aideed's top aides, killing several. U.S. officials described that raid as a success at wiping out a "terrorist command-and-control center" and severely disrupting the warlord's ability to stage attacks against U.N. installations.

But the debate in the United States centered on questions about the propriety of U.S. troops killing people inside the meeting without giving them the chance to surrender, and also on a subsequent retaliatory attack in which four foreign journalists were shot, knifed and stoned to death by an angry Somali mob.

It happened again Sept. 9, when Aideed's militiamen ambushed U.S. and Pakistani peace keepers clearing roadblocks from a highway in an area Aideed controls. The guerrillas destroyed a Pakistani tank, then stood their ground in one of the most pitched battles of the conflict.

The militia suffered massive casualties, with scores of Aideed's fighters dead and wounded, but most of the

helicopters opening fire on a crowd of women and children who were threatening U.N. troops.

It happened again on Sept. 21, when U.S. Army Rangers scored what they considered a major coup against Aideed's militia by arresting his main financial backer, Osman Ato. U.S. and U.N. officials gloated that Aideed's ability to finance his militia would be severely eroded. "Ato's arrest means that the money is not available in any way, shape or form," said one senior U.S. civilian official.

But again, the gloss was taken off that victory when, four days later, Somali guerrillas succeeded for the first time in shooting down a U.S. helicopter, killing three crewmen and prompting fresh calls in the United States for the withdrawal of U.S. troops.

In many of these cases, Stockwell said, Aideed has been able to benefit from the presence of television, which beams images from the battlefield directly into American living rooms. At the same time, the military's response time to events often is slow and cumbersome.

For example, he said that when the helicopters fired on women and children, the U.S. military never had time to adequately present the case that the engage-

ment was actually a defeat for the guerrillas, who found themselves responding to events.

"It was when CNN was reporting it live, or at last faster than we could keep up, that lent some imbalance of perspective that led me to ask, 'Is this the Tet offensive?'" Stockwell said. He said the Aideed has also proven deft at "spinning" events on the streets to suit his own propaganda designs.

Aideed also appears to have benefited during the our months he has been battling U.N. troops in the capital from U.S. and U.N. officials repeatedly underestimating his durability, the number of militiamen he can count on and the depth of support among his Habr Gedir subclan.

When U.S. gunships demolished the warlord's command compound, U.S. and U.N. officials confidently boasted that Aideed was virtually finished and would fade into oblivion, possibly fleeing the capital, but not returning to the uncomfortable life of a guerrilla on the run. Instead, he came back with a vengeance, staging increasingly brazen guerrilla attacks on U.N. peace keepers and making a mockery of predictions of his demise.

In the early stages of the conflict, U.S. officials openly estimated that Aideed could count on only about 200 to 300 armed guerrilla fighters and claimed most of them fought for him only because he paid them and kept them well supplied with the narcotic leaf khat.

After each engagement, Aideed's forces suffered heavy losses but managed to come back even stronger for the next fight. Finally, U.S. military officials have been forced to concede that the warlord may be getting new recruits from the Somali countryside.

The officials also thought that by offering a \$25,000 cash reward for Aideed they could convince his Somali rivals to turn him in. But the reward became a joke for Somalis, who offered their own "reward" for the arrest of the chief U.N. envoy, retired U.S. Navy Adm. Jonathan T. Howe.

American and U.N. officials also said—wrongly, so far—that Aideed's support had eroded within the Habr Gedir, and that clan elders were set to jettison him and promote a new, moderate leadership to negotiate with the United Nations.

But analysts who know Somalia well, including former diplomats in Mogadishu, academics and Somalis themselves, say that such a scenario was always unlikely and showed how badly U.N. officials misunderstood the nature of the Somali clan system.

"It's not as if they are attached to Aideed—they are attached to their branch of the family tree," said T. Frank Crigler, a former U.S. ambassador to Somalia who teaches at Simmons College in Boston. "Habr Gedir are bound to defend this man now. It's not out of any love for Aideed. They are compelled by their clan attachment."

*This is a lot more
conspicuous than most
of what I've read—*

Aideed's Urban War, Propaganda Victories Echo Vietnam

IN THE LOOP

Another Round in the Thomas-Hill Fight

By Al Kamen
Washington Post Staff Writer

The ghosts of the Clarence Thomas-Anita Hill battle still rattle about the Senate Judiciary Committee—and may for years to come.

The committee last week approved a group of noncontroversial nominees for U.S. attorney slots around the country but held up one: **Janet Napolitano**, candidate for the federal prosecutor's job in Arizona.

Seems Napolitano had been a lawyer for Hill during Thomas's confirmation hearings and committee Republicans said there were allegations that Napolitano had a conversation with one of Hill's key witnesses after which the witness changed her testimony.

Napolitano's backers say that's just not so.

The Republicans submitted a list of two dozen questions about the Thomas-Hill hearings to Napolitano. She declined to answer them, citing attorney-client privilege.

The committee, with Republican Sens. William S. Cohen (Maine) and Arlen Specter (Pa.) joining the Democrats, voted 12 to 6 to recommend Napolitano's confirmation last week.

There may be some additional votes against her on the floor, but Napolitano's supporters say they are not worried about her nomination being approved by the Senate.

"The question is not if, but when," said **Robert W. Maynes**, spokesman for Sen. **Dennis DeConcini** (D-Ariz.), Napolitano's chief backer. Maynes said he expected a floor vote in the next couple of weeks and predicted opponents "would be pleased if they got a third of the votes on the floor against her."

Opponents say they are still developing the case against Napolitano. It isn't over yet, they say, and some predict considerable opposition.

EEOC, Lonely Isle in the Land of Clinton

■ Meanwhile, Thomas's former shop, the Equal Employment Opportunity Commission, has yet to have a Clintonite in charge.

Several potential nominees, including former California Supreme Court justice **Cruz Reynoso**, are said to have turned down the job, which administration officials would like to fill with a Hispanic. Reynoso is on the U.S. Civil Rights Commission and is in line to be named vice chairman there.

Latest word is that the administration is looking at New York lawyer **Ida L. Castro**, now senior counsel at New York's Health and Hospitals Corp., which oversees the operations of the city's hospitals, clinics and other health facilities.

Castro, who taught at the Rutgers University Institute of Management and Labor Relations, represented various labor unions in private practice in New York and New Jersey.

Also, sources say **Antonia Hernandez**, president of the Mexican-American Legal Defense and Education Fund in Los Angeles, is being looked at to don judicial robes and become a federal appeals court judge in California.

In Case of Emergency, Dial F-L-Y-N-N in Rome

■ The U.S. military cargo planes dispatched last week to India for earthquake relief carried emergency food, tents, blankets and . . . former Boston mayor **Raymond L. Flynn**, according to a report in the Boston Globe.

Flynn, now ambassador to the Vatican, a largely ceremonial job, has been designated by President Clinton to coordinate the relief effort. He has said he wanted other duties in addition to the ambassador's job. (Flynn, you see, doesn't have to worry about a lot of commercial, consular or military matters in the Rome job.)

Another former elected official, four-term Idaho congressman **Richard H. Stallings**, who lost a Senate bid last November, was named to head the Office of Nuclear Waste Negotiator, an independent federal agency charged with finding a place to store spent nuclear fuel until a permanent repository (don't hold your breath) can be developed.

It's Official . . .

■ Two more jobs have been filled at the Commerce Department. **Michael J. Copps**, former senior vice president for legislative affairs at the American Meat Institute, was named deputy assistant secretary of commerce for basic industries (trade development.) **Rolland A. Schmitten**, who has been director of the National Marine Fisheries Service office in Seattle for the last eight years, was moved up to assistant administrator of the service, which is part of the Commerce Department's National Oceanic and Atmospheric Administration.

Defense Department Unlocks 21 More Offices

■ Clinton has announced his intention to nominate three senior Pentagon officials—leaving 17 of the 46 senior-most jobs still with no announced nominee—and has named 18 others to senior Defense Department jobs that don't require Senate confirmation.

The three senior officials are **Stephen C. Joseph**, dean of the school of public health at the University of Minnesota and before that New York City health commissioner, to be assistant secretary for health affairs; Washington lawyer and former Pentagon official **Richard Danzig** to be undersecretary of the Navy; New York investment banker and former Carter White House aide **Josh Gotbaum** to be assistant secretary for economic security.

Washington lawyer **W. Neil Eggleston**, formerly House deputy chief counsel of the congressional Iran-contra probe and before that a federal prosecutor, is working in the White House as associate counsel.

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A High-Tech, Low-Wage Lure

Hughes's Move to Mexico Illustrates a Thorny NAFTA Issue

By Tod Robberson
Washington Post Foreign Service

When former Hughes Aircraft Co. project manager William Lewis was assigned the task in 1988 of defending a company decision to transfer high-technology U.S. defense work from Newport Beach, Calif. to a Hughes plant here in Mexico, he was suspicious.

"I knew that somewhere down the line, people would lose their jobs because of this," Lewis said in a telephone interview.

What Lewis didn't anticipate was that his job would be among them.

He was one of several hundred laid-off Hughes employees who are confronting the harsh reality that their skilled jobs are just as vulnerable to competition from Mexico's low-cost labor force as are the assembly line jobs of U.S. auto workers or other

blue-collar employees. They are finding that not even government contract work, supported by taxpayer dollars, is immune to the lure of cost efficiency offered here in Mexico.

As Mexico joins the Clinton administration in the battle for U.S. congressional approval of the proposed North American Free Trade Agreement (NAFTA), it is finding that cheap labor and cost efficiency—two of this country's strongest economic selling points—are turning into political hand grenades in the NAFTA debate.

Labor groups and other critics say that the United States, having already lost thousands of manufacturing jobs to Mexico, would be foolish to ratify an accord that could encourage even more U.S. companies to move south.

Proponents argue that NAFTA will open up Mexico's market for the first time to a host of U.S. products and services, thus expanding employment north of the border. In addition, the agreement's defenders

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Mexico Lures High-Tech Jobs

MEXICO, From F1

say the pact will help the United States to better compete against other world trading blocs, also stimulating U.S. employment.

Hughes's experience illustrates some of the economic pressures central to the debate over NAFTA.

Lewis and other former Hughes employees said that only a few years ago, the U.S. defense industry had seemed immune to the southbound trend of lower technology industries. The precision work performed by defense contractors was regarded as too sensitive to risk delegating to workers in a developing country such as Mexico.

But all that changed in April 1989. That's when the Air Force broke new ground by authorizing Hughes's missile systems group to transfer some production of microcircuits—for missiles, jet fighters and other defense-related products—to a *maquiladora* plant in Tijuana.

Maquiladora facilities are foreign-owned factories, based in Mexico, that make goods strictly for export. Hundreds of U.S. companies have used *maquiladoras* to lower their labor costs by shifting jobs south, and NAFTA's critics say the pact would open the door for more job losses.

"We recognize this move [to Tijuana] improves your competitiveness and ultimately benefits the government," wrote Air Force contracting officer Robert C. Smith in an April 1989 letter to Hughes.

Now, high-tech companies such as Hughes are finding that with proper training and supervision, Mexican workers are just as capable as their U.S. counterparts in manufacturing the complex microchips that go into aerospace and defense products. And the savings is significant in an industry where labor makes up 30 percent to 50 percent of production costs.

Ron E. Shaver, operations manager for Hughes's microelectronic circuits division, said the cost savings in Mexico are critical to Hughes's remaining competitive—and preserving some related jobs in the United States.

"Yes, we are taking work from the United States, but we wouldn't have the business at all if we didn't have the plant here," said Shaver. "If we can save five jobs [in the United States] by having this operation here, blending work [with U.S. plants] and holding onto a contract, then we're saving jobs. If we lose the contract, more jobs are lost."

The starting wage in Tijuana for line operators—the people manning the microscopes and chip assembly lines—is 20 Mexican pesos per day, or about \$6.40, according to plant manager Jose L. Gaitan. A more highly trained technician has a starting wage of 35 pesos per day, or less than \$1.50 per hour. By comparison, a newly hired technician at the Newport Beach plant earns about \$17 per hour, a former Hughes technician said.

Inside dust-free production rooms here at Hughes's Circuitos Binacionales de Tijuana *maquiladora*, Mexicans from nearby dirt-poor neighborhoods don smocks and surgical masks each day to operate \$100,000 machines. They produce and test tiny microcircuits whose construction is so intricate that microscopes are required to examine wiring one-eighth the thickness of a human hair.

According to former Hughes employees and government documents,

the finished microchips are sent back to the United States, where at least some are assembled inside weapons such as the Air Force's advanced medium-range air-to-air missile, or AMRAAM.

Until 1989, AMRAAM microcircuits were produced almost exclusively at Hughes's Newport Beach plant. But Hughes officials said that as federal defense spending dropped with the end of the Cold War, the company began seeking ways of cutting production costs to remain competitive.

"The government placed upon us the necessity to get into competitive bidding. [The move to Tijuana] was a sure-fire way of containing costs and maintaining competitiveness," Lewis said. A "direct cause and effect," he said, was that 300 to 400 employees were laid off in Newport Beach.

Hughes spokesman William Herrman said instead that layoffs at Newport Beach were part of an across-the-board "downsizing" plan, and even jobs at the Tijuana plant have been slashed from a 1988 high of 225 employees to the current level of 120 workers. Worldwide, Hughes has dropped from a high of 83,000 employees in the mid-1980s—when roughly 80 percent of its contracts were defense-related—to around 57,000 now.

Former Hughes employees, including some who support NAFTA, argued that the Air Force's acceptance of Hughes's move to Tijuana sent the wrong signal to defense contractors that U.S. jobs should be regarded as expendable.

"I don't begrudge the Mexicans who want to work," said Robert Dingman, a former Hughes technician who helped manage the expansion of the Tijuana plant. "But how can [Hughes and the government] justify using U.S. tax dollars to take away American jobs?"

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 Mexico Lures High-Tech Jobs

Gephardt's 'Quiet' Crusade Against NAFTA

House Leader, Playing Down Split With Clinton, Says He Seeks to Raise Level of Debate

By Dan Balz
Washington Post Staff Writer

House Majority Leader Richard A. Gephardt (D-Mo.) is giving new meaning to the term "quiet position."

In the past two weeks, he has delivered two major speeches, spoken to three newspaper editorial boards, courted network anchors, schmoozed with about 20 columnists, appeared on NBC's "Meet the Press," spoken to Democratic governors and addressed the AFL-CIO convention.

Gephardt's cause is the North American Free Trade Agreement (NAFTA), and if there was any hope in the White House that the majority leader would keep a low profile in opposition to the pact with Mexico and Canada, it has been extinguished by his whirlwind pace.

Gephardt says he is not trying to twist arms in the fight over NAFTA, only attempting to raise the level of the NAFTA debate.

But his activities raise questions about whether his leadership role conveys special obligations to the president, about the line between political loyalty and personal conviction and about President Clinton's willingness to turn the other cheek in the face of such a significant defection.

White House officials insist Gephardt's opposition has not caused a rift in his close relationship with Clinton. "His view was well known to us and not a surprise," said White House communications director Mark Gearan, choosing his words carefully. "We have this respectful disagreement. We think he's wrong."

Gephardt is even more eager to play down the split. "It would obviously be trouble if there were a vast difference on the budget, on health care, on education reform, on welfare, and I was diametrically opposed to what the president wanted to do," Gephardt said. "That could be a difficulty. That's not the case."

And if Gephardt sounds uncomfortable about opposing the White House, he seems downright embarrassed to be in bed with sound-bite king Ross Perot, who is barnstorming the country warning that NAFTA will result in "a giant sucking sound" of U.S. jobs flowing south to Mexico.

"The 'giant sucking sound' is a graphic description, but I don't think it's particularly helpful to a meaningful discussion of this issue," Gephardt said.

Gephardt's argument against NAFTA largely rejects Perot's premise, which is that it will cost the United States jobs. "We've already lost a lot of jobs to Mexico," he said. "That's not the greatest issue in my view."

Gephardt argues that by failing to hold Mexico accountable on labor laws and standards, and by largely ignoring the issue of Mexican wages, the pact will put additional downward pressure on the wages of U.S. workers and harm their standard of living.

Gephardt said the current experiment in free trade with Mexico, through the *maquiladora* program, is an example of what he does not want to see under NAFTA. The *maquiladora* program

created low-wage assembly plants in Mexico that import U.S. parts and export mostly finished products duty-free.

"We're losing all these jobs to free trade," he said during a lunch with Washington Post reporters and editors. "We didn't take care of the environment, infrastructure wasn't built, there's no training for American workers and there isn't a darn thing going on with Mexican wages. . . . Can't we do better than that?"

What concerns Gephardt is that NAFTA will be a model for similar free trade agreements with other Latin American countries. "If we botch it, we're not coming back to it," he said.

Over the past five years, Gephardt has been an advocate for tougher trade policies and, critics say, a symbol of growing protectionist sentiment here. He rejects the protectionist label, but not the argument that the United States must demand more of its trading partners, particularly Japan and now Mexico.

But Gephardt's position has not been rigidly doctrinaire. Two years ago, he broke with labor and other opponents of the Mexico free trade pact by voting to give the Bush administration "fast-track" authority to negotiate with the Mexicans and Canadians.

One person close to Gephardt said, "He really did want an agreement he could support. That's why he went for fast track. He crossed the Rubicon in 1991. The truth is, he couldn't, given the conditions he set out, support this in good conscience in his own mind."

Gephardt insists he put aside political considerations in his decision to oppose NAFTA. But in opposing the agreement, he has been faithful to allies at home and secured his leadership position with other House Democrats, smoothing his path to someday succeed House Speaker Thomas S. Foley (D-Wash.).

But the politics of the trade pact have several layers, especially for anyone like former presidential candidate Gephardt who has aspirations for national leadership.

Some who know him say they believe Gephardt's current public relations crusade has as much to do with protecting his national reputation as with defeating NAFTA.

Historically presidents have been internationalists. Gephardt's opposition puts him on the other side of a divide that Clinton described as a debate between "whether we embrace [global economic] change and create the jobs of tomorrow or try to resist these changes, hoping we can preserve the economic structures of yesterday."

Gephardt said he simply wants to improve the debate, and in a recent speech he deplored the way public issues are instantly turned into personal and political clashes. The NAFTA debate, he said, has been marked by "catchy sound bites and fact-bending rhetoric," with the two sides attacking "the character of their opponents rather than engaging the issue on the merits."

That is a lofty plateau from which to engage, and one that for now provides protection against charges that he is out to hurt his president.

But not all administration officials are as generous toward Gephardt as was Gearan. They argue that his moment of truth will come later this year, if it appears there is enough support to pass NAFTA. At that point, they say, Gephardt will be under enormous, conflicting pressures over how vigorously to push his position.

For now, however, Gephardt said he and Clinton are "probably, largely in agreement" and that he shares the president's vision of freer trade in this hemisphere. "I would like to see it pass—done right," he said. "I believe in NAFTA. I think it's a good idea."

THE PRESIDENT HAS SEEN

10.6.93

THE WASHINGTON POST
WEDNESDAY, OCTOBER 6, 1993

14/6
THE PRESIDENT HAS SEEN

THE WHITE HOUSE
WASHINGTON

October 4, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Howard Paster *HP*
SUBJECT: October spending cut package

Director Panetta has suggested that you should meet with Speaker Foley and Majority Leaders Gephardt and Mitchell to discuss the creation of a commission to look at possible additional cuts in entitlements and tax policy to address Senator Kerrey's interest in pursuing further deficit reduction.

I agree with Leon's recommendation and suggest the purpose of such a meeting be expanded to cover the October spending cut package. It would be very helpful if you, along with the Vice President and Leon, could try to reach some consensus with our Congressional leaders on how to proceed in October.

For such a meeting to cover both the commission and the October spending cut package it should be carefully structured and as small as possible.

Congress is about to take a brief break for the Columbus Day holiday and this meeting should therefore be given a priority upon your return from California.

Handwritten:
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10/4 10:06

THE WHITE HOUSE

WASHINGTON

ST 4 10:04

October 4, 1993

MEMORANDUM FOR THE STAFF SECRETARY

FROM: Howard Paster *HP*

SUBJECT: Attached memorandum for the President

I would appreciate your sharing a copy of the attached memorandum for the President with the Vice President, Director Panetta, Mack McLarty, David Gergen, Roy Neel, Jack Quinn, Bob Rubin, and George Stephanopoulos.

Dove

The Washington Post Writers Group

YODER 10/4/93

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1150 15TH STREET, N. W., WASHINGTON, D. C. 20071-9200
TEL: (202) 334-6375 (800) 879-9794

Tony (Saucy) / GS / Haul

with reading

THE PRESIDENT HAS SEEN 10/6

^bc-yoder-column advIMMEDIATE<

^EDWIN YODER COLUMN<

^(For IMMEDIATE RELEASE--Normally Advance for Monday, October 4, 1993)<

^(For Yoder Clients Only)<

^By EDWIN M. YODER, JR.=

WASHINGTON--It required no gift of prophecy to foresee that our bold humanitarian mission to feed the starving in Somalia would end, as idealistic enterprises often do, in complications. Big complications.

Nearly a year after the Bush administration sent American troops to that tattered African land, promising to relieve hunger and get out within six months, the U.S. mission has become a quasi-political struggle featuring nightly raids by U.S. Army Rangers. We need a "political strategy," as President Clinton has called it, permitting a graceful exit. But the "warlords" we initially disarmed, notably Gen. Aideed, aren't cooperating.

Somalia is a replay, in miniature, of the way we slid into Vietnam. Revisionist historians portray our intervention in Vietnam as springing from capitalist greed, or imperialist impulses. Nothing of the sort. It was rooted in a more elusive quality which one might call innocence.

For a prophetic dramatization of this abiding American quality, try Graham Greene's novel of the Fifties, "The Quiet American," a book as true as it is irritating. Here, seen through the eyes of a rather world-weary observer (a British war correspondent, covering the French struggle to retain their colonial foothold in Indochina), we meet an appealing but naive young American, Pyle. He has brought his stock of high-minded anti-colonial and anti-communist slogans with him for the task of nation building. He aims to rescue the Vietnamese from backwardness and oppression; and his sense of mission foreshadows our vast replay of the French failure.

(more)

``If Indochina goes...'' he tells his British friend.

``I know that record,'' the friend replies. ``Siam goes. Malaya goes. Indonesia goes. What does 'go' mean? In 500 years there may be no New York or London, but they'll be growing paddy in these fields, they'll be carrying their produce to market on long poles, wearing their pointed hats. ... Do you think the peasant sits and thinks of God and democracy when he gets inside his mud hut at night?''

Where does it come from, this hazardous American optimism about our ability to reshape the history of other people? Was it the ease with which we subdued our frontier, under banners like ``manifest destiny,'' impatiently brushing aside the Mexicans, Indians and others who got in the way?

President Clinton inherited Somalia from the Bush administration and obviously has been too busy to think much about it. But he is aware that the lack of a ``political strategy''--and our inability to devise one on the spot--forbids immediate departure. Yet even as these complexities dawn in Washington, the eternal optimists are eyeing an even more hazardous venture--sending thousands of U.S. troops to police an extorted peace in Bosnia. Even if we do it it will be like sending the constabulary to guard a burglar's loot. But if we decline to help, the Muslims of Bosnia may get nothing.

It isn't an easy choice. But in the light of our continuing unexpected collisions with historical complexity, there is something bitterly amusing in the insistence that, among the new rules of engagement proposed by the Clinton administration, we must have a pre-prepared ``exit strategy.'' This has become the big buzz phrase in Washington. What does it mean? Experience suggests that once you engage your arms in behalf of others and dabble in their destiny you assume a moral responsibility that can't be canceled on cue or by prearranged timetable.

The United States doubled its casualties in Vietnam between 1969 and 1973, groping for just such an ``exit strategy,'' and finally had to leave without one. It was the same with the Marine deployment in

(more)

Beirut in 1983. Who can doubt that it will be the same in Bosnia-- that events yet to come will mock any ``exit strategy'' the big thinkers at the Pentagon and the State Department come up with?

There may be a case for sending forces to Bosnia, but let us send them, please, without such threadbare illusions.

Moreover, the difficulties of devising an exit strategy do not cancel the need for exit. Television, whose restless eye haunted us with images of starvation in Somalia and savage civil war in Bosnia, has also shortened our patience and staying power. Any president thinking of sending U.S. forces anywhere should assume, as a given, that at the first sign of trouble the TV networks and Congress will be on his back to cut and run, with or without ``exit strategy,'' and whether or not the job is finished.

These are unpleasant things to say. But let us pray that someone is saying them, with emphasis, to President Clinton now.

HAC (tra)

THE PRESIDENT HAS SEEN ^{10/6}

The Washington Post Writers Group

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1150 15TH STREET, N. W., WASHINGTON, D. C. 20071-9200
TEL: (202) 334-6375 (800) 879-9794

^bc-yoder-column adv06<

^EDWIN YODER COLUMN<

^(Advance for Wednesday, October 6, 1993, and thereafter)<

^(For Yoder Clients Only)<

^By EDWIN M. YODER, JR.=

WASHINGTON--Robert Samuelson, who writes a popular column on economic issues for Newsweek, is too young to remember when the American Medical Association leafleted the nation with dire warnings against "Dr. Truman's Little Pink Pills."

The AMA had in mind Harry S Truman's proposal for universal health coverage of almost half a century ago, which it described as "socialized medicine." Organized medicine's disgraceful scare campaign was well attuned to a time--the late 1940s--when Americans were worried sick by communism in Europe and Asia and when "creeping socialism," in the silly phrase of the time, was deemed the threshold of total engulfment by the Red menace.

I've been waiting, with beady eye, for the renewal of that shabby campaign. And sure enough, Samuelson recently announced, with a air of astonishment, that "we have arrived at socialized medicine in America," meaning, he says, that President Clinton has made universal health coverage a winning issue. He is fretful about it.

But Samuelson's definition of socialism is at best eccentric ("the belief that health care is a unique sort of service that government must ultimately supervise") and his reasoning muddled.

Britain has socialized medicine. So do France, Italy, Germany and other civilized societies, usually featuring government as the single provider. The system has the advantage of simplicity. But to call the complex (and uniquely American) model of universal health care proposed by Bill Clinton "socialized medicine" makes no more sense than calling the U.S. public school system "socialized education." What Clinton proposes is the

(more)

regulation of the health care industry, leaving the system of private initiative largely intact. Indeed, his plan seems to be designed, mistakenly it may be, to leave the private health insurance complex unchanged save for ``global'' budgeting and bargaining for rates by consumer cartels.

In principle, the Clinton plan more closely resembles regulatory bodies like the Food and Drug Administration than it does any current European regime of government-provided medical care. That the FDA has the authority to test new drugs and decide when they may be sold, and whether by prescription or over the counter, hardly means that the agency presides over ``socialism'' at the drugstore.

In other words, the Clinton plan contemplates the regulation, largely by altered incentives, of the now wholly unregulated health care industry--which, untouched, will soon be consuming a trillion dollars a year.

Does that mean government supervision? It depends on what you mean. To hear Hillary Clinton tell it, one major aim of the administration's reform plan is the opposite--to sweep away the third-party intermediaries who increasingly interfere in the idealized ``doctor-patient relationship'' which the AMA loves to extol.

Mrs. Clinton speaks with indignation of doctors who must pause from their care of patients to dial 800 numbers to haggle with insurance companies over whether this or that procedure may be performed and, if so, at what charge. This is the kind of haggling that now eats up 12 percent to 15 percent or more of the U.S. health care budget in administrative overhead. The administration of Medicare by government costs 3 percent or less; it is an instructive contrast.

Samuelson is also confused about what a more active regulatory role for government would entail. ``Government,'' he darkly warns, ``may have to grapple with mercy killing, living wills ... costly life-saving technologies,'' meaning more government involvement in ``intensely personal decisions.''

But ``government`` already does so. Samuelson mixes up issues of health care policy (who shall have access to kidney dialysis when not everyone may have it? shall two neighboring hospitals in the same city buy identical diagnostic equipment that happens to be extremely expensive?) with issues of medical ethics. The latter issues, thrust upon modern society by sophisticated biomedical science, medical technology and lengthening life spans, already entail significant official attention, since these issues must be significantly regulated by law; and government, judicially or legislatively, is the great law-giver.

But enough. When all's said and done, what's in a label like ``socialized medicine``? Nothing much. In Harry Truman's day, the label had the power to confuse and terrify. What has changed since then is that the S-word (especially when used as arbitrarily as Samuelson uses it) has lost its talismanic power to overwhelm common sense.

Not even the AMA uses it any longer.

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12/6
THE PRESIDENT HAS SEEN

THE WHITE HOUSE
WASHINGTON

October 4, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Howard Paster *HP*
SUBJECT: October spending cut package

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THE WHITE HOUSE
WASHINGTON

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October 4, 1993

MEMORANDUM FOR THE STAFF SECRETARY

FROM: Howard Paster *HP*
SUBJECT: Attached memorandum for the President

I would appreciate your sharing a copy of the attached memorandum for the President with the Vice President, Director Panetta, Mack McLarty, David Gergen, Roy Neel, Jack Quinn, Bob Rubin, and George Stephanopoulos.

Dove

2. Hillary Lucas w/Connie ? at State Department.
Send extra cross pens to her, Room 1238, Office of Protocol
(647-1704)

Sent pens
10/5/93

THE PRESIDENT HAS SEEN

1015193 db

THE WHITE HOUSE

WASHINGTON

13 OCT 4 A10:05

October 4, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: HOWARD PASTER

SUBJECT: PRISON BOOTCAMP IN MARYLAND

When you were at the University of Maryland some weeks ago, Governor Schaefer spoke to you about locating a prison bootcamp in the state. While I was not present, I am told the Governor may have left you with the impression that this idea had support from the Congressional delegation.

As the attached letter from both Maryland Senators to Secretary Aspin shows, there is sharp disagreement with Governor Schaefer's position on this issue. I felt it was important that you not be under any misimpression from your conversation with the Governor in case anyone from the Maryland delegation raises this issue with you.

CC. Marcia Hare
MACE

BARBARA A. MIKULSKI
MARYLAND

COMMITTEES:

APPROPRIATIONS

SELECT COMMITTEE ON ETHICS

LABOR AND HUMAN RESOURCES

SUITE 709
HART SENATE OFFICE BUILDING
WASHINGTON, DC 20510-2003
(202) 224-4654
TTY: (202) 224-5273

United States Senate

WASHINGTON, DC 20510-2003

September 10, 1993

The Hon. Les Aspin
Secretary of Defense
The Pentagon
Washington, DC 20301

Dear Secretary Aspin:

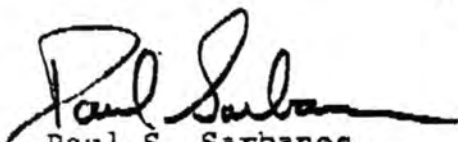
Today, the Commander at Ft. Meade and the Commander of the First U.S. Army announced that the Army will allow the State of Maryland to relocate a prison bootcamp to barracks on Ft. Meade. We ask that you take immediate steps to halt the implementation of this proposal.

There is virtually no local community support for the proposed location of the bootcamp, which is just across the street from an ongoing development of several thousand homesites. There is almost unanimous opposition to the proposal from local, county, and federal elected officials, and members of the Maryland General Assembly.

More importantly, locating a bootcamp on Ft. Meade completely undermines all of the work that has gone into preparing a Vision 2000 plan for the future of the base. That plan, which would develop a federal office and laboratory campus on the Fort, has the strong support of the community and elected representatives. Anne Arundel County has made major investments in upgrading the area around the Fort to further the development of the Vision 2000 plan. But this vision is placed at risk if the boot camp is located there. Attracting other federal facilities will become almost impossible with a prison on the site.

We urge you to support the Vision 2000 plan for Ft. Meade, and reject the decision to allow the State to relocate a bootcamp onto the base.

Sincerely,



Paul S. Sarbanes
United States Senator



Barbara A. Mikulski
United States Senator

THE WHITE HOUSE

WASHINGTON

OCT 1 P7:29

October 2, 1993

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: Michael Waldman *MW*
Special Assistant to the President
for Policy Coordination

SUBJECT: CAMPAIGN FINANCE REFORM

As you know, the House leadership intends to bring campaign finance reform, lobby disclosure and other institutional reform issues up in October as part of a "reform week."

The campaign finance reform plan unveiled in May by the administration and congressional leadership represented, for us, a compromise -- particularly on the subject of PACs. (The May proposal kept PAC contributions at \$5,000, but limited them to an amount equal to 1/3 of the spending limit.) There has been some concern that lawmakers want to back away from the PAC proposal, and other aspects of the plan. Common Cause would oppose a bill that did not contain the basic elements of our plan.

We are informing the relevant leaders (the Speaker, Majority Leader Gephardt, Rep. Gejdenson) that it would pose a problem for us if they moved too far from the May proposal as they craft their legislation.

Fortunately, in recent days there is indication that the leadership is coalescing around an acceptable version of our plan. The proposal would keep our PAC compromise. In addition, it would include communication vouchers, funded by a \$5 add-on checkoff (i.e., the amount is voluntarily added to the amount owed), with backup funding coming from a fee assessed on campaign contributions.



To: HRC (HRC)



THE PRESIDENT HAS SEEN

10/3/93 db

HOUSE OF REPRESENTATIVES
WASHINGTON, D. C. 20515

DAN MILLER
THIRTEENTH DISTRICT
FLORIDA

Sept 28, 1993

✓
Dear Mr President,
Thank you for the
opportunity to fly with you
to your Town Hall meeting
in Tampa. I especially enjoyed

having lunch with you on
Friday on Air Force One.

I appreciate your commitment
to NAFTA. I expect to be
a co-sponsor of the Managed
Competition bill and hope you
will reconsider this plan without
mandates or caps.

Sincerely,
Dan Miller

To Bill Dely



THE PRESIDENT HAS SEEN

10/3/93 45
SEPT. 16 1993
EN ROUTE TO L.A.

MR. PRESIDENT -

IT WAS AN HONOR TO BE INCLUDED
ON YESTERDAY'S NEW ORLEANS SOJOURN.

YOUR MESSAGE WAS RIGHT ON TARGET.
I STAND READY TO ASSIST IN ANY WAY
AS WE HEAD DOWN THE HOME STRETCH.
PLEASE KEEP NAFTA ON THE FRONT BURNER

AS EVER - *Sam Dely*

10/3/93 db

Clintoons

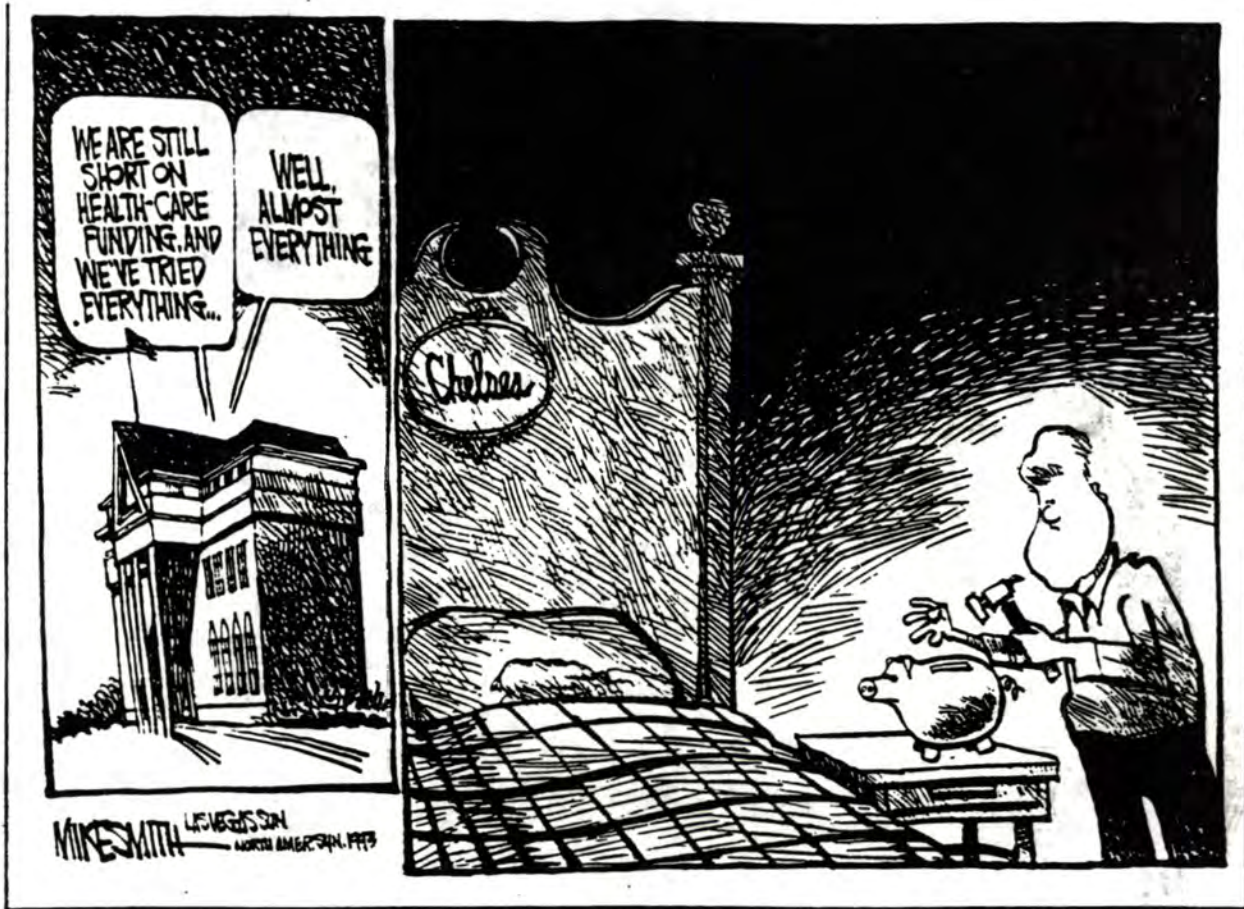
A Week in Review.

GS → I think this shows a big pit.
Gugen/Graun

Almost none of the leaders
can cartoon or favour
do we need a bad grounds
for pol. cartoonists? But a bad idea



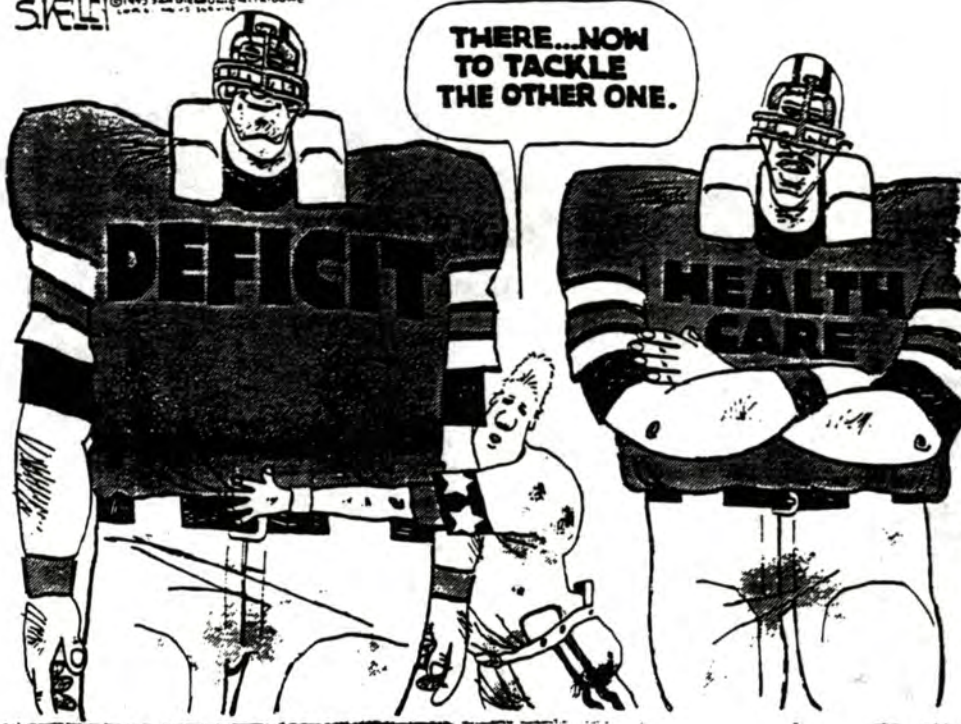
CLINTON TELLS U.N.: DON'T GET INVOLVED IN ALL THE WORLD'S CONFLICTS



MANEY Chicago Tribune



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MARGULIES
© 1993 THE RECORD
NEW JERSEY

Jimmy Margulies/New Jersey Record

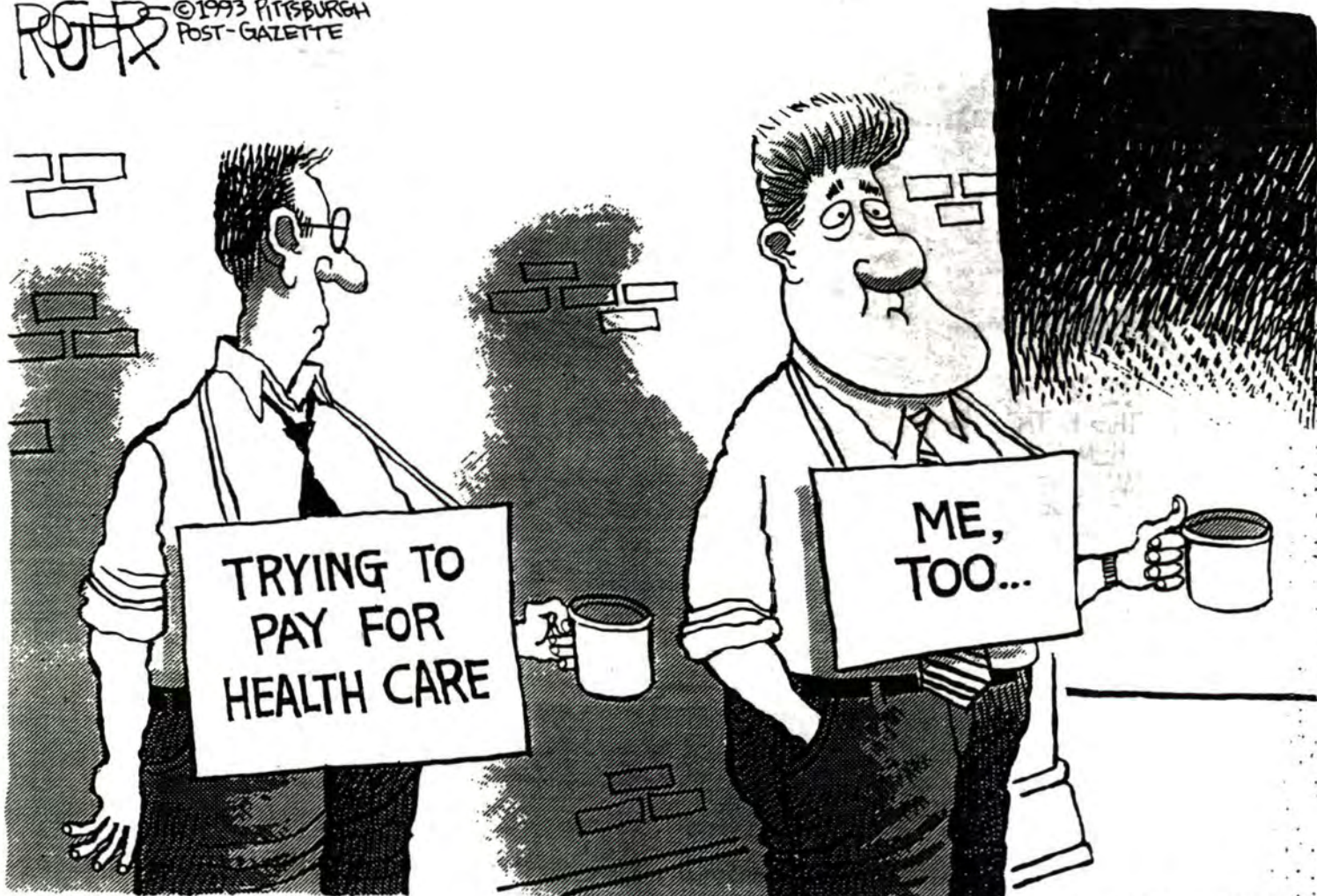


REVEREND SUZANN
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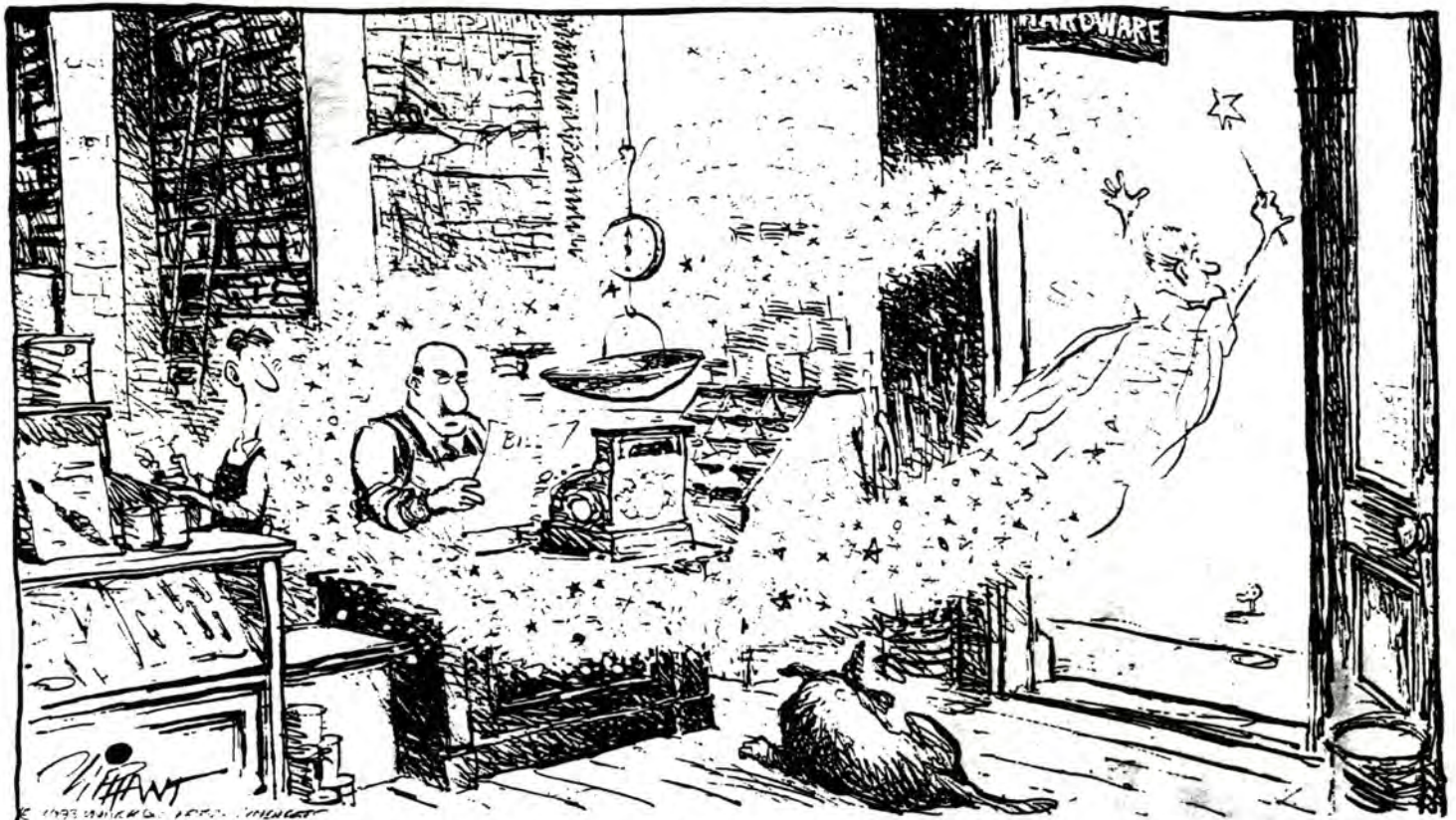


Today's guest cartoonist is John Trever, of the Albuquerque Journal.

ROGERS ©1993 PITTSBURGH
POST-GAZETTE



Pittsburgh Post-Gazette / ROB ROGERS

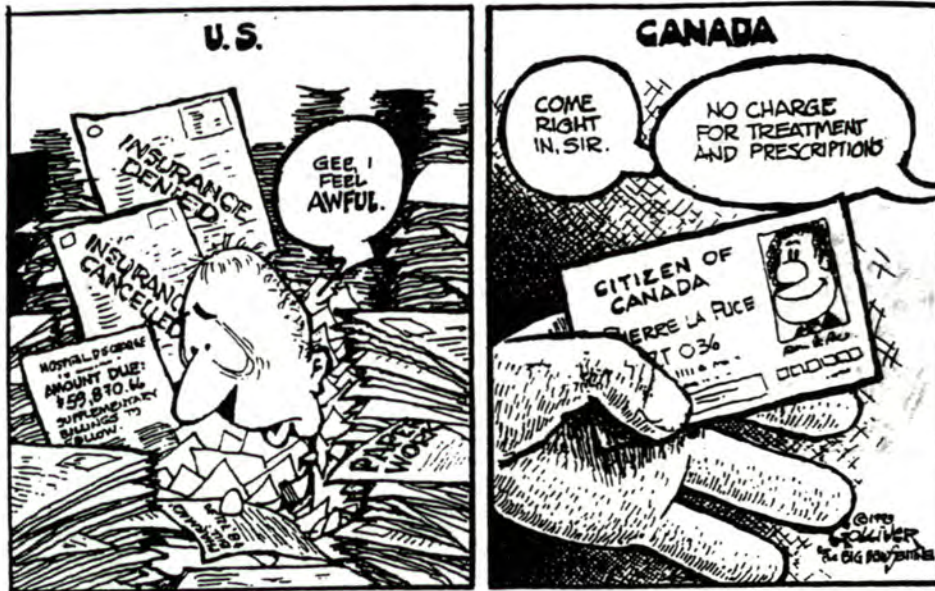


9/21
 'ACCORDING TO THE HEALTH FAIRY, I GET TO PAY YOUR HEALTH CARE PREMIUMS. YOU'RE FIRED.'

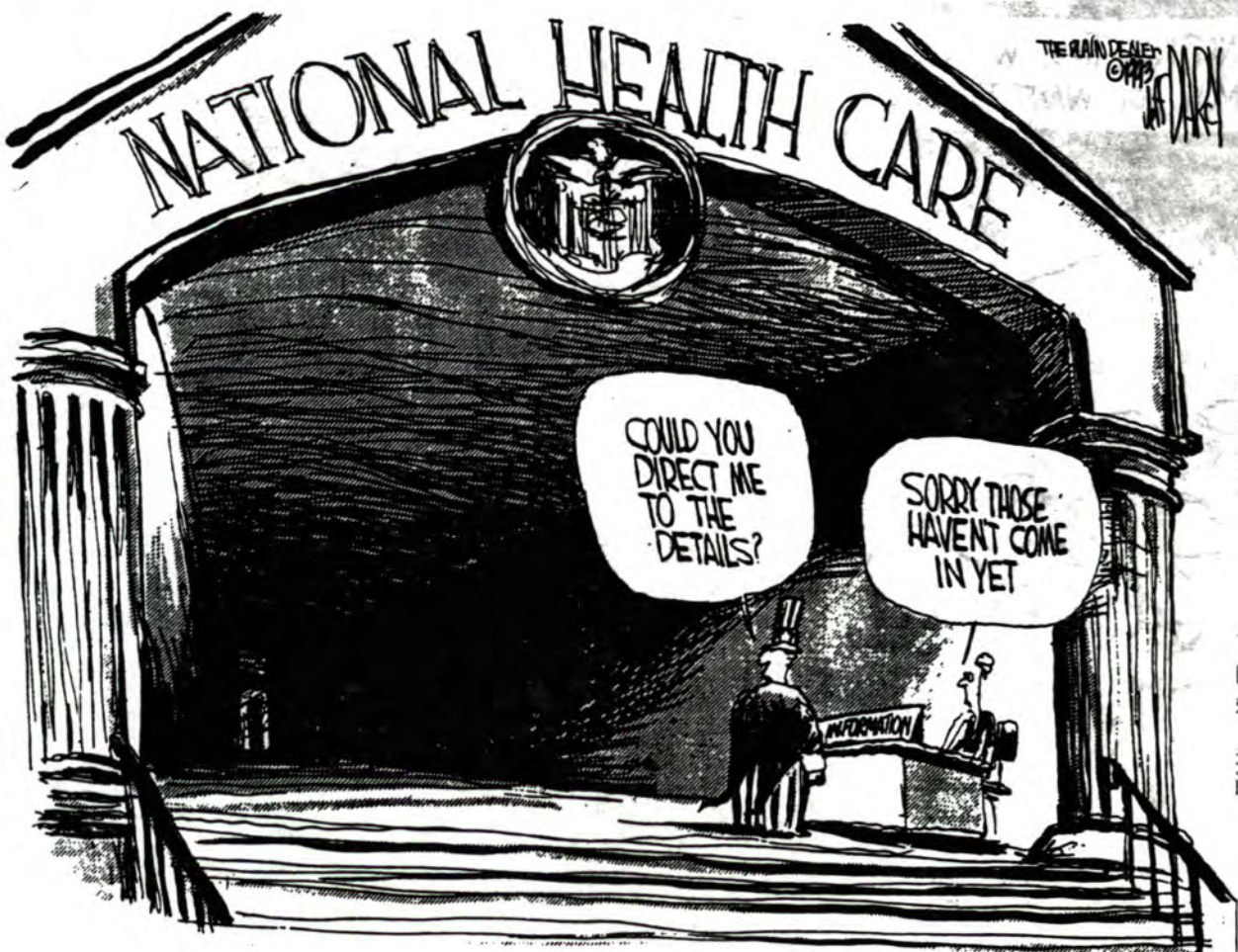




QUICK COMPARISON OF HEALTH CARE DELIVERY SYSTEMS



THE PLAIN DEALER, SUNDAY, SEPTEMBER 26, 1993

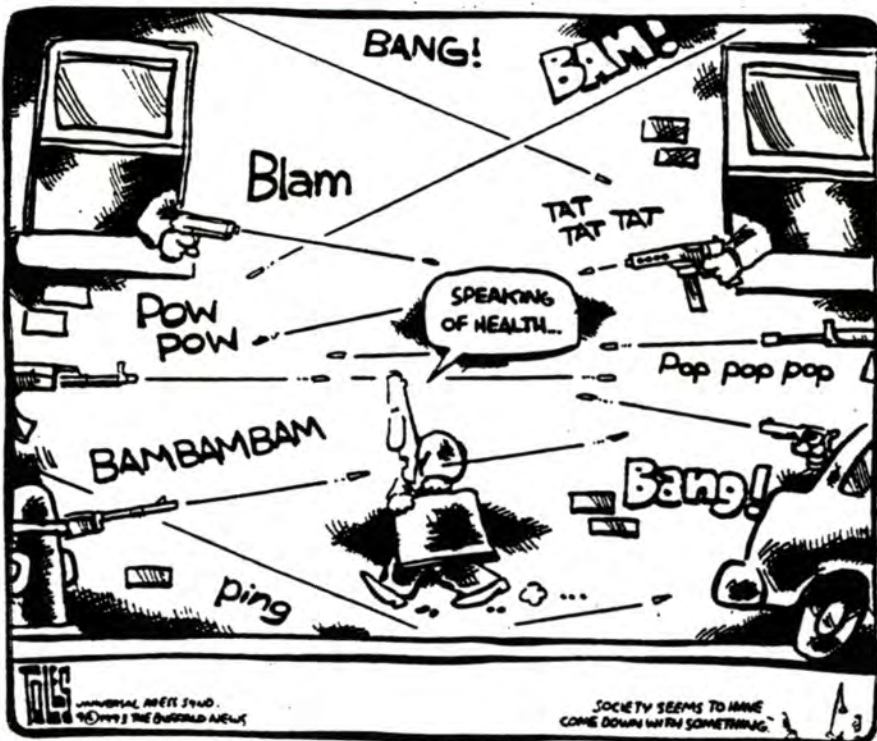


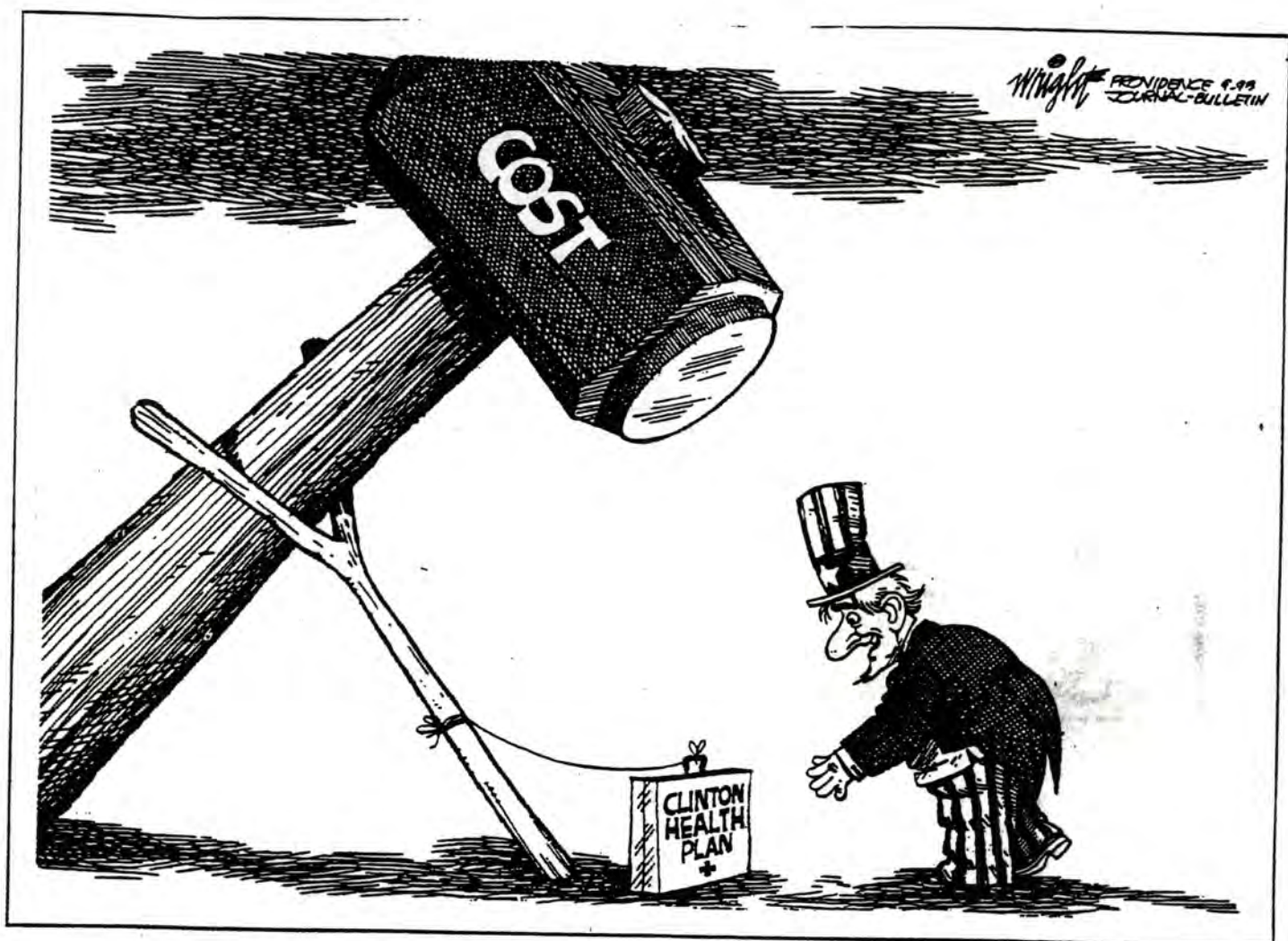


MARLETTE'S VIEW



"TAKE TWO ASPIRINS AND CALL HILLARY IN THE MORNING!"



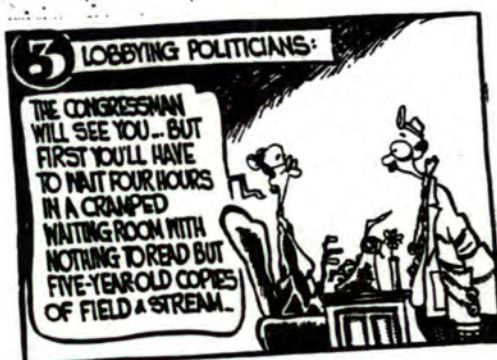
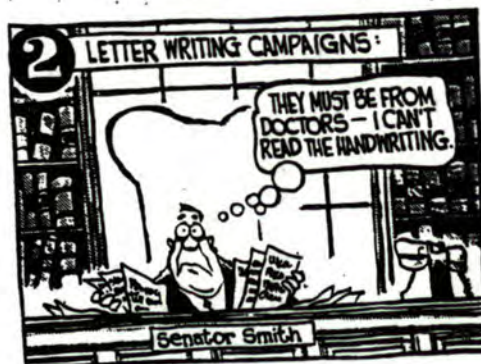


Okay, I give up: Roll 'em!





How Doctors Plan to Combat Health Care Reform:





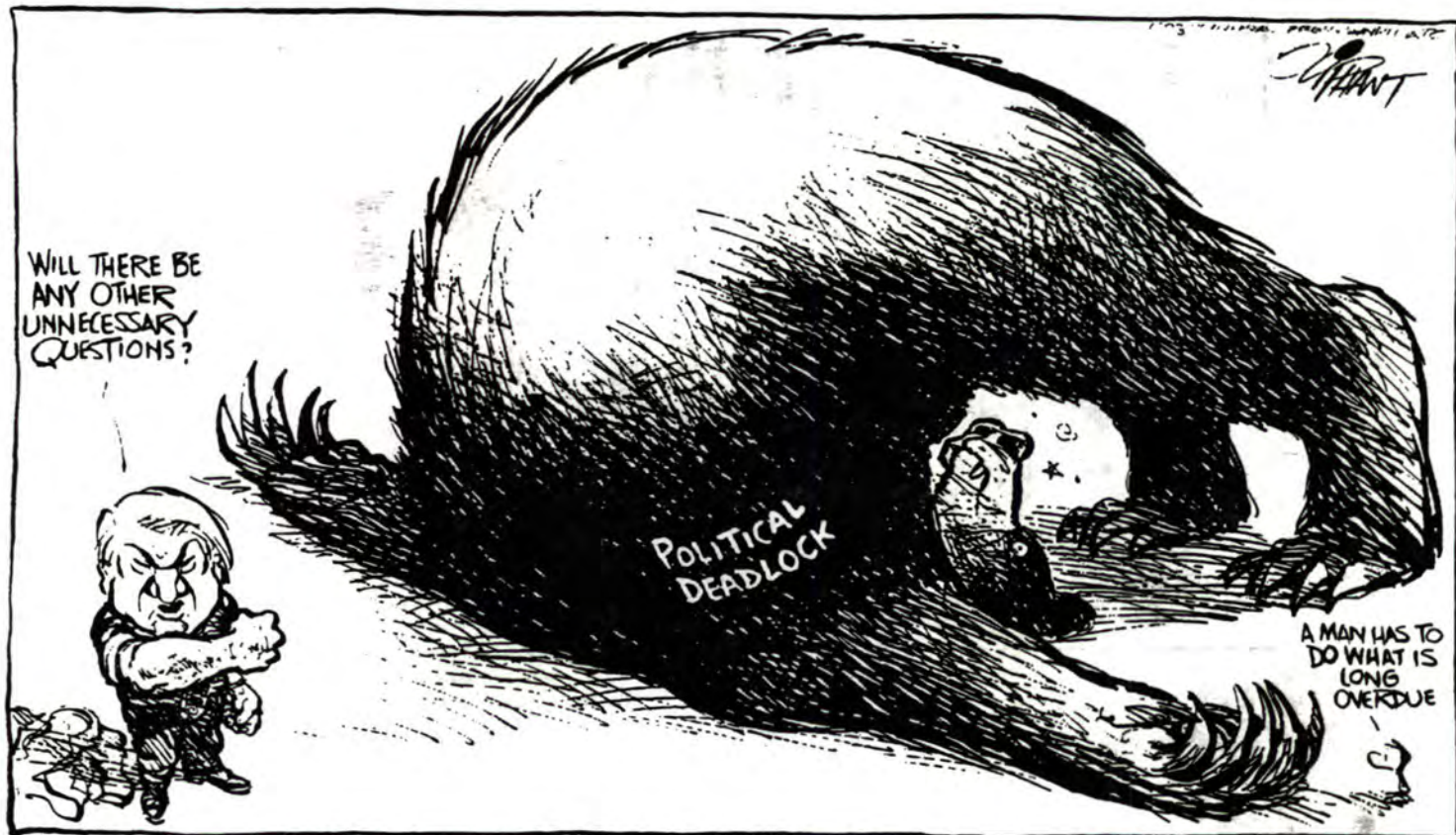
By Frank Cammuso, Syracuse Herald-Journal



YELTSIN DISSOLVES PARLIAMENT

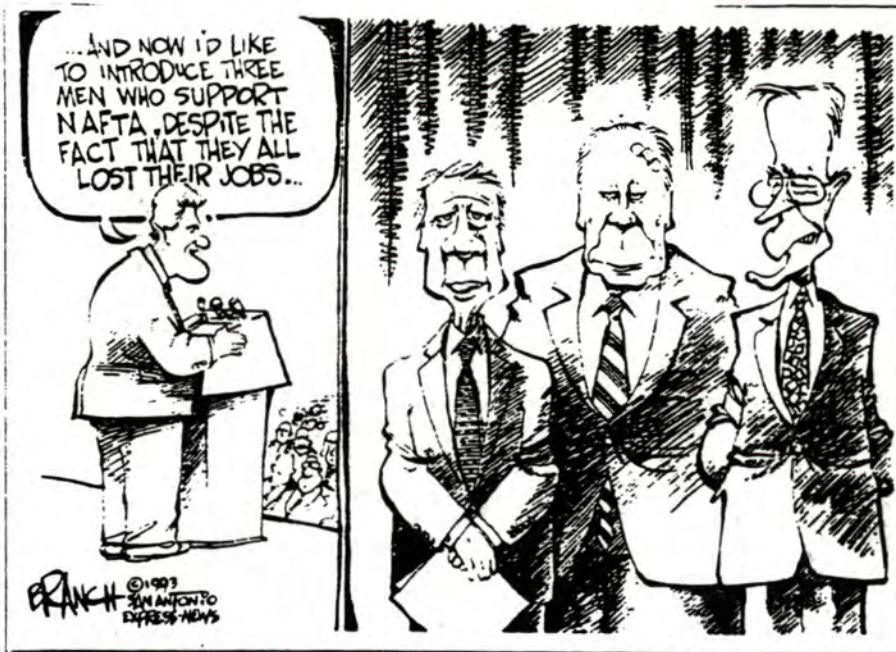
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CARPNER 93



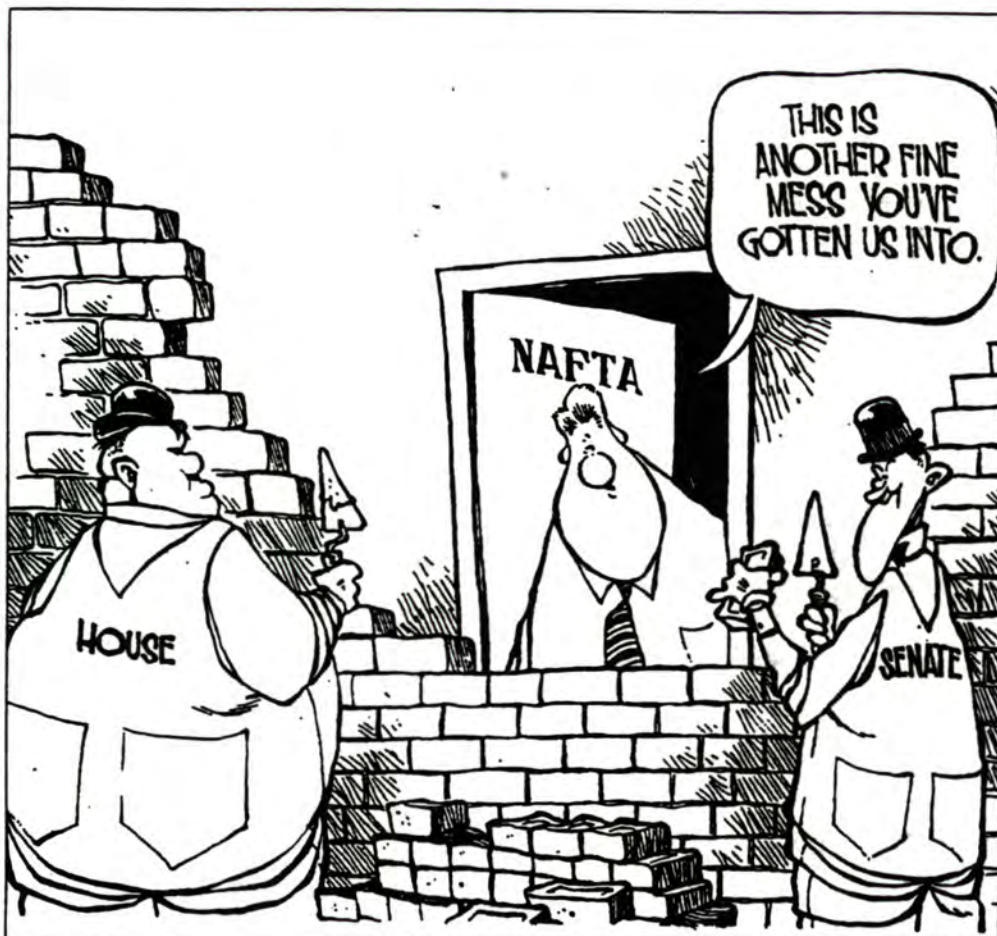


By Dan Fouts. Texas International Features

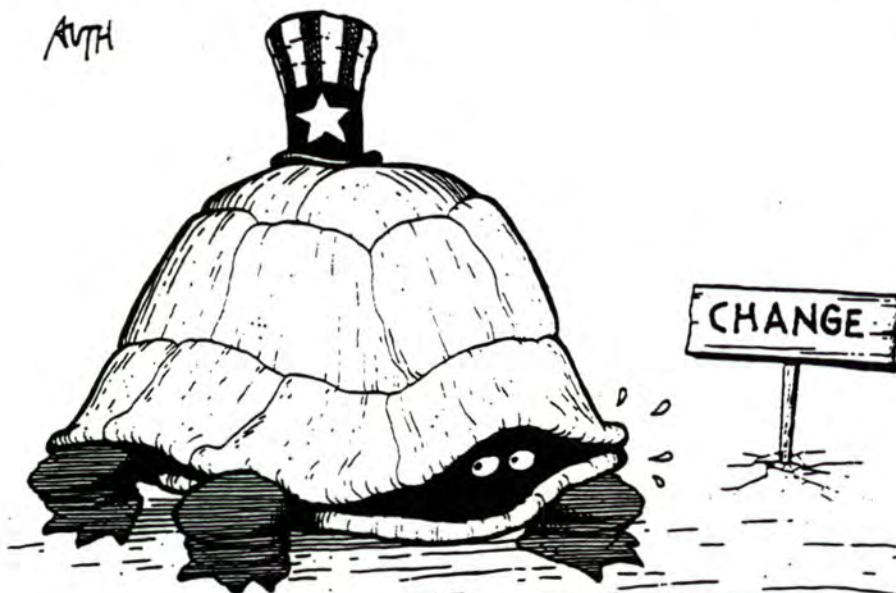




John Branch
San Antonio Express-News

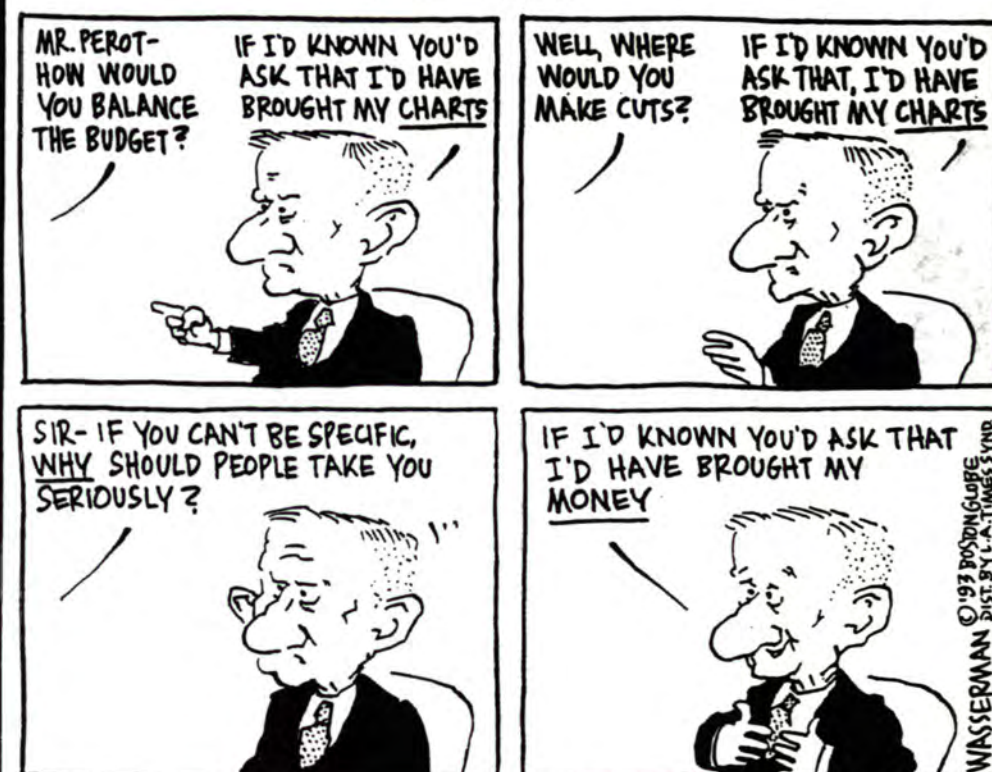
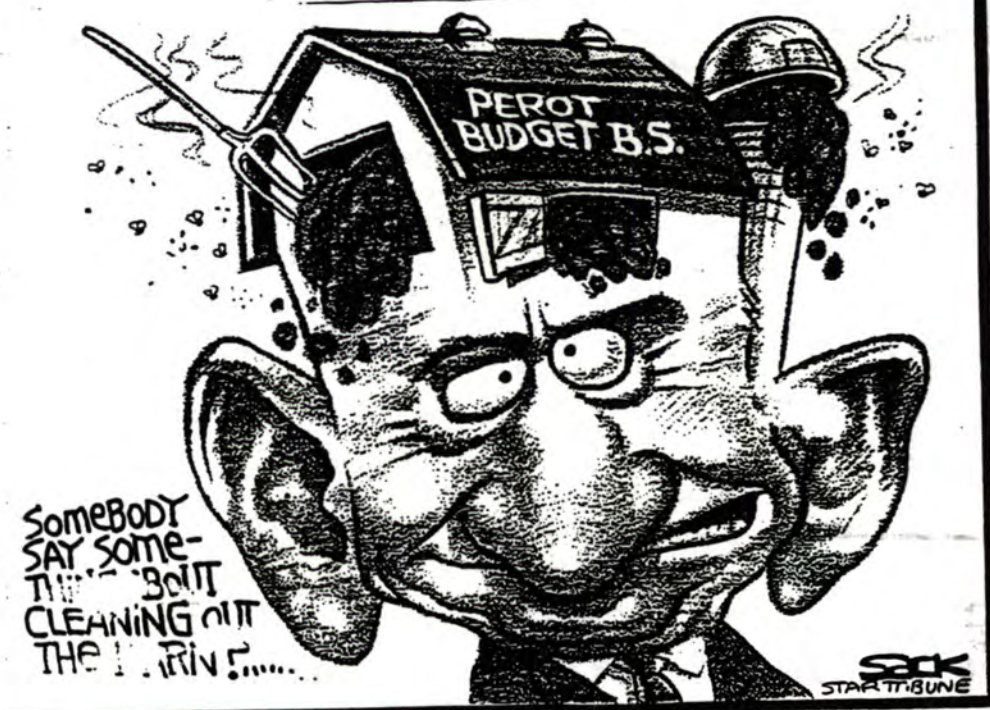


BY FOOTIE FOR TEXAS INTERNATIONAL FEATURES



TONY AUTH, Philadelphia Inquirer

New national symbol (if NAFTA is defeated.)



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 Copying News Service
BEATIE



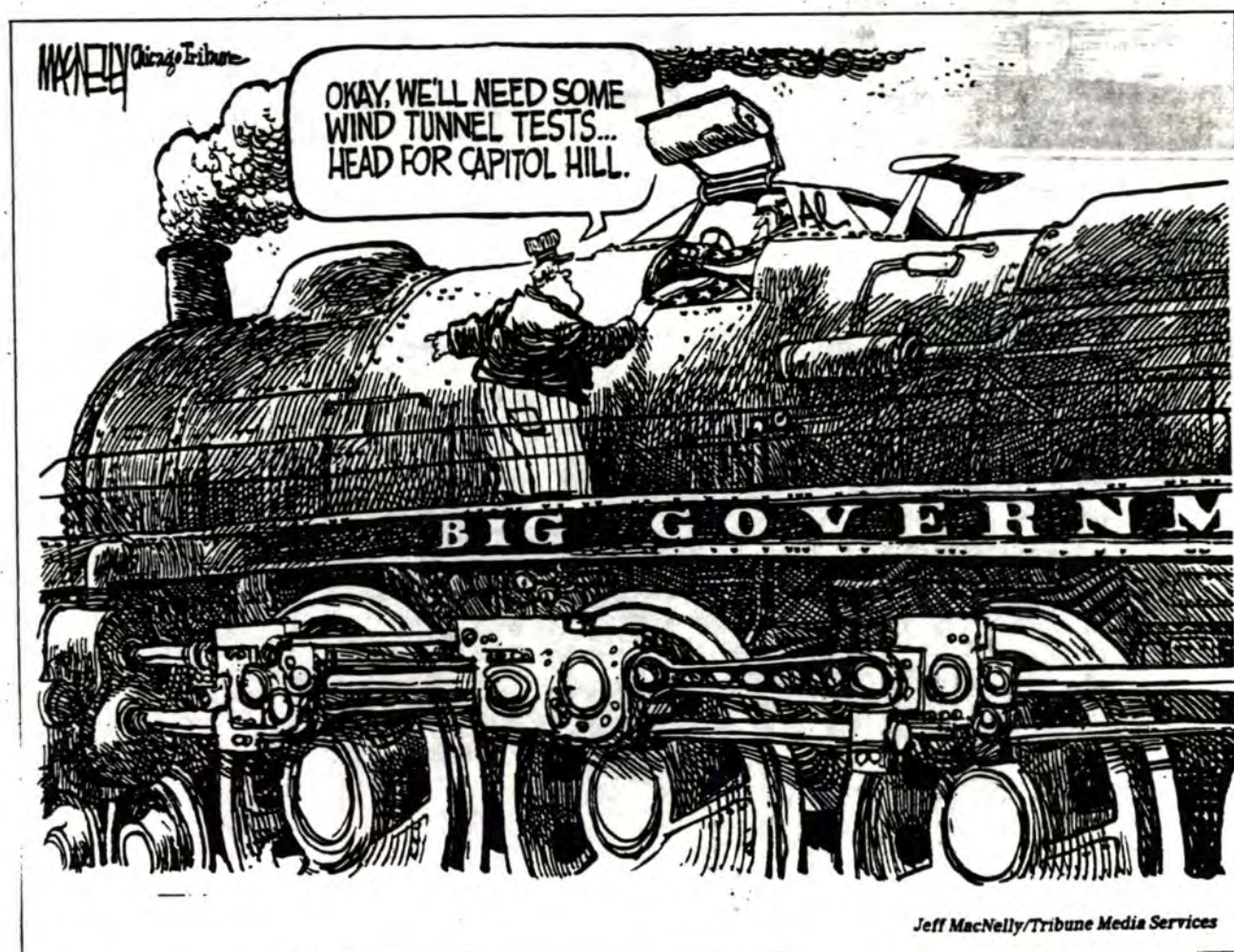
"Support for the North American Free Trade Agreement really picked up after a provision was added to it to export Ross Perot to Mexico."

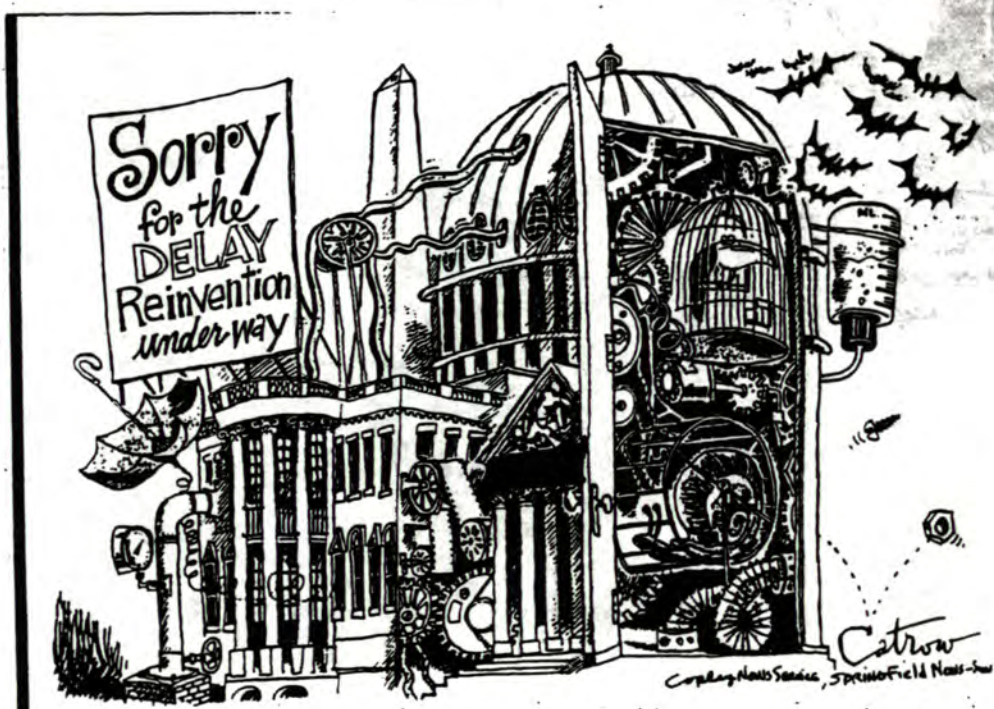
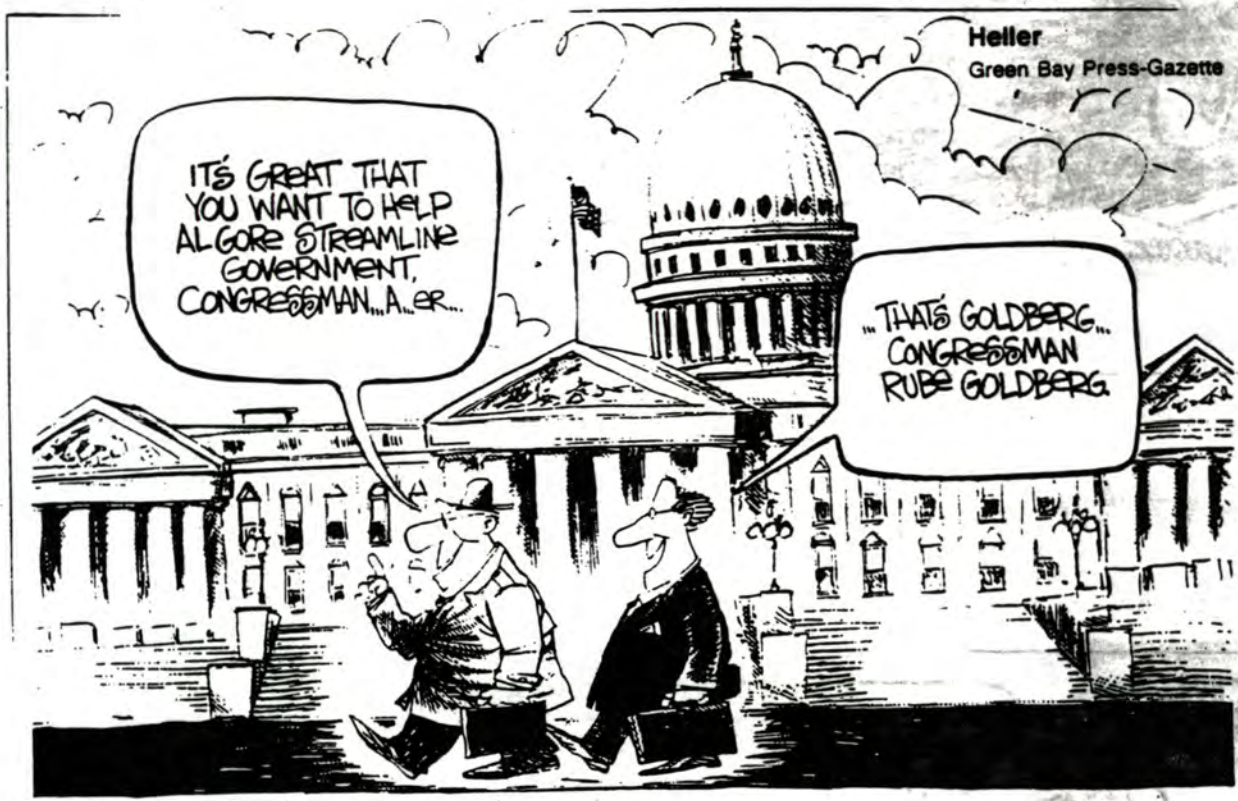
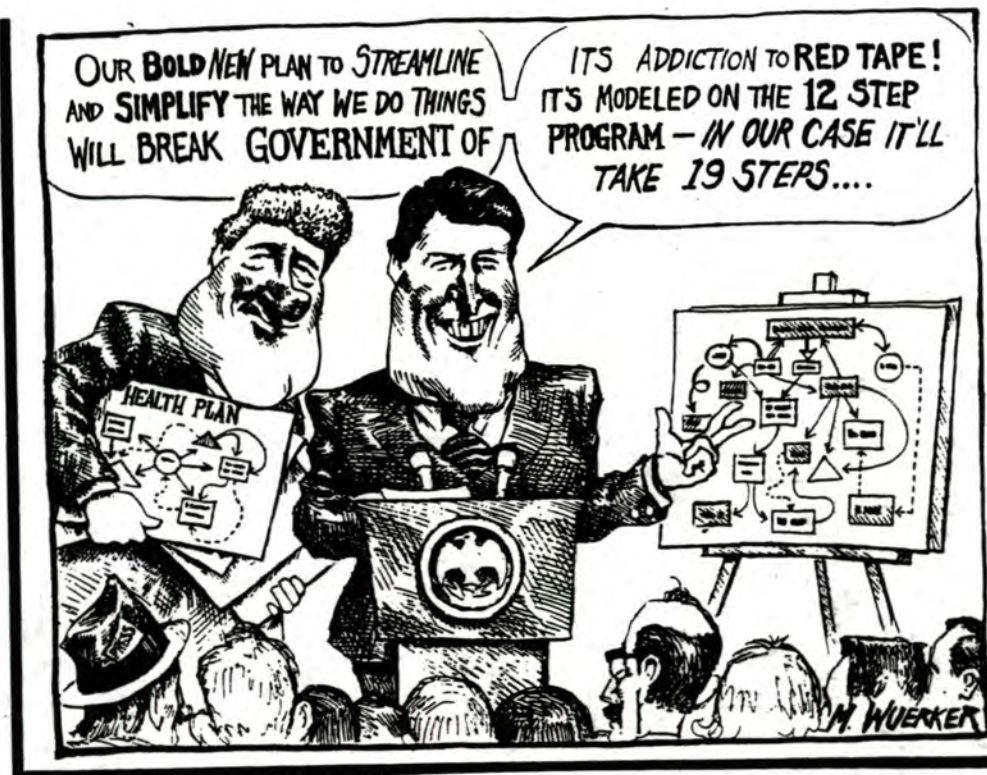
THE PLAIN DEALER, MONDAY, SEPTEMBER 27, 1993

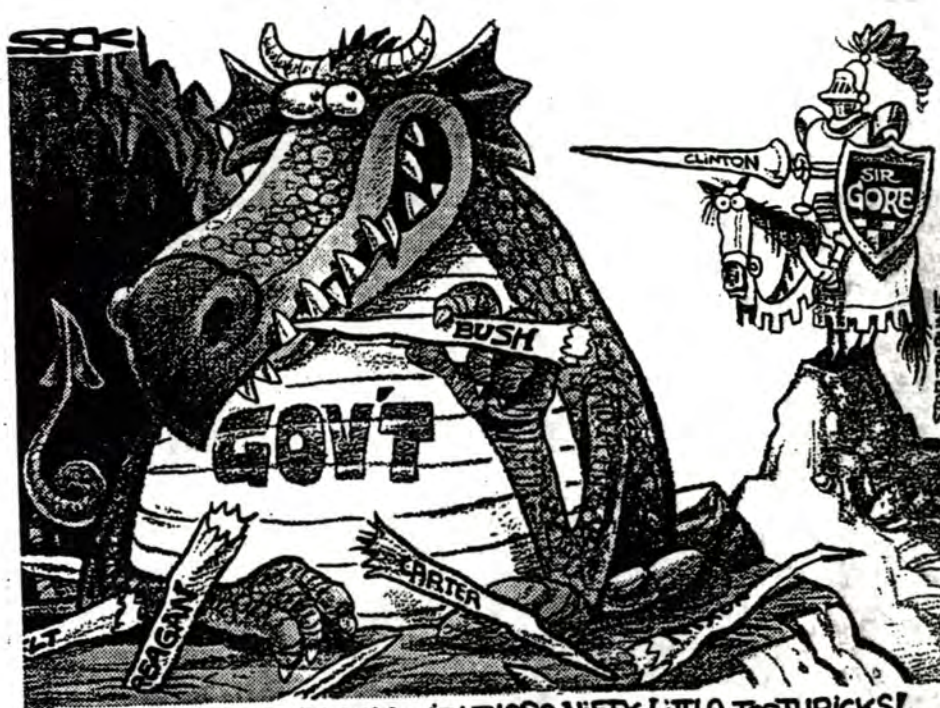
McKelton
 5 and THE
 CRANE
 REENTER

SIR, YOUR NEXT
 PHOTO OP MIGHT
 BE A LITTLE
 DIFFICULT...









...AND BEST OF ALL THEY COME WITH THESE NIFTY LITTLE TOOTHPICKS!



...NOW, LET'S BE
CAREFUL
OUT THERE!



BillDay Detroit Free Press
OFFICE TRUMPETS, PLEASE STAY SEATED



BillDay Detroit Free Press
OFFICE TRUMPETS, PLEASE STAY SEATED



AN EYE FOR AN EYE, A TOOTH FOR A TOOTH





THEY DID IT! ISRAEL
AND THE PLO HAVE A
PEACE AGREEMENT!



WHOA! A MATURE
WOMAN OF MY AGE
CAN'T APPEAR TOO
EXCITED...



I'VE SEEN IT ALL...
AFTER DECADES OF HATRED,
KILLING AND INJUSTICE, I
KNOW ANYTHING CAN
GO WRONG...



A LOT MUST STILL
BE WORKED OUT...
I MUST KEEP MY
PERSPECTIVE..



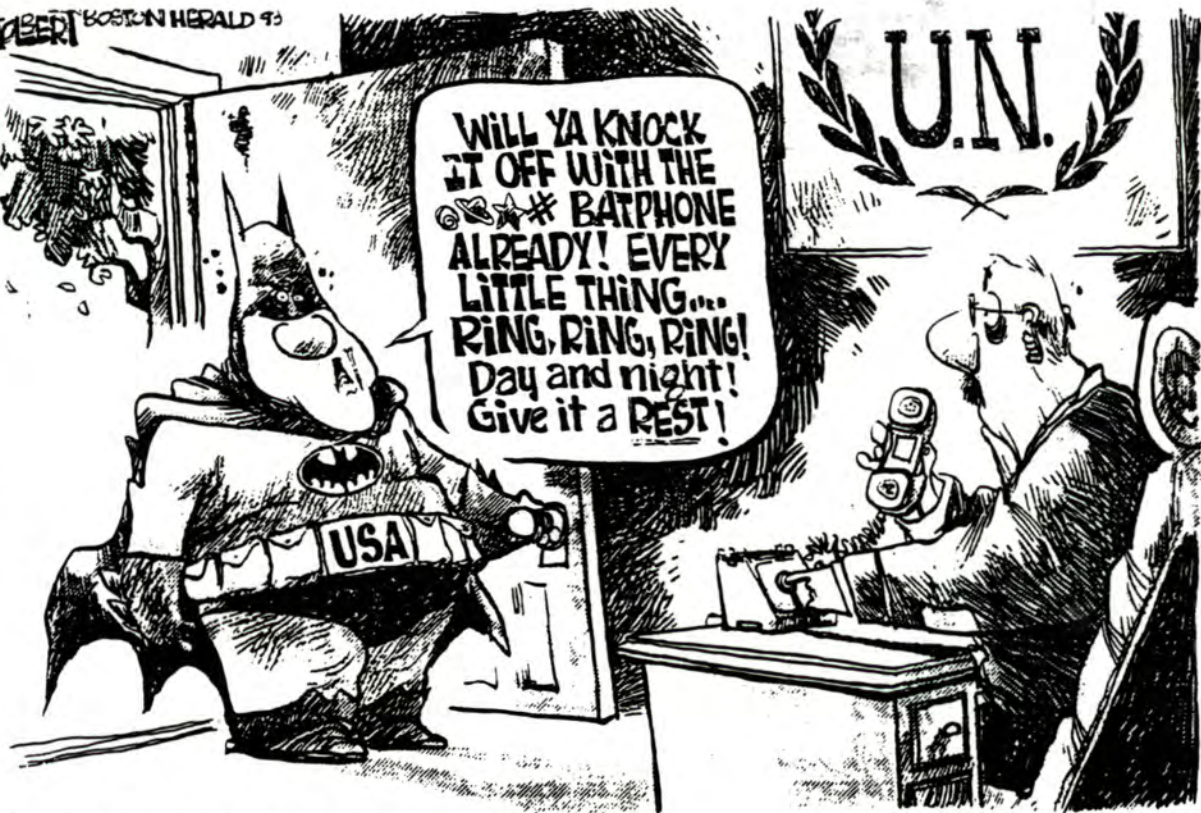
HALLELUJAH!



Clay Bennett
St. Petersburg Times



HERALD BOSTON HERALD 93



CLINTON TELLS U.N.: DON'T GET INVOLVED IN ALL THE WORLD'S CONFLICTS

WHAT GOES THROUGH A PRESIDENT'S MIND WHEN
THE WRONG SPEECH COMES UP ON THE TELEPROMPTER?

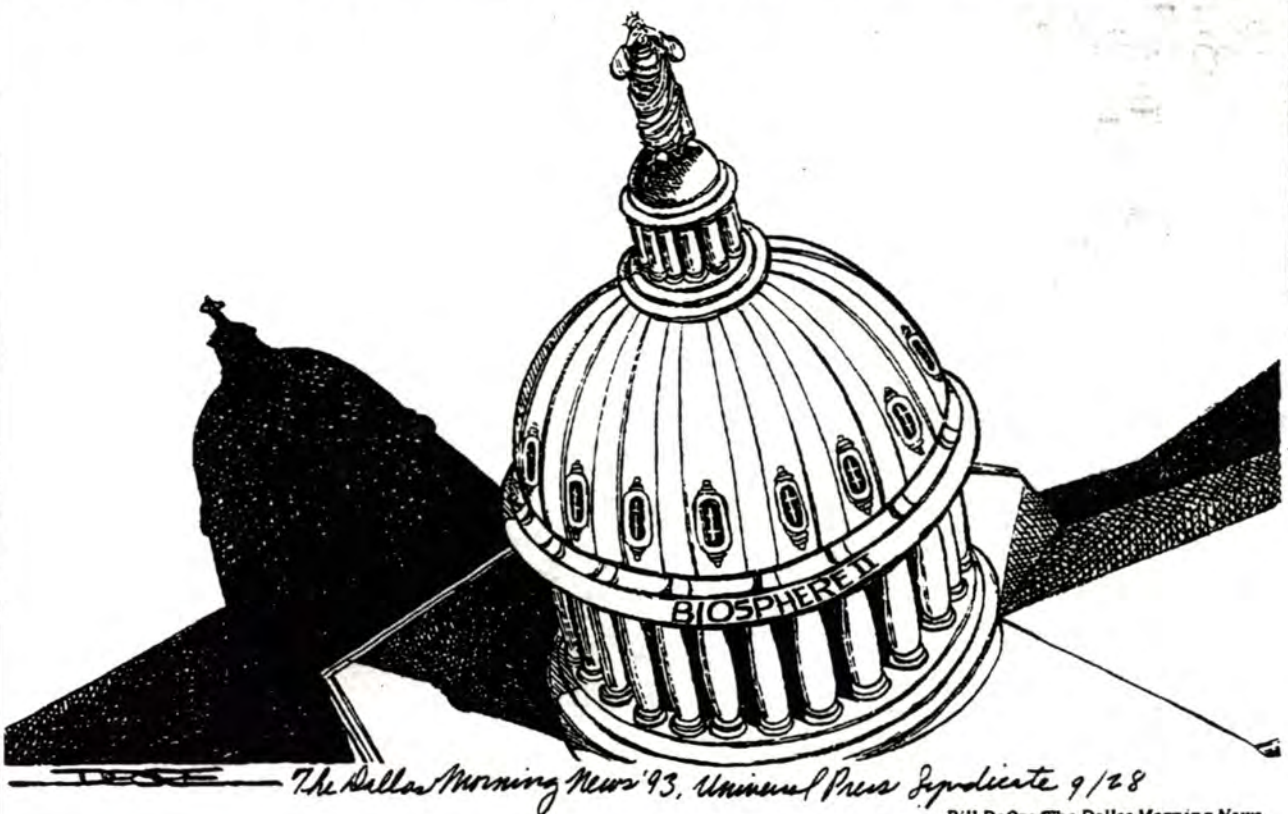


Philadelphia Inquirer / TONY AUTH





A SELF-CONTAINED ATMOSPHERE COMPLETELY CUT OFF FROM THE OUTSIDE WORLD....





CONGRESSMAN - WHEN ARE YOU GOING TO CLEAN UP CAMPAIGN FINANCING?!



YOU PLEDGED TO DO SOMETHING DURING THE LAST ELECTION !!



OH, YES... THE LAST ELECTION...



I'M JUST WAITING FOR SOME FINAL RETURNS



Whew! What a relief! This ones a resident!..

Luckovich
Atlanta Constitution



BillDay

Detroit Free Press
©1995 Tribune Media Service

Looks like
another case
of random
violence.



**Stanley K. Sheinbaum****FAX TRANSMITTAL**DATE: 1 October 1993

THE PRESIDENT HAS SEEN

TO:

Nancy Hernreich10/3/93 db

FIRM:

Office of the President

FROM:

Stanley K. Sheinbaum

COMMENTS:

For the President

2

NO. OF PAGES (including cover sheet)

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FAX: (310) 476-9853**345 North Rockingham Avenue Los Angeles California 90049 Telephone (310) 472-9541 FAX (310) 476-9853**

*To Marcia (Hale)
As President's Secy -
What time will she be in
can be done in a few mins*



Stanley K. Sheinbaum

October 1, 1993

The Honorable Richard Riordan
Mayor of the City of Los Angeles
City Hall Room 305
200 North Spring Street
Los Angeles, CA 90012

Dear Dick:

At dinner with President Clinton last week we got to talking about ways the California economy might be helped. He then alluded to something that Mayor White in Cleveland was doing vis-a-vis delinquent properties.

When I got home I called a friend in Cleveland whom I knew to be close to that sort of thing and the following are from notes I took of his description:

A couple of weeks ago President Clinton was at a new housing development called Church Square in Cleveland with Mayor White and part of what made Church Square possible was land banks. What that is all about is when the county gets very aggressive and forecloses on tax delinquent land. Then the city takes control of it for free and the banks make minimal maintenance. They then hang onto it until they've got enough to put parcels together and have big pieces of land for development. You really need a state law to allow you to be that aggressive and you also need a pretty bombed out city to make the economics work.

He is sending me further materials on it. I don't know if you are interested but if you want to follow up in any way that might be applicable to Los Angeles, I will send you those materials when I get them.

With best wishes,

Stanley K. Sheinbaum
SKS/kc
rior
enclosure

cc: President Bill Clinton

10/3/93 db

THE WHITE HOUSE
WASHINGTON

SEP 30 P2:53

SEPTEMBER 30, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: MACK McLARTY

SUBJECT: NOTE FROM HOWARD PASTER

I had transcribed Howard's handwritten note to me at this morning's staff meeting. As you will note, Howard suggests you call Tom Bevill and ask him to accept the SSC in conference. The purpose of the call would be to confirm Martin Frost's vote for NAFTA. Additionally, your call would please Ann Richards.

There may be a down side here I am not aware of, but I did want to bring Howard's note and recommendation to your attention, given that every vote on NAFTA is going to be important.

Attachment

cc: Roy Neel
Howard Paster

* * * *

Transcription of Howard Paster's note to Mack McLarty:

Bennett Johnston should win Superconducting Super Collider (SSC) vote today (beating Bumpers). Martin Frost says he'll vote for NAFTA if POTUS calls Tom Bevill and asks him to accept SSC in conference. Gov. Richards would be thrilled if President made such a call. Views???

*Call Bevill
He'll help
we can go
Ann Richards
in conference*

9/29

MACK-

BENNETT JOHNSON 5/10/40

WIN SUPERCONDUCTOR SUPER COLLIDER ~~(SSC)~~ VOTE

TODAY (BEATING BUMPERS). MARTIN CROSS,

SAYS HE'LL VOTE FOR NAFTA

IF POTUS CALLS TOM BEVILL AND

ASKS HIM TO ACCEPT SSC

IN CONFERENCE. GOV. RICHARDS WOULD

BE THRILLED IF PRESIDENT MADE

SUCH A CALL. VIEWS???

HOWARD

Positive - I'm easy -

Let me discuss w POTUS

Pl return this note to give me
a follow-up piece of paper

THE PRESIDENT HAS SEEN

1013193 do

Bl - Gary Smith Flea
x Ch of Staff to Gov.
Graham

Wants to be part of
Houin - Has he
called for copy
specife?

Bl

Clinton Held Ready to Order Standard on Recycled Paper

THE PRESIDENT HAS SEEN

10/3/93 db

By JOHN HOLUSHA

Continued From First Business Page

In an apparent victory for environmentalists over the paper industry, the White House is said to be leaning toward an executive order that would direct Federal agencies to purchase office stationery and other paper with at least 20 percent of its content recycled from trash.

Such a Federal move is expected to provide a powerful stimulus for recycling efforts by setting a standard that might also be adopted by state and municipal governments and by corporate buyers of paper seeking a good environmental image. Expanded use of recycled paper, moreover, could also help create a larger market for the tons of paper that cities and towns collect each year in recycling programs.

"If they do 20 percent, it will do more for recycling in 6 months than the environmental community was able to accomplish in 20 years," said Allen Hershkowitz, a solid waste specialist with the Natural Resources Defense Council in New York. "The cities have been pleading for a definition."

Although the White House order was not signed or announced yesterday, people in Washington and elsewhere familiar with the discussions said yesterday that the Clinton Administration had apparently decided to rebuff pleas by the paper industry that the level of recycled material go no higher than 10 percent.

But the paper industry was mounting a vigorous counterattack yesterday after reports arose about the proposed terms of the order. Barry Polsky, a spokesman for the American Forest and Paper Association, the leading industry trade group, said last evening that "we are still talking to the White House" and declined to comment further.

The Federal Government buys less than 2 percent of the 22 million tons of printing and writing paper produced in this country each year, a

market with a total value of about \$20 billion. But a Federal standard could have a far-reaching influence. Until now, there has been widespread disagreement over how much reclaimed content is needed to label paper "recycled" and over the types of paper to be re-used.

30% by End of Decade?

People familiar with the matter say the 20 percent content level will become effective at the end of next year and rise to 30 percent near the end of the decade. In addition, to qualify, the paper will have to have been previously used and reclaimed from garbage and will not include the paper-mill scraps the industry wanted to include in the definition. Environmentalists argue that only by removing paper from trash can the paper industry relieve the burden on landfills, where paper and cardboard are the largest single component.

In a statement issued yesterday as the issue was still in doubt, Sharpe James, the Mayor of Newark, who is chairman of the United States Conference of Mayors, said the 20 percent standard "represents a significant improvement over earlier proposals."

"Cities must have a market for every ton of recyclables collected," Mr. James said. "Today, those markets are so weak that the viability of many of our recycling programs is threatened."

Environmentalists do appear to have lost on a least one issue in the debate — their proposal that the Government not buy paper bleached by chlorine or chlorine compounds. Chlorine has long been used to brighten paper, but environmentalists have argued that use of the substance leads to toxic emissions, including the family of chemicals known as dioxin.

Paper industry officials have argued that dioxin emissions have been greatly reduced in recent years and that it would be a heavy economic burden for them to convert mills based on chlorine bleaching to alternative methods, like ones using oxygen and ozone.

President Clinton promised to issue an executive order urging Federal agencies to increase their purchases of recycled goods in his Earth Day speech last spring. Because the recycled-paper standard is expected to be the only one in the order that sets a specific percentage, environmentalists and groups from the paper industry have been arguing for months over the content level and the sources of supply. The debate culminated in a White House meeting of the various factions on Monday.

According to people close to the discussions, Mr. Clinton's economic advisers were the chief opponents of the stiffer recycling standard, fearing a loss of jobs in the forestry and paper industry. But Mr. Hershkowitz noted that the collection and separation segments of recycling were labor intensive and tended to be in cities that generate the largest amounts of trash.

"We're talking thousands of inner-city jobs here," he said.

Good
the don't need
the paper
the paper

Handwritten mark resembling a stylized 'X' or a signature.

Continued on Page D18

THE PRESIDENT HAS SEEN
10/5/93 ds

Maely/Guy

Need to discuss
when & how to announce

This is a big deal -
B.

U.S. Pact to Return Inmates To Havana Alarms Emigrés

PRESIDENT HAS SEEN

10/3/93 db

By LARRY ROHTER

Special to The New York Times

MIAMI, Sept. 29 — The Clinton Administration, in secret talks with the Government of Fidel Castro, has agreed to hand over to Havana some 1,500 Cubans held in Federal prisons, spreading waves of alarm among Cuban exiles here.

On the streets of Little Havana, there was concern over what could await the prisoners once they are returned to jails in Cuba. But even more widespread were the fears that the deal announced by the Justice Department late Tuesday, the first of its kind in nearly a decade, might signal the start of a broader rapprochement between the United States and Cuba.

"We are only lending credibility to the Castro regime when we reach this kind of an accord with him," Julio Estorino, a director of a major exile group, the Association of Cuban Municipalities in Exile, complained in an interview this afternoon. "At a moment when he is experiencing his worst crisis and the people are in the streets throwing stones, this is like a gift to him."

Under Tuesday's agreement, the United States plans to forcibly repatriate up to 50 of the Cuban prisoners each month during the next two and a half years. The deportees are to be Cubans who arrived in the United States as part of the Mariel exodus of 1980 and were later convicted of committing felonies in the United States.

Officials did not say when the deportations would begin. Prisoners can appeal deportation orders to the Immigration and Naturalization Service.

Signs of Cooperation

Tuesday's agreement follows several other indications that both Washington and Havana want to diminish the tensions that have existed between the two countries for more than 30 years. This month, for instance, in a reversal of its policy of noncooperation, Cuba handed over to American authorities a pair of drug traffickers who had eluded an Army helicopter and fled into Cuban waters.

For its part, the Clinton Administration has quietly eased some restrictions on travel to Cuba by American citizens and twice let Cuba know of plans to hold military maneuvers in the area. It has also proposed a revenue sharing deal on phone calls between the two countries that would generate millions of dollars in hard currency for Mr. Castro's cash-starved government.

In addition, Cuban security agents, at the invitation of the Justice Department, testified before a grand jury here last month that was considering criminal charges against a Cuban pilot who commandeered an airplane with 52 passengers and flew to freedom here. Today, apparently to soften the impact of the repatriation agreement, the Justice Department announced it was dropping the case against the pilot, Carlos Cancio Porcel.

Since the collapse of the Soviet Union, the Cuban economy has gone into a sharp decline, with shortages of food and fuel forcing many people to spend much of their time foraging for supplies. In addition, fears of violence or even civil war are rising, with a Cuban Air Force defector saying, at a news conference here Tuesday that the military has been told it may have to fire on Mr. Castro's civilian opponents.

Giving Castro 'Straws'

In such an atmosphere, "anything that smells of agreement smells foul" to exile groups convinced that Mr. Castro's fall is imminent, said Lisandro Perez, director of the Cuban Research Institute at Florida International University here. "If you reach an agreement on one topic, you might conceivably reach agreement on other things. This thing with the prisoners is criticizable not so much on content, but simply because there are negotiations at all."

"Castro is pursuing these negotiations to create the impression, even on these supposedly technical immigration matters, that the United States is changing its policy," said Lincoln Diaz-Balart, a Congressman who represents a largely Cuban district here. "We shouldn't be giving him straws to grasp."

In 1980, an estimated 125,000 Cubans, nearly all legitimate refugees, fled the island as part of a massive boatlift. In 1984, Cuba agreed to accept the return of criminals it had deliberately mixed in with the refugees, in return for which the United States said it would accept 3,000 political prisoners and issue up to 20,000 immigration visas to Cubans each year. But Cuba backed out of the accord the next year to protest the Reagan Administration's decision to begin radio broadcasts to the island through Radio Marti.

When, late in 1987, the State Department announced that Mr. Castro had agreed to accept repatriation of more than 2,700 Cuban convicts, so-called "Mariel felons" took over two Federal prisons in an uprising that lasted two weeks. In August 1991, Cuban inmates at the Federal prison in Talladega, Ala., seized 10 hostages in an effort to avoid deportation. They were subdued when an Federal SWAT team stormed the prison.

In addition to the 1,500 prisoners affected by what the Justice Department is formally calling "expanded

A move that exiles feel could mean closer ties to Castro.

repatriation of Mariel Cuban felons," there are another 400 Mariel Cubans in Federal prisons and about 2,300 more in various state and local jails. The Justice Department said these convicts "will not be immediately affected" by Tuesday's accord. However, it ordered that all Cuban nationals be separated from the general inmate population until further notice.

Relatives of prisoners protested the agreement outside a jail here today. Robert L. Boyer, an immigration lawyer here who is closely involved with the Mariel issue, described the mood among the relatives as one of hysteria, and Spanish-language radio call-in programs here were filled with frantic calls from other Cuban exiles fearful they also might be deported.

Significance Downplayed

Trying to reduce those growing concerns, Attorney General Janet Reno, who was State Attorney here when the Mariel influx occurred, sent Lula Rodriguez, a Cuban-American aide who is from Miami, to explain the new agreement to exiles here. Moving from one Spanish-language radio station to another throughout the day, Ms. Rodriguez argued that the United States would benefit from ridding itself of dangerous criminals whose incarceration costs up to \$25,000 a year.

The Justice Department has also sought to play down the political importance of the new deal, both in statements issued in Washington and Ms. Rodriguez's remarks here today. "This action is a result of periodic reviews to discuss ongoing implementation of the 1984 migration agreement," the Justice Department statement claimed.

But the same document also refers four times to the agreement as an "interim arrangement," and both exile and human rights groups were skeptical of that official explanation.

26

THE PRESIDENT HAS SEEN
10/5/93 4b

Tony/Berlin

Then looks on but we
have to be careful
not to change our policy
Then the back door or to
lose the credibility we
worked so hard to build
among Cuban Americans

JB

THE PRESIDENT HAS SEEN

1013193

MEMORANDUM TO THE PRESIDENT

FROM: George Stephanopoulos

September 29, 1993

National Guard and Crime

I spoke with Attorney General Reno this morning about calling in the National Guard to fight crime, an issue raised by Mayor Kelley and William Raspberry among others.

The Attorney General met with Mayor Kelly yesterday and told her she would study the issue. The Attorney General's first reaction is that this may be a quick-fix that doesn't address the real problem, but she will study the issue.

At my request, she will prepare a short 1-2 page discussion memo for you. Let me know if you need anything else.

cc: Mack McLarty
David Gergen

9-29-93 GS/ Bergen/ Ceraso
There is something
we need 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.

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.



J. MICHAEL WILLIAMS/STAFF PHOTOGRAPHER FOR THE WASHINGTON POST

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 Hufington (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 PRESIDENT HAS SEEN
10/5/93 ds

Mark / Gergu / 63
I know how the
wheel - we must
drive this - can't delay
for...

For
 J. J. J.
 M. J. J.

EDITORIAL/OPINION

What If Congress Defeats Nafta?

By ERNEST H. PREEG

During the past month, debate over the North American free-trade agreement has shifted from its potential economic impact to the consequences if Congress rejects it. This reflects the surge of anti-Nafta publicity from a wide-ranging — and unholy — alliance of opponents. It also reflects the reality in the House of Representatives: If a vote were taken today, the trade pact likely would be voted down.

Congressional rejection of Nafta would have at least six overlapping — and negative — consequences:

1. President Clinton's leadership.

Bill Clinton's credibility to lead would suffer another blow following the shaky, one-vote passage of his economic package. A combination of fence-sitting and outright opposition to Nafta by members of the House Democratic leadership show the president is losing control of his party's congressional majority.

If Democrats succeed in defeating Nafta while most Republicans support it, the president's ability to achieve results on other politically contentious issues would be compromised.

2. President Salinas' legacy.

Nafta has been the linchpin of Mexican President Carlos Salinas de Gortari's reform strategy. It would lock in his economic changes and nurture related political reforms. Rejection by the U.S. Congress would turn Mr. Salinas into an especially lame duck.

Mexican economic nationalists, already aroused by the labor and environmental side agreements imposed by the Clinton administration, would rally to the cause. The successor to Mr. Salinas in 1995 likely would have more traditional anti-gringo nationalist stripes.

3. Economic recovery in 1994.

A Nafta defeat would have clearly negative consequences on both sides of the border. Investment-driven growth in Mexico in the last two years has rested largely on the expectation of assured access to the U.S. market. Related Nafta provisions dealing with transportation, financial services and intellectual property rights — patents and trademarks, for example — have also helped.

Nafta's demise would cause investors to hold back, with a corresponding slowdown in U.S. exports to Mexico and job growth in both countries. The United States also should expect more

4. Environmental cleanup in Mexico.

This, too, would be set back, perhaps abruptly. The biggest problem is pollution along the 1,500-mile border, which will require massive funding by both countries. Prospects for such funding are tightly linked to approval of Nafta. More broadly, U.S. environmentalists — and their politicized message — would be far less welcome in Mexico if the agreement is turned down.

5. The Uruguay Round negotiations.

The Nafta vote will take place shortly before or after the Dec. 15 congressionally mandated deadline for concluding the Uruguay Round of world trade talks under the General Agreement on Tariffs and Trade. Attempts to garner "yes" votes on Nafta could be at the price of backing off on politically difficult Uruguay Round commitments, such as phasing out textile quotas and tightening anti-dumping procedures.

The French and other Europeans, sensing

President Clinton's weak domestic position on free trade, are trying to renegotiate last year's accord on farm trade liberalization, a critical Uruguay Round component. A "no" vote on Nafta in early December could throw the U.S. end game strategy for the GATT negotiations into disarray.

6. U.S. leadership in world trade.

This goes beyond Nafta and the Uruguay Round and involves a reversal of 60 years of strong U.S. leadership for an open trading system.

The central anti-Nafta argument — wages are lower in Mexico and therefore free trade with Mexico is not in the U.S. interest — amounts to a rejection of the theory of comparative advantage. If this represents the majority view in the U.S. Congress, particularly in President Clinton's own party, U.S. leadership for liberal trade on a multinational basis would lose credibility and conviction. The counterforces of protectionism and bilateralism would, as a consequence, gain momentum.

Each of these negative outcomes is significant in and of itself, but the cumulative impact is of greater importance.

In economic terms, they collectively would have a detrimental impact on U.S. competitiveness in world markets. They would tend to weaken the ability of U.S. companies to operate on a global basis so as to maximize productivity and upgrade skill levels in the national work force.

The impact on national security would be even broader in scope. An uncharted and in some respects threatening new world order is upon us. Deepening trade and investment relationships provide a foundation for a constructive response based on mutual interests and international cooperation. A greatly weakened, ambivalent U.S. commitment to open trade would create a vacuum in trade leadership and lead toward geo-economic conflict.

Finally, on the domestic political front, there could be consequences for the 1996 presidential elections. The biggest political dividends from the rejection of Nafta would accrue to Ross Perot, Pat Buchanan and Richard Gephardt. If they were to emerge as important candidates in 1996, the election debate could center on who would build the highest walls around Fortress America.

Ernest Preeg holds the William M. Scholl Chair in International business at the Center for Stra-

to Brian Dwyer

THE PRESIDENT HAS SEEN

10/3/73

10/3/93 db

THE WHITE HOUSE

WASHINGTON

OCT 1 P4:23

October 1, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: KATIE MCGINTY *ough*
CC: THOMAS MCLARTY
SUBJECT: OEP WEEKLY REPORT

John concerned about Cal can-check system

CLIMATE CHANGE

Agency comments were received on the Draft Climate Change Action Plan, and OEP is incorporating suggestions. Agency budget adjustments are nearing completion to reflect the programs outlined in the plan. OEP is drafting a decision/approval memorandum your review. We are preparing for a mid-October announcement and release of the Plan.

FEDERAL FLEET CONVERSION TASK FORCE

()* On Friday, October 8, an event has been planned in which you will receive the recommendations of the Federal Fleet Conversion Task Force, which was chaired by Garry Mauro. OEP will serve as the White House point of contact for future efforts.

TIMBER SALE NEGOTIATIONS

()* OEP and USDA reached an unprecedented agreement with environmental plaintiffs in the northwest to the release of timber sales that we anticipate will be announced next week publicly. The agreement does not mean much timber -- only 83 million board feet -- but is akin to the Middle East agreement for timber country. It also establishes continuing commitment for all parties to identify further sales now stalled in appeals processes that should be resolved and allowed to proceed. In return, the Administration has pledged to oppose any efforts to legislate "sufficiency" language that would change the laws or insulate your plan from judicial review.

CEO

Good OEP continues to work on resolving the difficulties with eliminating the Council on Environmental Quality in an attempt to minimize negative fallout with Congress and the environmental community -- which is expected.

SUPERFUND REAUTHORIZATION

On Monday (9/27) OEP hosted the final interagency briefing on Superfund reauthorization. The interagency Superfund reauthorization working group will now move into the decision making phase. Our current schedule envisions a series of decisional meetings between Oct. 8 and Nov. 22 when a memorandum will be sent to you for your review.

WETLANDS POLICY

OEP coordinated Administration testimony before the House Merchant Marine Committee on Tuesday (9/28) in support of the Administration's wetlands policy. The policy was generally well received, except by Rep. Young (R-Alaska) who strongly objected to the withdrawal of the "Alaska 1% Rule" that had been proposed by the Bush administration. OEP staff met with Dan Ashe of the Merchant Marine staff on Thursday (9/30) to answer questions about the Administration's policy that have arisen in the course of drafting a bill for Rep. Studds. OEP staff also spoke before the Senate Wetlands Caucus on Thursday (9/30), a meeting that was organized by the staff of Sens. Pryor and Stevens. In addition, OEP staff met with a bipartisan group of staff of Senate Environment and Public Works on Thursday (9/30) (Baucus, Graham, Chafee, Durenberger) to discuss resolving differences between the Baucus-Chafee wetlands bill that has been introduced and the Administration's policy.

Two members of the interagency wetlands group that OEP chairs went to Alaska last week to make good on a provision in the Administration's policy that calls for a review to determine if special circumstances exist in Alaska that require a special regulatory response. OEP will be meeting with staff of the Alaska Congressional delegation and the Alaska governor's office next Tuesday (10/5) to discuss the process that is being developed to conduct this review.

RECYCLING EXECUTIVE ORDER

 You should receive the proposed Executive Order on procurement of recycled goods in the next few days. The proposed E.O. will receive wide support from mayors, state governments, environmentalists, the paper workers' union, and the waste management industry, who will all praise your leadership. Large paper-making companies, however, will likely be critical. They were hoping for a less progressive approach that would not, in our view, address the concerns of cities and local governments with critical waste disposal issues.



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

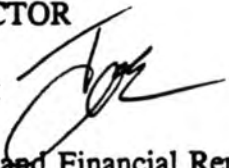
THE PRESIDENT HAS SEEN

10/3/93 db

10 OCT 1 P7:55

October 1, 1993

MEMORANDUM FOR THE DIRECTOR

FROM: Joseph J. Minarik 
SUBJECT: Friday Economic and Financial Report

*Mark
Friday
Economic*

SUMMARY

This Friday Report assesses the recent improved performance of the U.S. auto sector and shows that while the outlook for continued profits looks promising, the road to recovery remains bumpy.

-  In the first half of this year, strong sales and declining production costs helped propel General Motors, Ford and Chrysler into the black -- reporting earnings of \$889 million, \$775 million, and \$685 million, respectively.

Ultimately, the viability of U.S. auto makers depends on their success in restructuring and downsizing.

-  U.S. automakers face higher costs than their Japanese competitors, in part because of rising health care costs and unfunded pension benefit liabilities.
- World excess capacity, rising environmental quality standards, and increasing competition from Japanese transplant factories, especially in the light truck and utility vehicle markets, will put further pressure on Big Three profit margins.



PROFITS RETURN FOR THE AUTOMOBILE INDUSTRY

The automobile industry has turned the corner in 1993, with all three major domestic auto producers now making profits, following substantial losses in the prior three years. This changed fortune reflects declining production costs resulting from industry downsizing, as well as strong domestic light truck sales where competition from Japanese producers is less stiff. This Friday Report assesses the recent improved performance of the U.S. auto sector and shows that while the outlook for continued profits looks promising, the road to recovery remains bumpy.

Profits Take a U-Turn

After several years of sluggish growth, sales of domestic automobiles gained strength during the first part of 1993. Total domestic vehicle sales rose about 7 percent during the first eight months of 1993 to an annual rate of over 14 million units.

- Most of the recent gains have been in the light truck and utility vehicle segment of the market where sales have surged by over 15 percent this year, following a similar increase in 1992. Automobile sales, however, remain weak, rising only 2 percent so far this year, after remaining flat in 1991 and 1992.
- The recent strength in light truck sales has directly improved the profitability of U.S. auto makers because they account for about 85 percent of the light truck market. In the second quarter, reported profits were \$889 million for GM, \$775 million for Ford, and \$685 million for Chrysler.

The discussion below assesses how the U.S. domestic auto industry has responded to changed market conditions; the recent cost-cutting measures for improving international competitiveness; and some of the major impediments that pose a threat to the industry's viability.

Total Vehicle Sales in the U.S. (Million units)				
	1990	1991	1992	1993
Total Vehicles	14.2	12.5	13.1	14.0
<u>Cars</u>				
Total	9.5	8.4	8.4	8.6
Domestic	6.9	6.1	6.3	6.6
Foreign	2.6	2.2	2.1	2.0
<u>Light Trucks</u>				
Total	4.0	3.6	4.2	4.9
Domestic	0.4	0.3	0.2	0.2
Foreign	4.4	3.9	4.4	5.1
<u>Heavy Trucks</u>	0.3	0.2	0.3	0.3

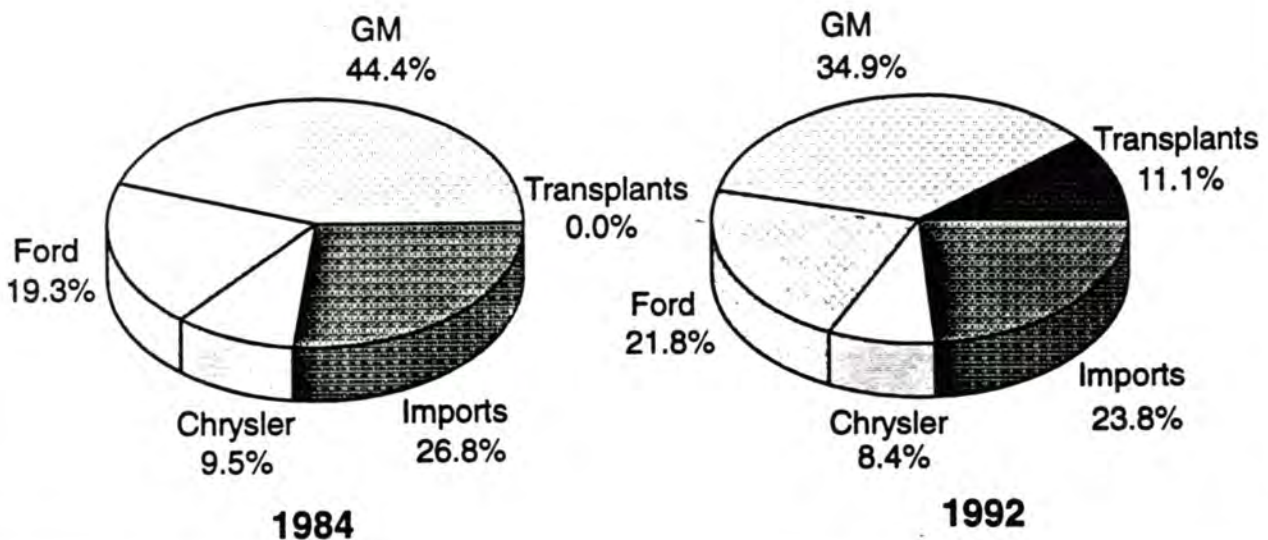
Eroding Market Shares in the 1980s

American auto producers were much less successful than their Japanese counterparts in adapting to changed market conditions during the 1980s. As a result, from 1984 to 1991 the market share of the Big Three fell from 73.2 percent to 64.2 percent, despite a surge in total vehicle sales to over 15 million units a year during most of this period.

- Japanese producers, aided by the overvalued dollar in the early eighties, registered a corresponding gain, increasing their market share to over 30 percent.
- In the wake of this decline in market share, U.S. auto makers actually increased production and turned to high-volume, low-margin fleet sales to their own captive rental agencies to generate book profits. This strategy not only failed to address the structural problems in industry, but actually backfired by leading to a deluge of high-quality used cars on the market -- further reducing new car demand.

It was only in recent years that the domestic auto producers began to face the challenges of intense competition, sharply rising costs, and production overcapacity. The 1990 recession and subsequent weak economic recovery helped expose the need for restructuring while the appreciation in the value of the yen provided a reprieve that should help the industry accomplish its restructuring goals.

Market Share of US New Car Sales



Industry Restructuring and Prospects for Growth

In restructuring, each of the Big Three has faced overwhelming bureaucracies, industry overcapacity, and high production and compensation costs. They have had varying degrees of success in achieving their desired objectives.

Chrysler -- After barely escaping bankruptcy, Chrysler was forced to downsize and trim production costs during the late 1980s. In the process, Chrysler scaled back production capacity, outsourced over 70 percent of material input production, and switched to a new design-production-marketing method called the platform technique: a production strategy, similar to the Saturn program, that puts together workers from all three fields and gives them responsibility for the product.

- Chrysler developed the LH series using this platform technique for a total program cost of \$1.6 billion, much lower than the development costs of Ford's new Mondeo line (\$6 billion) and GM's 1987 GM-10 line (\$7 billion).
- As a result, Chrysler's profits and market share shot up in the first half of this year as the newly introduced LH series, Grand Cherokee and Chrysler minivans recorded strong sales.

While profits may be restrained over the next two quarters by the costs associated with introducing its two newest product lines, analysts are expecting Chrysler's profits to surge again in the beginning of 1994. The main obstacle faced by Chrysler in the long term is actually undercapacity. As the economic recovery gains momentum and automobile sales accelerate, Chrysler may not have the production capacity to expand with consumer demand. Because Chrysler also appears reluctant to build additional production facilities, it was looking to win concessions from the United Auto Workers (UAW) in the current round of labor negotiations to relax restrictions on third shifts and overtime. Based on the sketchy details of the labor agreement concluded last night, it is too early to know if Chrysler was successful in obtaining these concessions.

Ford -- Over the past ten years, Ford has exhibited a better track record of productivity gains and responsiveness to consumer demand than either GM or Chrysler and, as a result, has been able to make steady gains in market share.

- The Taurus line has been highly successful in competing with Japanese models and rates high in customer satisfaction.
- Ford has restructured a large portion of its operations and has improved assembly productivity in all of its plants, often to levels comparable with the Japanese.

Ford, however, continues to be strapped by high health care costs, organizational inefficiencies, and losses on European operations from the ill-fated purchase of Jaguar. Ford is also suffering cost overruns on the development of the new "world car," the Mondeo, which will be made in and for both European and American markets. Ford hopes that its on-going restructuring will further increase production efficiency and reduce these costs. Like Chrysler, however, Ford is

also running at or above 100 percent of full production capacity and would benefit from UAW concessions on overtime and third shifts.

General Motors -- Unlike Chrysler and Ford, General Motors is only beginning its restructuring effort. Last year, GM announced plans to reduce its future work force by 50,000, closing at least six assembly plants and 15 parts and components facilities. Just last week, GM was reported to plan to raise the number of total job cuts to 100,000 over the next five years. While the number of jobs that will actually be cut remains uncertain, GM appears committed to downsizing. High labor costs, production overcapacity, and an expensive vertical integration structure are currently crippling the company's domestic markets.

- GM spends nearly \$795 more per car on labor than Chrysler or Ford. Its plan to cut 100,000 employees is directly targeted at reducing this labor-cost gap.
- GM buys 70 percent of its parts from internal components operations that are uncompetitive in both price and quality.

While there has been progress at GM, as manifested by the success of the new Saturn model, GM's market share has not rebounded. Nonetheless, GM is on track to reach its goal of breaking even (before taxes and interest) on its North American operations in 1993. This would complement its European operations which, unlike Ford, have been strong enough to remain profitable over the past several years.

While GM faces the costs associated with excess capacity, it also benefits from the flexibility to expand production in response to rising sales. Thus, if Chrysler and Ford have not obtained concessions on overtime or third-shift restrictions from the UAW, GM will be in a better position to expand production and recoup market share as consumer demand increases.

Industry Obstacles to Growth

For GM, Ford and Chrysler, the need for increased production efficiency through corporate restructuring is heightened by several industry trends that may serve as a further drag on industry profits.

The Rising Costs of Health Care -- Health care costs remain one of the largest production expenditures of domestic automobile manufacturers. In 1991, the health care costs for the Big Three averaged out to approximately \$1,100 per car, a \$600 disadvantage per car compared to the Japanese. Health care benefits have been at the top of the UAW's demands, both in the current round of labor contract negotiations and in lobbying for a National health care policy.

- GM, with its heavy vertical integration structure, suffers the most from health care costs, paying an average of \$1,500 per car.
- Chrysler and Ford have lower costs, paying \$700 and \$750 in health care costs per car respectively. In terms of sheer dollar volume, however, the health-care industry is Ford's largest single vendor.

- The recently adopted Financial Accounting Standard 106, which requires firms to fund their post-retirement obligations such as health care benefits, will cost the Big Three auto makers an estimated \$35 billion in 1993, and then \$2.5 billion a year. If enacted, the Administration's National health care proposal would defray a large portion of these costs.

Funding Pension Benefit Promises -- In 1991, GM and Chrysler¹ once again topped the list of companies with the largest unfunded pension liabilities, with \$19 billion and \$3 billion respectively -- approximately 53 percent of the total unfunded liabilities in plans insured by the Pension Benefit Guaranty Corporation. Not only does this pension underfunding expose the Federal government to large contingent liabilities, it damages the auto makers' credit ratings.

Chrysler has taken a substantial step towards funding its outstanding pension promises, contributing an extra \$1 billion in 1992; and GM has promised to fund its current benefits completely by the year 2000. A new Administration pension reform bill being submitted to Congress on October 4th will force GM and Chrysler to stand behind these public commitments to fund these benefits. While a transition rule will soften the initial impact of these stricter funding rules, the more stringent funding rules incorporated in the Administration's bill will force GM and Chrysler to use a large portion of their cash earnings over the next few years to reduce the magnitude of their unfunded benefit promises.

Rising Environmental Standards -- Stricter Federal environmental standards, passed in the Clean Air Act of 1990, and state initiatives like the California Air Resources Board (CARB) standards have raised car development and production costs for vehicles sold in the United States. While auto makers are well into their research efforts to comply with these standards, the Clean Air Act requirement that all centrally fueled fleets must cut hydrocarbon and toxic chemical emissions by 75 percent by 1998 effectively mandates the use of alternate fuels. This presents both a technical and an economic challenge for the auto industry.

- Several joint research ventures of the Big Three have analyzed the technical feasibility of using ethanol, methanol, propane, natural gas or electricity as an alternate automotive fuel, with little success.
- Even if technical obstacles were overcome, the cheaper gasoline prices make alternative fuels a less attractive alternative for consumers.

The Administration's announcement this week of a joint Federal government-U.S. auto maker research venture into alternate automotive fuels represents a bold step in assisting the auto industry in meeting this regulatory requirement.

Overcapacity and Foreign Competition -- The largest obstacle to future growth, however, remains overcapacity. Ford estimated that aggregate world motor vehicle production capacity exceeds world demand by almost 8 million units. Most of this excess capacity can be attributed

¹Ford currently has fully funded its pension liability.

to increases in the production capacity of the Japanese and the failure of GM to reduce plant capacity in line with market share.

- Japanese transplant facilities in the United States alone have the capacity to produce over two million vehicles; and capacity is expected to increase to three million by 1995.
- At the beginning of 1992, GM had a world production capacity of 6.7 million units, well above the 4.5 million vehicles it sold in 1991. GM expects to reduce this capacity to 6.1 million by 1995.
- Ford and Chrysler, which are currently at or near capacity, are producing around 3.5 million and 2 million units per year, respectively.

Another immediate concern for the Big Three is the future value of the Japanese yen and its effects on Japanese competition. The nearly 18 percent yen appreciation against the dollar so far this year has made Japanese cars relatively more expensive than domestic automobiles, giving the Big Three a much-needed reprieve from Japanese competition. The problem is whether this reprieve will be long enough for the Big Three to achieve efficiency gains from their restructuring.

- In the past, the Japanese have used similar periods to pare back operations and obtain efficiency gains of their own.
- Many Japanese companies are already implementing plans to increase transplant production of light trucks in the United States, bypassing the 25 percent tariff on light truck imports and tapping into the fastest growing segment of the U.S. market.

Conclusions

Vehicles sales in 1993 are projected to be 13.6 million, well below "normal" vehicle demand estimated at 15.4 million. Given this, U.S. auto makers are looking for a resurgence in consumer confidence and consumer spending to boost profits further as the recovery continues. Ultimately, however, the competitiveness of the U.S. automobile industry depends on the success of on-going restructuring efforts. With the industry healthier than it has been in some time, it must complete this process and set the stage for sustained long-term profitability.

RECENT ECONOMIC INDICATORS AS OF OCTOBER 1, 1993
(S.A. OR AS INDICATED)

	Sep-92	Oct-92	Nov-92	Dec-92	Jan-93	Feb-93	Mar-93	Apr-93	May-93	Jun-93	Jul-93	Aug-93	Sep-93
GDP (Quarterly Series, % A.R.)													
Nominal GDP	4.6			9.2			4.4			4.3			
Real GDP	3.4			5.7			0.8			1.9			
Implicit Price Deflator	1.0			3.3			3.6			2.3			
Fixed-Weight Price Index	2.3			3.3			4.3			2.6			
CYCLICAL INDICATORS													
Leading Index, Percent	0.1	0.5	0.7	1.7	-0.4	0.5	-1.0	0.2	-0.3	0.1	0.1	1.0	NA
Coincident Index, Percent	0.1	0.5	0.2	1.0	0.0	0.4	0.1	0.6	0.2	-0.2	-0.4	0.7	NA
Purchasing Managers' Diffusion Index	48.7	50.7	54.7	55.4	58.0	55.8	53.4	49.7	51.1	48.3	49.5	49.3	NA
Percent	-6.7	4.1	7.9	1.3	4.7	-3.8	-4.3	-6.9	2.8	-5.5	2.5	-0.4	NA
Industrial Production	106.2	107.5	108.4	108.9	109.3	109.9	110.1	110.4	110.2	110.4	110.9	111.1	NA
Percent	-0.38	1.22	0.84	0.46	0.37	0.55	0.18	0.27	-0.18	0.18	0.45	0.18	NA
Capacity Utilization, Manufacturing	78.4	79.2	79.7	79.8	80.3	80.5	80.6	80.9	80.7	80.6	80.7	80.8	NA
EMPLOYMENT INDICATORS													
Civilian Employment, Million	117.7	117.7	118.1	118.3	118.1	118.5	118.6	118.4	119.3	119.2	119.3	119.7	NA
Nonfarm Payroll Employment, Million	108.7	108.8	108.9	109.1	109.2	109.5	109.6	109.8	110.1	110.1	110.3	110.3	NA
Civilian Unemployment Rate, Percent	7.5	7.4	7.3	7.3	7.1	7.0	7.0	7.0	6.9	7.0	6.8	6.7	NA
Employment/Population Ratio	61.3	61.3	61.4	61.5	61.3	61.4	61.4	61.3	61.7	61.6	61.6	61.8	NA
Average Weekly Hours, Manufacturing	41.0	41.1	41.2	41.2	41.4	41.4	41.2	41.5	41.4	41.2	41.4	41.5	NA
CONSUMER SECTOR													
Retail Sales, Billion \$	164.2	167.6	167.3	169.2	169.2	169.1	167.4	170.5	171.7	172.6	173.1	173.5	NA
Percent	0.6	2.1	-0.2	1.1	0.0	-0.1	-1.0	1.9	0.7	0.5	0.3	0.2	NA
Total Auto Sales, Million Units, A.R.	8.3	8.3	8.3	8.7	8.7	8.0	8.4	9.0	9.1	8.8	8.6	8.6	NA
Domestic Auto Sales, Million Units, A.R.	6.3	6.3	6.3	6.7	6.7	6.0	6.4	6.9	6.9	6.9	6.6	6.7	NA
Personal Income, Billion \$, A.R.	5172.4	5239.1	5238.5	5507.3	5225.7	5249.1	5289.2	5365.6	5380.4	5373.6	5357.8	5428.1	NA
Percent	1.1	1.3	-0.0	5.1	-5.1	0.4	0.8	1.4	0.3	-0.1	-0.3	1.3	NA
Disposable Personal Income, Billion \$, A.R.	4526.9	4587.9	4582.8	4802.2	4570.6	4591.9	4630.1	4687.8	4697.3	4691.6	4673.1	4738.7	NA
Savings Rate, Percent	4.9	4.8	6	5.5	5	3.9	4.4	4.7	4.4	3.9	3.7	NA	NA
Real Personal Income, Billion \$75, A.R.	4151.2	4187.9	4180.8	4391.8	4150.7	4156.1	4181.2	4228.5	4238.7	4231.2	4220.3	NA	NA
Percent	0.0	0.9	-0.2	5.0	-5.5	0.1	0.6	1.1	0.2	-0.2	-0.3	NA	NA
Real Disposable Personal Income, Billion \$75, A.R.	3632.8	3666.8	3656.9	3829.1	3630.7	3636.5	3660.4	3694.2	3697.7	3691.2	3673.6	3717.7	NA
Percent	0.1	0.9	-0.3	4.7	-5.2	0.2	0.7	0.9	0.1	-0.2	-0.5	1.2	NA
Consumer Sentiment Index, U of Michigan	75.6	73.3	85.3	91.0	89.3	86.6	85.9	85.6	80.3	81.5	77.0	NA	NA
Percent	-0.7	-3.0	16.4	6.7	-1.9	-3.0	-0.8	-0.3	-6.2	1.5	-5.5	NA	NA
HOUSING SECTOR													
Housing Starts, Thousand Units, A.R.	1218	1226	1226	1286	1171	1180	1124	1206	1248	1248	1227	1323	NA
Single-Family Starts	1045	1079	1089	1133	1051	1036	987	1059	1107	1079	1063	1180	NA

10/01/93

Sep-92 Oct-92 Nov-92 Dec-92 Jan-93 Feb-93 Mar-93 Apr-93 May-93 Jun-93 Jul-93 Aug-93 Sep-93

BUSINESS SECTOR

Nondefense Capital Goods Orders, Billion \$	29.8	30.1	26.8	32.3	28.6	32.7	29.1	30.5	29.9	33.9	30.1	32.0	NA
Percent	8.4	1.1	-11.0	20.4	-11.2	14.3	-11.1	4.6	-1.7	13.1	-11.0	6.3	NA
Nonresidential Construction Put in Place, Billion \$	128.2	130.3	128.9	128.9	128.3	129.1	131.5	131.2	134.4	135.9	130.5	NA	NA
Inventory Change Book Value, Billion \$, A.R.	-11.1	8.6	19.8	32.9	24.9	42.3	52.5	40.6	20.6	0.3	-46.7	NA	NA
Inventory/Sales Ratio, Total Business	1.50	1.49	1.49	1.46	1.46	1.46	1.47	1.47	1.47	1.46	1.47	NA	NA

INFLATION INDICATORS

CPI, Percent	0.1	0.4	0.2	0.1	0.5	0.3	0.1	0.4	0.1	0.0	0.1	0.3	NA
CPI Less Food and Energy, Percent	0.1	0.5	0.3	0.2	0.5	0.5	0.1	0.4	0.2	0.1	0.1	0.3	NA
PPI Finished Goods, Percent	0.2	0.1	-0.2	0.0	0.3	0.4	0.3	0.6	-0.1	-0.3	-0.2	-0.6	NA
PPI Less Food and Energy, Percent	0.1	-0.1	0.2	0.1	0.4	0.2	0.2	0.4	0.1	-0.1	0.1	-1.0	NA
Gold, \$ per ounce	345.3	344.0	334.4	334.0	329.4	329.2	330.3	341.6	364.2	372.4	392.1	380.2	NA
W. Texas Spot Oil Price, \$/bbl	21.9	21.7	20.3	19.4	19.1	20.1	20.3	20.3	19.9	19.1	17.9	18.0	NA

MERCHANDISE TRADE

Exports, Billion \$, A.R.	451.9	466.6	453.6	470.1	450.1	443.1	466.7	461.7	467.2	451.7	445.0	NA	NA
Imports, Billion \$, A.R.	551.6	553.4	547.6	553.7	542.1	538.0	592.2	583.9	567.7	596.4	569.1	NA	NA
Deficit, Billion \$, A.R.	-99.7	-86.8	-94.0	-83.6	-92.1	-94.8	-125.4	-122.2	-100.5	-144.7	-124.1	NA	NA

U.S. EXCHANGE RATE

Multilateral	82.0	85.0	90.0	90.5	92.4	93.8	93.7	90.6	90.2	91.8	94.6	94.3	NA
Percent	1.2	3.7	5.9	0.5	2.1	1.6	-0.2	-3.2	-0.4	1.7	3.0	-0.3	NA
Yen/\$	122.6	121.2	123.9	124.0	125.0	120.8	117.0	112.4	110.3	107.4	107.7	103.8	NA
DM/\$	1.45	1.49	1.59	1.58	1.61	1.64	1.65	1.60	1.61	1.65	1.72	1.69	NA
\$/Pound	1.85	1.65	1.53	1.55	1.53	1.44	1.46	1.54	1.55	1.51	1.50	1.49	NA

MONEY AND CREDIT

M2, Billion \$	3480.7	3492.1	3498.7	3497.8	3488.8	3477.2	3474.6	3477.3	3507.7	3514.9	3521.3	3526.8	NA
Percent	2.8	4.0	2.3	-0.3	-3.0	-3.9	-0.9	0.9	11.0	2.5	2.2	1.9	NA
M3, Billion \$	4183.5	4180.6	4179.3	4167.3	4142.7	4137.0	4132.6	4144.7	4174.3	4174.4	4172.6	4175.7	NA
Percent	1.3	-0.8	-0.4	-3.4	-6.9	-1.6	-1.3	3.6	8.9	0.0	-0.5	0.9	NA
C&I Loans & Commercial Paper, Billion \$, N.S.A.	987.1	991.1	996.9	989.8	986.1	978.4	979.9	984.8	986.4	987.6	NA	NA	NA
Percent, A.R.	7.3	5.0	7.2	-8.2	-4.4	-9.0	1.8	6.2	2.0	1.4	NA	NA	NA
C&I Loans, Billion \$	439.3	439.5	441.0	438.3	436.3	437.4	438.4	438.9	440.1	439.2	NA	NA	NA
Commercial Paper, Billion \$	547.9	551.7	555.9	551.5	549.9	541.1	541.4	545.8	546.3	548.5	NA	NA	NA

INTEREST RATES

Federal Funds Rate	3.2	3.1	3.1	2.9	3.0	3.0	3.1	3.0	3.0	3.0	3.1	3.0	NA
T-Bill, 3 Month	2.9	2.9	3.1	3.2	3.0	2.9	3.0	2.9	3.0	3.1	3.0	3.0	NA
T-Bond, 30 Year	7.3	7.5	7.6	7.4	7.3	7.1	6.8	6.9	6.9	6.8	6.6	6.3	NA
Corporate AAA Bonds	7.9	8.0	8.1	8.0	7.9	7.7	7.6	7.5	7.4	7.3	7.2	6.9	NA
Mortgage Commitment Rate	7.9	8.1	8.3	8.2	8.0	7.7	7.5	7.5	7.5	7.4	7.2	7.1	NA

STOCK MARKET

Dow Jones 30 Industrials	3293.9	3198.7	3238.5	3303.2	3277.7	3367.3	3440.7	3423.6	3478.2	3513.8	3529.4	3597.0	NA
Standard & Poor's 500	418.5	412.5	422.8	435.6	435.2	441.7	450.2	443.1	445.3	448.1	447.3	454.1	NA



THE CHAIRMAN

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

THE PRESIDENT HAS SEEN

10/31/93 db

October 1, 1993

13 OCT 1 P1:06

MEMORANDUM FOR THE PRESIDENT

FROM:

LAURA TYSON *Laura Tyson*

SUBJECT:

Black Unemployment in the Current Recession

I understand from Bob Rubin that you expressed concern about a recent Wall Street Journal article claiming that blacks were the only racial group to suffer net job loss in the 1990-91 economic downturn. The CEA labor economist, William Dickens, analyzed this article for me and came up with the conclusions in his attached memo to me. His conclusions strongly indicate that the findings reported in the Wall Street Journal article were erroneous or misleading.

Attachment: a/s

*Need to find out
who's at head of
let proper writer
about finding a clearly
turn - eg Bill Raspberry
under Cong. Black Caucus
need to show that & return
concerned folks eg Edwin Williams
BLS #s*

OS

R

MEMORANDUM

COUNCIL OF ECONOMIC ADVISERS

September, 1993

TO: LAURA TYSON
ALAN BLINDER
JOE STIGLITZ

FROM: BILL DICKENS *BD*

SUBJECT: Was this only a black recession?

In a front page article today, the WSJ reports that

"Blacks were the only racial group to suffer net job loss during the 1990-91 economic downturn, at companies reporting to the Equal Employment Opportunity Commission. Whites, Hispanics and Asians, meanwhile, gained thousands of jobs..."

The WSJ compared the reports of filing companies for 1990 and 1991 to reach this conclusion. Their findings are at odds with the BLS household survey as reported in the Economic Report of the President.

- According to the Household Survey, white employment losses were greater than black employment losses (1.02% vs. .86%). This is real news. In every previous recession black employment has declined far more than white employment (1.7% vs .9% between 81 and 82, and 3.8% vs 1% between 74 and 75).
- I find the WSJs results implausible on their face. They show a net increase in employment of 126,809 jobs between 1990 and 1991 in their sample of companies which they say include 40% of all workers. Employment losses between 1990 and 1991 were about .9% of total employment or 1.037 million jobs. If the WSJ has analyzed their data correctly then there is an interesting fact here -- the entire recession was concentrated in firms with fewer than 100 employees. So much for small business creating all the jobs.
- The finding that Hispanic and Asian employment grew while others declined is not surprising given the rate of growth of these groups as a fraction of the labor force. Their 2.9% increase in employment between 1990 and 1991 is small compared to their average annual increase in employment of 7.4% in a workforce that has grown at only 1.7% for the last two decades. Their employment has grown in the previous two recessions as well.

CC: DC, DW, T'OD

THE PRESIDENT HAS SEEN
10/3/93 AB

THE WHITE HOUSE
WASHINGTON

REVISED

VIDEO MESSAGE

DATE: FRIDAY OCTOBER 1, 1993
LOCATION: OEOB 459
TIME: 5:45 - 6:45 PM
FROM: LAURA SCHWARTZ, JASON SOLOMON

I. PURPOSE

You will do one video message following your satellite interviews with the California NBC stations.

II. BACKGROUND

The videotaping will be a 10 minute video message about Health Care. Essentially, this video is intended to be the counterpart to the brochure that is being produced (see attached) to explain what health care means on a micro level. Your role here, as in a town meeting, is that of a teacher, intended to reassure.

Once the video is done, we hope to distribute it with the brochure in video stores around the country. The video is paid for by the National Health Care Campaign at the DNC, and the National Health Care Campaign will be in charge of distribution -- to activists, libraries, and regular people all over the country.

In recent focus groups, the brochure version -- laying out the plan and walking through the system after reform -- has tested well, giving people reassurance about what this plan will mean to them.

You met the producer, Jeff Tuchman, during the production of "The Man From Hope." He was the producer for that video, and has worked on other projects with Mandy Grunwald in the past. Mandy has worked closely with him and Bob Boorstin on this project.

III. SCHEDULE

5:45 - 5:50	Makeup/briefing
5:50 - 6:20	Satellite Interviews
6:20 - 6:40	Video Messages

Handwritten notes:
He wants
me to do again
in a dark suit
hard in gray suit
Do a good job
Don't run to
group

1. Health Care Video (10:00)

6:40 - 6:45 Makeup removed/departure

IV. PRESS PLAN

The message will be available to the press.

V. PARTICIPANTS

The President
Jeff Eller
Mandy Grunwald
Laura Schwartz
Vicki Rivasvazquez
Lillian Brown - makeup
WHCA personnel (2)
Technical (8)

VI. REMARKS

A Teleprompter will be provided. Text of remarks will be provided tomorrow.



MACK McLARTY

For ~~the~~ 56 President

Mark

Good

Have an idea or 2
Is Plaster involved?

B



THE WHITE HOUSE
WASHINGTON

① 108725
② HNC
③ File ns
THE PRESIDENT HAS SEEN

10319346

September 27, 1993

MEMORANDUM FOR SENIOR STAFF

FROM: MACK MCLARTY
ROY NEEL
DAVID WATKINS *D. Watkins*

SUBJECT: MANAGEMENT REVIEW

X *11* Now that the dust is clearing from our short-term need to meet overall staffing targets, we plan to conduct a management review of White House operations. The objective of this review, which a number of you have suggested would be worthwhile at this time, are twofold: first, to better understand current work activities and assess appropriate staff levels associated with them; and second, to identify the strengths and weaknesses of existing management systems and processes within and across departments with a view toward recommending improvements.

The review will be conducted by a six person team led by Matt Miller of OMB. Matt is a former management consultant at McKinsey and Company with experience managing similar assignments in the private sector, as well as at OMB during the NPR. You should expect Matt to be in touch shortly to arrange an initial interview with you. You may also want to identify someone on your staff who can serve as the day-to-day point of contact with the team for help they may need in working with your department.

We expect the review team to share its findings and recommendations with us early in November. We appreciate your full cooperation with Matt and the team as we take stock of potential opportunities to improve staff operations after a hectic first eight months. Your thoughtful input into this process is vital as we strive for ways to better serve the President.



MACK McLARTY

THE PRESIDENT HAS SEEN
10/31/93 db

10/1/93

The attached is ~~for~~ The President.

3 OCT 1 1993

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B*



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By the Bree 1
House
Ten Isert

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
09.21.93

September 20, 1993

MACK - CALL
Jay & sell
him on this?

MEMORANDUM FOR THE PRESIDENT

FROM: Robert Rubin *RU*

SUBJECT: Hearing on Product Liability Reform

Call Mack call
Jay & sell him on
this

Mission
Accomplished
Wag

I. ACTION-FORCING EVENT

This Thursday, the Consumer Subcommittee of the Senate Committee on Commerce, Science, and Transportation will hold a hearing on Senator Rockefeller's "Product Liability Fairness Act." The Subcommittee has approached both Secretary Brown and Attorney General Reno, and has formally invited the former to testify.

II. BACKGROUND

The bill, which would establish uniform standards (applicable in both state and federal courts) in several areas of product liability law, is described more fully in the attached memorandum. In March, in response to a letter from Sen. Rockefeller asking for your support, you invited the Senator to discuss the bill with Bernie Nussbaum. Since that time, the Attorney General has initiated a comprehensive study of civil justice reform (including product liability reform). Assistant Attorney General Frank Hunger oversees that study.

Sen. Hollings, Chairman of the Committee, is strongly opposed to this bill. There have been suggestions that Administration testimony declining to support the bill might be used by opponents of the bill to hasten its demise.

III. ANALYSIS & RECOMMENDATION

This situation presents three related questions: whether to testify, who should testify, and the contents of the testimony.

- The timing of the hearing--in the midst of the push for health care reform--is poor. Malpractice reform and product liability reform are related and an Administration position on product liability issues may unnecessarily constrain consideration of malpractice reforms. On the other hand, Sen. Rockefeller's continuing support is important. While it is unclear how important the Senator regards the Administration's appearance at the hearing, it is worth noting that his office has not contacted White House staff on this

matter.

- Both Secretary Brown and Attorney General Reno are unable to testify on Thursday. Moreover, Secretary Brown faces the additional constraint that his former firm represented the American Trial Lawyers Association, a perennial opponent of product liability reforms. Traditionally, product liability has been the province of the Commerce Department, rather than the Justice Department.
- We face few options with regard to the contents of the testimony. A simple statement that expresses the Administration's recognition of the competitiveness aspects of product liability reform and then outlines the Justice Department's ongoing review would seem most appropriate.

I recommend that, if possible, the Administration *decline* the invitation to testify at Thursday's hearing, noting that we have not yet developed a position on the bill and referencing Justice's ongoing study. This approach leaves open several options and may actually prevent the early demise of Sen. Rockefeller's bill.

Legislative Affairs, White House Counsel, Justice, and Commerce all concur in this recommendation.

If this option is not possible (or the costs too great), I recommend that Assistant Attorney General Hunger testify at the hearing, that he describe Justice's ongoing study of civil justice reform, and that he state our intention not to adopt a formal position on the issues raised in the Rockefeller bill until after the completion of that study. I believe this approach respectfully responds to the Committee's request, does not draw undue attention to the hearing, and properly preserves our policy options pending completion of the Justice Department study.

Recommendation: Legislative Affairs and the Departments should decline the invitation to testify, noting that the Administration has not developed a position on Sen. Rockefeller's bill, and noting that a comprehensive Justice Department study of civil justice reform is currently underway.

☒ Agree

☐ Disagree

☐ Let's Discuss

OCT 11/93

Can Mark call Jay
& see this

(Mock-call Jay
& sell this.)

Mr. President:
Mission Accomplished
Bob Rubin and I talked
to Sam. He's just fine

W.C.

The New York Times THE PRESIDENT HAS SEEN

WASHINGTON BUREAU
1627 I STREET, N.W.
WASHINGTON, D.C. 20006
(202) 862-0300

10/5/93 db

✓ *See you soon
Thank you*

Sept. 30

Dear Mr. President,

Thanks for the
photo. It is true things
are not always as they seem,
but a friend reminded me
that pictures are always worth
1,000 words too.

Sincerely,

Gum Girl

Rebuilt Pittsburgh Economy Braces for New Blow Under a U.S. Health Plan

By MICHAEL DeCOURCY HINDS

Special to The New York Times

PITTSBURGH — This city may always be known as Steel Town, but Medicine City would more accurately describe its economy today.

Health care became the dominant industry here after global competition wiped out most of the area's steel mills in the early 1980's. The health industry's steady growth, adding about 4,000 jobs a year in the last decade, helped revive the economy. The local hospitals have a worldwide reputation for transplant surgery and high-technology medicine.

Now, the prospect of a new national health care system is seen as a threat to the economic foundation of a region that has nearly as many magnetic resonance imaging X-ray devices all of Canada. The new system will challenge an industry that economists say has too many hospitals, too many administrators and too many staff members.

The health care industry buoys the local economy by providing nearly 1 of every 8 jobs and by generating \$3.8 billion a year, or about 9 percent of the region's total spending.

11.8% in Health Care

Though Pittsburgh's economy is far from alone in its dependence on the medical industry, it is vulnerable because the region has 108,000 health workers, or 11.8 percent of its total work force in July, according to the Bureau of Labor Statistics. No other metropolitan area has such a high proportion of health workers.

If the Clinton health plan is approved and if it works as advertised, Pittsburgh's growth will stall, economists say, as its health industry becomes more efficient. The question is what will happen over the long term.

"It's clear that the health care sector here will not be a major source of growth in the future, if the Clinton plan goes as it is," said Judith R. Lave, a professor of health economics at the University of Pittsburgh. "It will be hard for Pittsburgh to adjust, but I



Kristin Petersen/Forbes Health Services for The New York Times

Despite growth in the health industry in Pittsburgh, competition has forced institutions to streamline, resulting in a revolving market for employees.

Denise Kovach, a nurse taking care of Madeline Faggioli, lost her job at Forbes Metropolitan Hospital last year only to be rehired in March.

health sectors like home care, nursing homes and suburban clinics.

5-Year Stall Predicted

Nearly 15 percent of the region's 2.1 million residents lack health insur-

And because the Pittsburgh region has the nation's second-oldest population of any in the country, after Miami, economists predict that the elderly's need for health care here will continue to rise slowly through the year 2030, de-

shrinkage will occur, and then jobs would start to grow again," said Paul R. Flora, regional economist for the PNC Bank Corporation here.

Many health care workers already face a revolving job market. Last December

trends already under way.

"We believe that the plan has been pretty much anticipated, and our overall view of it is quite positive," said Jack C. Robinette, president of the Hospital Council of Western Pennsylvania.

Hospitals here are converting wards to outpatient services from outpatient ones, opening up suburban clinics that provide primary and preventive care, and canceling purchases of experimental medical equipment.

The change, Ms. Gideon of the Forbes Health System said, reduced her hospital's operating costs to an estimated \$33 million this year from \$46 million last year.

Tougher Times Ahead

As the pace of change quickens, however, some economists say that more workers may be out of jobs, and for longer periods. Some may have to take lower paying jobs and others may need to move out of the region to find work. The jobless rate was 6.9 percent in July, the same as the national rate. And almost none of the hospitals are unionized, so workers have few contractual protections to ease the transition.

The biggest shake-up in Pittsburgh's health industry will occur if hospitals start dealing aggressively with the oversupply of beds. Pittsburgh has more than three times as many beds per capita as the nation, on average. On any one night in the metropolitan area nearly 30 percent of the 10,600 beds are vacant.

Such high hospital vacancy rates are a national problem, and pressure to eliminate the oversupply of beds would increase under a system that emphasized preventive treatment and steered more people to outpatient care.

A half-dozen hospitals have closed or merged in the last three years and, this year, hospitals have laid off 1,000 workers, from administrators to housekeepers.

A \$60,000 Job, Lost

Gloria Blint moved here with her husband and two small children from Erie, Pa., last summer to take a

democratic medical center, the University of Pittsburgh Medical Center, is laying off workers and shifting them in large numbers. The center, a pioneer in transplant surgery and cancer research, is the region's largest private employer, with a staff of 12,000.

Cutback on Technology

In June, the center laid off 250 workers and eliminated another 250 empty positions, mostly in administrative areas. The center is also shifting about 400 employees from its hospitals to new suburban clinics that will provide primary care, said Jeffrey A. Romoff, the center's president.

The center, which has a \$1.3 billion annual operating budget, and the region could be hurt financially if an overhaul of health care limits peoples' choice of hospitals, Mr. Romoff said. Three-quarters of the center's patients come from outside Pittsburgh. "The Clinton plan recognizes this problem,

A renowned medical care industry will have to retool.

but how it will work out is uncertain," he said.

The prospect of change in health care is also putting a damper on purchases of new medical technology. Mercy Hospital, for example, has decided against spending \$3.1 million on an experimental scanning device used for studying the brain and other organs.

"We are reviewing all new requests for technology, to make sure we can manage them within our cost structure and remain competitive," said Michele Rone Cooper, a vice president of Mercy Health System, which operates the non-profit teaching hospital.

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"It's clear that the health care sector here will not be a major source of growth in the future, if the Clinton plan goes as it is," said Judith R. Lave, a professor of health economics at the University of Pittsburgh. "It will be hard for Pittsburgh to adjust, but I don't think it's all gloom and doom."

As hospitals shed beds, thousands of jobs go with them. But some health economists expect that the loss of hospital jobs will be largely offset by increasing employment in the growing



Kristin Petersen/Forbes Health Services for The New York Times

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health sectors like home care, nursing homes and suburban clinics.

5-Year Stall Predicted

Nearly 15 percent of the region's 2.1 million residents lack health insurance. As these people obtain coverage, they will increase demand for primary and preventive services, said Margaret A. Potter, associate director of the Health Policy Institute at the University of Pittsburgh.

And because the Pittsburgh region has the nation's second-oldest population of any in the country, after Miami, economists predict that the elderly's need for health care here will continue to rise slowly through the year 2030, even as Pittsburgh's population declines.

"My gut feeling is that health care will stop adding jobs for a five-year transition period, when some job

shrinkage will occur, and then jobs would start to grow again," said Paul R. Flora, regional economist for the PNC Bank Corporation here.

Many health care workers already face a revolving job market. Last December, for example, Denise Kovach lost her job as a registered nurse at Forbes Metropolitan Hospital in Pittsburgh. "You can't take a job and think it's going to last forever anymore," said Ms. Kovach, 43.

The hospital, concerned about its future in a crowded market, converted from a 175-bed general hospital to a 121-bed institution serving only convalescing patients, said Dawn M. Gideon, a senior vice president with the Forbes Health System, which runs the hospital. She said the hospital laid off 292 of its 668 employees, but in March rehired 60 of them, including Ms. Kovach, as

Forbes Health System said, reduced her hospital's operating costs to an estimated \$33 million this year from \$46 million last year.

Tougher Times Ahead

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Such high hospital vacancy rates are a national problem, and pressure to eliminate the oversupply of beds would increase under a system that emphasized preventive treatment and steered more people to outpatient care.

A half-dozen hospitals have closed or merged in the last three years and, this year, hospitals have laid off 1,000 workers, from administrators to housekeepers.

A \$60,000 Job, Lost

Gloria Blint moved here with her husband and two small children from Erie, Pa., last summer to take a \$60,000-a-year job as director of communications at a local hospital. In April the hospital eliminated many administrative jobs, including Ms. Blint's.

"I've been out of college 13 years and I've never lost a job," she said. "This was a shock."

Ms. Blint has not been able to find a comparable job in the region and does not want to uproot her family by moving again. She is considering starting her own advertising agency. "I'm going to stay the heck out of health care," she said.

Since losing his job as a personnel director at an area hospital in Febru-

suburban clinics that will provide primary care, said Jeffrey A. Romoff, the center's president.

The center, which has a \$1.3 billion annual operating budget, and the region could be hurt financially if an overhaul of health care limits people's choice of hospitals, Mr. Romoff said. Three-quarters of the center's patients come from outside Pittsburgh. "The Clinton plan recognizes this problem,

A renowned medical care industry will have to retool.

but how it will work out is uncertain," he said.

The prospect of change in health care is also putting a damper on purchases of new medical technology. Mercy Hospital, for example, has decided against spending \$3.1 million on an experimental scanning device used for studying the brain and other organs.

"We are reviewing all new requests for technology, to make sure we can manage them within our cost structure and remain competitive," said Michele Rone Cooper, a vice president of Mercy Health System, which operates the non-profit teaching hospital.

Such caution is hurting Pittsburgh's nascent medical technology industry, which includes about 75 companies and 5,000 employees.

"Quite frankly, I don't see any new medical device companies starting up, and there is going to be a tremendous struggle for the others, without mergers or something like that," said Irene R. Skolnick, president of Dymax Corporation, a manufacturer of medical probes and scanning devices. She said declining sales had forced her to lay off three of the company's 25 employees, put two others on part-time schedules

Planners Admit Higher Health Cost Than Estimate

Continued From Page 1

ber at 600,000. The more early retirees

of the proposal could be held to \$6 billion by the Administration's plan to reduce annual inflation in health care costs and by not discriminating by age

dent's ear early, when his health care proposals were being formed. Administration officials also noted that in most other industrial countries the govern-

Planners Admit Higher Health Cost Than Estimate

Continued From Page 1

ber at 600,000. The more early retirees the provision produced, the more it would cost.

As with dozens of aspects of the Clinton health proposal, the estimates on early retirements are educated guesses about how Americans will change their behavior in response to it. Any time the Government sets out to restructure one-seventh of the economy, there are bound to be consequences that are unintended or fiendishly hard to anticipate or measure, economists say.

To help the big manufacturers with their health costs, the President proposed that companies pay 20 percent of health insurance for early retirees who now receive health coverage from their former employers. The Government would pay the rest. Many of the companies now pay 100 percent.

Mr. Magaziner's \$6 billion-a-year estimate remains considerably lower than the General Accounting Office's calculation that American companies now pay \$8.6 billion a year to provide health insurance for 2.5 million early retirees. The accounting office assumed that early retirees pay 20 percent of their health coverage themselves on average. The G.A.O. estimate does not include the surge in early retirements that is expected to result from the provision.

Some Retirees Would Pay

For an early retiree whose former employer does not provide continued health coverage, the Government would pay 80 percent of the average cost of the insurance premium in the retiree's region and the retiree would pay the rest.

By guaranteeing health coverage for all Americans, the proposal would encourage workers to retire early because many who are at least 55 years old are believed to be working mainly because they need health insurance for themselves or their families. The proposal is also expected to give companies an incentive to push some older workers into retirement.

Under the proposal, a company that pays 80 percent of the health insurance

of the proposal could be held to \$6 billion by the Administration's plan to reduce annual inflation in health care costs and by not discriminating by age in health insurance premiums. Administration officials said, for example, that the annual premium for a retired worker who is 60 years old and single would fall to \$1,800 a year, down from perhaps \$5,000 paid by his former employer under current premiums based on age.

"We've discussed this thoroughly, and I don't think there is disagreement now on what the numbers should be," Mr. Magaziner said.

In many ways, this proposal is a response to complaints from Ford,

dent's ear early, when his health care proposals were being formed. Administration officials also noted that in most other industrial countries the governments, and not companies, pick up the health insurance costs for early retirees.

"There is a competitiveness issue here," Mr. Magaziner said. "You could argue that the thousands of manufacturing companies for which this is an issue got themselves into this problem by agreeing 15 years ago to support early retirees. But you could also say they had no idea that health care costs would skyrocket."

'A Big, Wet Kiss'

While there is general agreement within the Administration about the importance of making American manufacturers more competitive, there is considerable debate about just how generous the Government should be with taxpayer dollars in pursuing this goal.

"This proposal is a big, wet kiss for large manufacturers," one Administration official said.

To reduce any windfall effect that manufacturers would enjoy, Mr. Magaziner said, the Administration is considering changes in its health proposal so that companies would have to pay 30 percent of the cost of the health insurance for early retirees rather than 20 percent.

In light of the hundreds of thousands of early retirees the plan would produce, the Administration is worried that by drawing from the Social Security trust fund rather than contributing to it, these retirees could endanger the fund.

Alan Blinder, a member of the President's Council of Economic Advisers, pointed out that if the plan pushes several hundred thousand Americans into early retirement, that would create many job openings. This, he said, could more than offset the job losses that some economists predict will occur because of the President's proposal to require all employers to pay for health insurance for their workers.

said MS. KOVACH, 43.

The hospital, concerned about its future in a crowded market, converted from a 175-bed general hospital to a 121-bed institution serving only convalescing patients, said Dawn M. Gideon, a senior vice president with the Forbes Health System, which runs the hospital. She said the hospital laid off 292 of its 668 employees, but in March rehired 60 of them, including Ms. Kovach, as well as 40 new employees, when the transition was completed.

Support for Clinton Plan

Hospital officials here said in interviews that they generally supported the Clinton plan, despite the spending reductions it promises. Many said the plan would accelerate some industry

I've never lost a job," she said. "This was a shock."

Ms. Blint has not been able to find a comparable job in the region and does not want to uproot her family by moving again. She is considering starting her own advertising agency. "I'm going to stay the heck out of health care," she said.

Since losing his job as a personnel director at an area hospital in February, Jim Anderson, 57, said he has sent out 900 résumés and had 17 interviews for jobs as far away as Wisconsin. "A lot of human resource people are out of work," he said. He finally got a job, starting this month, at a hospital in Rome, N.Y.

Even the region's prestigious aca-

Quite frankly, I don't see any new medical device companies starting up, and there is going to be a tremendous struggle for the others, without mergers or something like that," said Irene R. Skolnick, president of Dymax Corporation, a manufacturer of medical probes and scanning devices. She said declining sales had forced her to lay off three of the company's 25 employees, put two others on part-time schedules and reduce health benefits and salaries for everyone else.

But Ms. Skolnick is optimistic about her company's prospects under a changed health system. "In the long run," she said, "it will play into our hands because we're improving the effectiveness of medicine and reducing its cost."



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Original and Antique

By guaranteeing health coverage for all Americans, the proposal would encourage workers to retire early because many who are at least 55 years old are believed to be working mainly because they need health insurance for themselves or their families. The proposal is also expected to give companies an incentive to push some older workers into retirement.

Under the proposal, a company that pays 80 percent of the health insurance for its employees might conclude that it could achieve significant savings by pushing some workers into early retirement, since the company would then pay only 20 percent of an early retiree's health insurance. The company might make such a move to reduce its work force or to replace the employee with a younger worker, perhaps at a lower salary.

Mr. Magaziner argued that the cost

Would-Be Robbers in Florida Go After the Wrong Tourist

ORLANDO, Fla., Oct. 2 (AP) — The surge in crime against tourists in Florida took a twist this week when two men tried to rob a Welshman who is both a bodyguard and an amateur heavyweight boxer.

The tourist, 28-year-old Andrew Griffiths from Quak, Wales, told the police that he had knocked one man unconscious and the other one groggy on Thursday before driving away from the robbery attempt in front of an Orlando store. "I'm certain one of them will require serious medical attention," Mr. Griffiths said.

He told reporters that when his family arrived in Florida for a two-week vacation they realized that their rental car and hotel vouchers were worthless because their tour company had gone out of business.

out of investment, wages, wage increases, profits — money that should rightly go there instead of taking care of the work force that is no longer working."

One White House official said the proposal was so generous to these companies because they had got the Presi-

several hundred thousand Americans into early retirement, that would create many job openings. This, he said, could more than offset the job losses that some economists predict will occur because of the President's proposal to require all employers to pay for health insurance for their workers.

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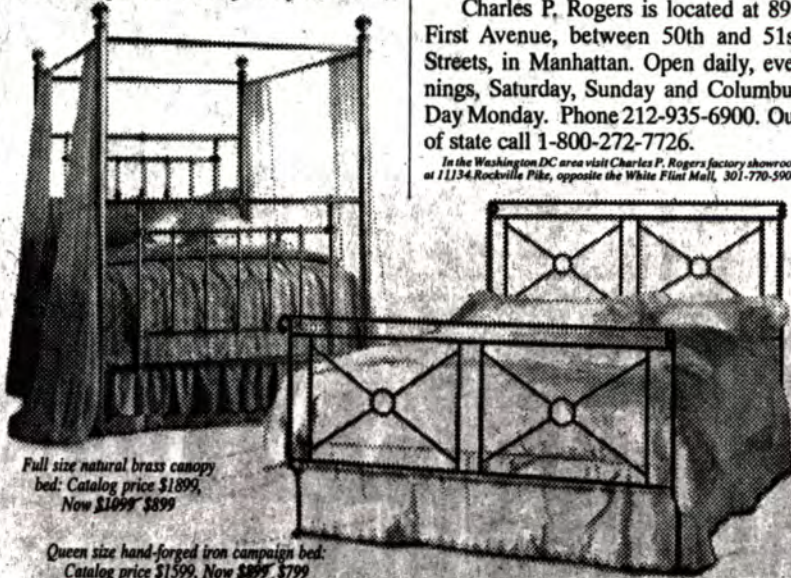
Long known as New York's best source for new, original and restored antique beds, holiday shoppers will be pleased to find an expanded variety of styles on sale.

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Previously reduced catalog prices have been marked down even further for this event. Additional savings on packages with premium mattresses are in effect.

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Queen size hand-forged iron campaign bed: Catalog price \$1599, Now \$899 \$799

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Seattle, Washington

Mayo Clinic, Rochester, Minnesota

The University of Texas
M.D. Anderson Cancer Center
Houston, Texas

Memorial Sloan-Kettering Cancer Center
Evelyn H. Lauder Breast Center
New York, New York

University of California San Francisco
San Francisco, California

Please make checks payable to:

THE BREAST CANCER RESEARCH FOUNDATION

767 Fifth Avenue New York, New York 10153

people 8,000 years ago were only passing through by way of the mountain passes," Dr. Watson said in a telephone

THE WHITE HOUSE
WASHINGTON

cc Mr
Ann Stock
HRC

WH Dinner

Has Bob Rayman
been invited?

Vernon Weaver?

~~goy~~
Tom Raffalli

3-27-68 9:08

10/6

DEPUTY SECRETARY OF LABOR
WASHINGTON, D.C.
20210

LABOR

LABOR

~~Class~~
no one will
let us know
for their
purposes
B

FROM: THOMAS P. GLYNN

SUBJECT: 60 Minutes Story on Immigration

We understand that this Sunday, October 3, CBS' 60 Minutes will air a segment that will likely be critical of current U.S. immigration law. The story will focus on the H-1B visa program and suggest that it has been used to the detriment of U.S. workers, by granting legal entry to temporary foreign workers irrespective of the availability of workers here. It also will likely highlight high-tech occupations in California and Massachusetts.

The problem is illustrated by a Massachusetts firm (Digital Equipment Corporation) that filed applications for more than 1,100 H-1B computer programmers and analysts after having announced and started to lay-off more than 1,600 U.S. workers, many in the same occupations. (It is not clear that this example will be used in the 60 Minutes piece.)

On September 15, Secretary Reich forwarded to you two memoranda, addressing the effect of U.S. immigration policy on the labor market and outlining actions taken by the Labor Department regarding this issue and in response to 60 Minutes' investigation. This memorandum is to offer a response to the 60 Minutes story.

We believe that 60 Minutes has spoken with U.S. workers who believe that they have been displaced or adversely affected by legal foreign workers, particularly those admitted for "temporary" employment which, in some cases, can be as long as six years. 60 Minutes has also spoken with industry associations, including the National Association of Computer Consulting Businesses, which likely have cited examples of unfair competition from employers of temporary foreign workers and highlighted layoffs by computer companies.

The story may present cases of abuses in which American workers are laid off and foreigners are admitted either under B-1 visas as "visitors for business" (administered by the Departments of State and Justice's Immigration and Naturalization Service(INS)) or under H-1B visas as "professionals" to be employed in "specialty occupations" (administered by the INS and Department of Labor).

ACTIONS TAKEN

Many of the current immigration issues stem from the Immigration Act of 1990 which was passed under the Bush Administration when the national unemployment rate was 5.5 percent and the unemployment rate in California was 5.6 percent. In contrast, today's unemployment rate of 6.7 percent nationally and 9.0 percent in California, leaves us saddled with a law that is predicated on quite different economic conditions.

After a thorough review, the Labor Department has identified administrative, regulatory and legislative actions to address the concerns and problems raised by U.S. immigration law and policy. We have:

- Sent to the Federal Register proposed regulations for the H-1B program (to be published Wednesday) which would enhance our ability to enforce employer compliance with the terms under which they obtain access to temporary foreign workers, restrict what payments employers can credit as wages, reduce the term of the visa from six to three years, and enable the Department to initiate investigations of employer compliance (the prior Administration issued regulations limiting enforcement to specific complaints from workers);
- Sent to Congress proposed technical amendments to the H-1B legislation which also would tighten up the program by disallowing employers' applications for H-1B workers when the employer has laid off U.S. workers in the same occupation in the last year, and by requiring certain employers to take timely and significant steps to recruit, develop, and retain domestic workers in these jobs;
- Continued efforts towards a broader set of legislative amendments to the H-1B program;
- Continued review of the question of employer sanctions, which raises a range of different considerations; and
- Communicated with the Secretary of State and Attorney General the need for coordinated interdepartmental action to address apparent abuses of certain temporary foreign worker visa programs for which the Department of Labor does not have any operational responsibility.
- Suspended all action to implement a related program -- the Labor Market Information (LMI) pilot program -- which would permit the admission of certain employment-based permanent immigrants, pending Congressional action on a current bill that would eliminate this requirement, and requested via a letter from the Secretary that Congressional Members act on a bill that would eliminate it.

Other relevant actions taken by the Administration include:

- Publication by the State Department and soon by the INS of new regulations tightening criteria for admission and employment of visitors-for-business under B-1 visas;
- Your proposal of new legislation to expedite deportation in certain circumstances and revise the system for granting asylum;
- Your nomination of Doris Meissner as Commissioner of the INS, and your charge to her in leading that agency; and,

· Your proposal that the Administration be represented on the Commission on Immigration Reform which is tasked to evaluate the effects of the recent reform of our system of legal immigration by the Immigration Act of 1990.

PROPOSED RESPONSE

· While I didn't see the 60 Minutes program, I am familiar with the problems with these special exemption programs in the current immigration law. When abused I think these programs raise questions in the minds of all Americans about the fairness of our immigration laws to American workers.

· Since last Spring, Secretary of Labor Reich and my Administration have been working through regulatory and legislative channels to close the loopholes that allow companies to lay off American workers and then turn around and hire foreign workers as well as the loopholes on the enforcement side.

THE WHITE HOUSE
WASHINGTON

October 1, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: BERNARD W. NUSSBAUM *BWN*
COUNSEL TO THE PRESIDENT

SUBJECT: Justice Department Brief in
United Mine Workers Case

The Justice Department has recently filed an amicus brief in a pending Supreme Court case, in which the United Mine Workers (UMWA) has challenged \$52 million in fines imposed on the union by the Virginia state courts during a 1989 strike. The brief is controversial because the government has argued that the UMWA is required to pay the fine, which the UMWA has asserted would bankrupt the union. This was not a case in which the Supreme Court asked the Justice Department to file an amicus brief.

While this matter may not be raised with you directly during the AFL-CIO convention, we wanted to provide you with a "heads up" on the issues.

The principal argument in the Justice Department brief is that the fines at issue -- for violation of a court back-to-work order -- are properly characterized as penalties for "civil," rather than "criminal," contempt of court. The union claims that the fines at issue were "criminal" and could only properly have been imposed after a full-blown criminal proceeding. But civil contempt fines -- designed to ensure compliance with Court orders -- are an important mechanism, used by the Labor Department and other agencies, in a broad variety of enforcement actions. Indeed, the Labor Department and NLRB often use civil contempt fines in areas that benefit workers -- such as labor relations, employee health and safety, pension plan security, and labor standards that protect against abuse of the minimum wage and overtime laws. The Justice Department filed its brief to ensure that this enforcement mechanism against noncomplying employers would not be undermined or curtailed by requirements that criminal procedure apply to these types of contempt proceedings.

It is the Justice Department's remaining arguments that are more controversial and that were opposed by the Department of Labor. First, the Justice Department argues that the Virginia courts remained entitled to collect the fine at issue even after the settlement of the underlying litigation (that is, the end of the strike to which the court orders were directed) and after

agreement by the parties to vacate all of the fines. It is the union's position -- as well as the position of the Department of Labor -- that the civil contempt fine here was designed to coerce behavior (i.e., having miners return to work), and that the coercive purpose of the fine ended once the underlying conflict was settled. According to the union (and the Department of Labor), any fine collected now would be "punitive," and thus cannot be collected without a criminal proceeding.

Second, the Justice Department argues that the union has failed to show that the \$52 million fines here violate the Due Process Clause of the Fourteenth Amendment and the Excessive Fines Clause of the Eighth Amendment. Asserting an interest in this issue because "federal fines and forfeitures are subject to challenge as excessive," the Justice Department argues that the union's arguments on this point are too "limited."

The Department of Labor had asked the Department of Justice to side with the union -- or, in the alternative, to take no position -- on these latter two arguments. But the Solicitor General's Office appears to have concluded that it was important to file an amicus brief on all of these issues to ensure continued availability of civil contempt enforcement remedies.

The Justice Department did not solicit the White House's opinion on the case. While several members of the White House staff were aware that the Justice Department was considering filing this brief, we were also aware that Secretary Reich and Labor Solicitor Tom Williamson were personally involved in efforts to convince the Solicitor General not to argue against the union. We believed that the Justice Department would be more responsive to the concerns expressed by the Department of Labor. In light of Secretary Reich's involvement, and to avoid the appearance that the White House had imposed undue political pressure on the Solicitor General, the White House did not communicate directly with the Justice Department on this brief.

Union representatives and other union supporters may perceive the brief as an unnecessary challenge to the United Mine Workers.

Talking points are attached.

THE WHITE HOUSE
WASHINGTON

Cisneros

October 1, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: STANLEY S. HERR, DOMESTIC POLICY COUNCIL (x2372)

SUBJECT: HOMELESSNESS AND THE VISIT TO SAN FRANCISCO

Homelessness continues to be a major social and political problem in San Francisco and in the Bay Area in general.

On the topic of a federal role in preventing and alleviating homelessness, you could mention such items as:

- Funds for San Francisco. HUD has provided over \$33 million in homeless assistance funds to San Francisco (1986-1992). This total includes funds for the Housing Opportunities for Persons with AIDS program (\$3.6m), Emergency Shelter Grants Program (\$1.9m), transitional housing (\$14m), and Single Room Only (SRO) units (\$14.3m). Funds are received by the private nonprofit as well as the City's Public Housing authority.

- Demonstration Federal-local partnership. The HUD-DC Initiative has just released a detailed blueprint for developing the types of transitional, prevention, and long-term housing and support services that are needed to break the cycle of homelessness. It is titled The D.C. Initiative: Working Together to Solve Homelessness (Sept. 1993). The White House could make this report available to local officials since the report identifies public-private partnerships that can make a difference in the lives of homeless children and adults.

- Continuum of Care Concept. HUD sees this approach as invigorating the nation's response to homelessness. It involves outreach/assessment/emergency components, transitional help with rehabilitation services to more stable living, and moves to permanent housing. The concept underlies the D.C. Initiative, led by Secretary Cisneros and D.C. Mayor Pratt.

- Federal program inventory. The 99-page inventory of federal programs and activities that can help the homeless population and providers of services to them is entitled Federal Programs to Help Homeless People. It is published by our Interagency Council on the Homeless (March 1993).

under Rebo would cities be able to apply for Defacto local grant to coordinate funds from all these?

See Cis. should send to all Mayor

• Executive Order. On May 19, 1993, you signed an Executive Order calling for the development of a coordinated Federal plan for breaking the cycle of existing homeless and preventing homelessness in the future. The order stressed the need for a continuum of services to address not only housing needs, but the needs for support services that vulnerable subsets of the homeless population need. (This order follows-up on the campaign pledge to develop "targeted strategies to help different homeless populations -- those who need supported living environments, those who need residential drug and alcohol treatment, and those who need housing for their families because they can't afford it.").

• New policy on family preservation. On August 12th, Secretary Cisneros announced a new policy aimed at preserving the unity of homeless families through funding priorities for shelter programs. This step meshes with the Administration's emphasis on family preservation. It also reflects our pledge to attack the roots, not just the symptoms of homelessness.

If I can provide you with further information, please call me.

E X E C U T I V E O F F I C E O F T H E P R E S I D E N T

03-Oct-1993 01:01pm

TO: Thomas F. McLarty
FROM: John Podesta *JP*
 Office of the President

SUBJECT: Phone calls, etc.

Report on the calls you asked me to return last week;

I asked Mark Middleton to return Bevill's call since I had worked on the recycled content issue when I was in private practice. Bevill really just wanted to make an introduction of the CEO of Champion paper. Middleton said he'd be happy to talk to him; I don't think further follow up with Bevill is necessary.

I talked to Mike Kopetski who wanted to weigh in on behalf of an Oregonian to be head of the National Guard at the Pentagon. I told him that I would check out the status and get back to him; I owe him a follow up call, which I'll do Monday.

Joan Baggett talked to Lynn Williams -- more personnel business. He wants the General Counsel at the Steelworkers to be considered for G.C. at the NLRB. Joan's checking the status with PPO and getting back to Williams directly. I don't think you need to get back to him.

03027 ? 038027

log onto

— w 10/4

THE WHITE HOUSE

WASHINGTON

SEP 29 1993 13:55

SEPTEMBER 29, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: KRISTINE M. GEBBIE, RN, MN, FAAN.
NATIONAL AIDS POLICY COORDINATOR

SUBJECT: FEDERAL WORKPLACE HIV/AIDS EDUCATION INITIATIVE
DIRECTIVE

I. ACTION FORCING EVENT:

The National AIDS Policy Coordinator will brief the Cabinet on HIV/AIDS education and prevention programs and workplace policies. The attached Directive will implement the Federal Workplace HIV/AIDS Education Initiative.

II. BACKGROUND/ANALYSIS:

This will be the first step in the Administration's effort to curb the HIV/AIDS epidemic. You will direct the Executive Branch to institute government wide HIV/AIDS education and prevention training at work. In addition, each Department and Agency will be asked to develop progressive workplace policies for persons with HIV/AIDS. The White House Staff and the Executive Office of the President will receive training prior to December 1, 1993, World AIDS Day. All training programs and workplace policies will be in effect by December 1, 1994.

III. RECOMMENDATION:

Issue the attached Directive.

IV. DECISION:

☐ Approve ☐ Approve as Amended ☐ Reject ☐ No Action

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: AIDS at Work

Halting the spread of HIV/AIDS and caring for those already touched by the disease is our common responsibility. Sadly, if you do not know someone with HIV/AIDS, you soon will. Every 17 minutes an American dies of AIDS; one of every five Americans knows someone who has died of AIDS; over one million Americans are already infected with HIV.

HIV/AIDS affects everyone in this Nation. Preventing the spread of HIV/AIDS and its associated human and economic costs is crucial to the success of health care reform. Likewise, enlightened, nondiscriminatory workplace policies are essential to both our efforts at reinventing government and at lowering health costs. This Administration and this Nation must do all within our power to prevent discrimination against those infected with HIV. I am committed to facing the difficult issues raised by HIV/AIDS.

This is an Administration of action and leadership by example. Today's Cabinet meeting discussion of HIV/AIDS is the beginning. All of you are asked to develop and fully implement comprehensive HIV/AIDS workplace policies and employee education and prevention programs by World AIDS Day, 1994, beginning with your Senior Staff.

To begin this process:

- * Each Cabinet Secretary shall designate a member of his/her Senior Staff to implement ongoing HIV/AIDS education and prevention programs and to develop nondiscriminatory workplace policies for employees with HIV/AIDS.
- * These designees, with the Office of the National AIDS Policy Coordinator (ONAPC), shall form a working group to implement this directive.

- * The Office of Personnel Management (OPM) shall review its current HIV/AIDS workplace guidelines and assist in the development of workplace policies in the departments and agencies, as directed by ONAPC. OPM should pay particular attention to ensuring that the administrative burden on the departments and agencies is minimized.
- * The National AIDS Policy Coordinator shall report to me quarterly on the progress of each department and agency, beginning January 1, 1994.
- * The White House Staff and the Staff of the Executive Office of the President (EOP) will participate in HIV/AIDS education and prevention training prior to World AIDS Day, December 1, 1993.

HIV/AIDS is the health crisis of this century; it cannot be allowed to extend into the next. Only through education and prevention can we stop its spread. Only through aggressive and coordinated efforts at medical research can we find a cure. Join me on World AIDS Day, 1993, to remember the hundreds of thousands of American dead and the millions of Americans infected or suffering because of this disease; help me to vividly demonstrate this Administration's commitment to end the HIV/AIDS epidemic.

William D. Clinton



Computer
Systems
Policy
Project

Michael Spindler Apple

Robert E. Allen AT&T

Eckhard Pfeiffer Compaq

James E. Ousley Control Data Systems

John F. Carlson Cray Research

Donald L. Skates Data General

Robert B. Palmer Digital Equipment

Lewis E. Platt Hewlett-Packard

Louis V. Gerstner, Jr. IBM

Edward R. McCracken Silicon Graphics

Scott G. McNealy Sun Microsystems

James G. Treybig Tandem

James A. Unruh Unisys

PRESS RELEASE

For Immediate Release
September 29, 1993

Contact: Michele Norman
(202) 662-8407

Jenny Carter
(202) 783-8627

Bob Rubin
Mark Gerwin
Alexis Herman

Hi
Podestri
10/3/93

COMPUTER INDUSTRY CEOS GIVE CLINTON ADMINISTRATION HIGH MARKS FOR BOLD ACTION ON EXPORT CONTROL REFORM

Washington, D.C. --The chief executive officers of thirteen leading American computer companies today applauded the Clinton Administration for averting a major hi-tech export crisis with a dramatic policy shift. The CEOs of the Computer Systems Policy Project (CSPP) commended the Clinton Administration for announcing significant relief to outdated export control laws.

"In the first major high-technology decision of his Administration, President Clinton has announced a solution that is a winner for both the industry and our country," said James Unruh, chairman and CEO of Unisys Corporation and chairman of CSPP. "With today's announcement, the Administration has set a bold precedent for enacting public policies that keep pace with technology advances. The Administration has recognized the serious effect outdated policies have on American jobs and has demonstrated that it can do what it takes to keep America competitive."

-- more --

For several months, CSPP has been working with the Administration on a seven-point plan to avert a national export crisis. Outdated laws would have significantly restricted U.S. companies' competitive advantage and created a flood of new export license requests to the government.

"By updating the export control laws, the Administration has freed from restriction thousands of U.S. computers set for sale overseas," said Unruh. "Outdated U.S. export control laws had tied one hand behind our back. By updating the laws, the President has now untied it and created a positive competitive environment."

Today's announcement will increase the threshold for exports of computers to many destinations from 12.5 MTOPS (millions of theoretical operations per second) to the level of 500 MTOPS (and immediately raise this threshold to 194 MTOPS). The Administration's announcement also updates the definition of "supercomputer" to include computers with CTP of 2,000 MTOPS or more. This new level, a significant jump from the previous level of 195 CTP, will address the power of today's multiple architecture desktop PCs and workstations.

"President Clinton has set the right tone with today's announcement -- U.S. jobs and exports are a priority," said Unruh. "With this important first step toward reform, U.S. exports of computers will surely increase. We pledge to continue working with the Administration to be sure policies keep pace with technology and to reform export control laws for the long-term."

CSPP was formed in 1989 to develop and advocate industry positions on trade and technology policy issues. CSPP's members include the chief executives of Apple, AT&T, Compaq, Control Data Systems, Cray Research, Data General, Digital Equipment, Hewlett-Packard, IBM, Silicon Graphics, Sun Microsystems, Tandem, and Unisys. Kenneth R. Kay, a partner in the law firm of Preston Gates Ellis & Rouvelas Meeds, is executive director.

###

THE WHITE HOUSE
WASHINGTON

Chen

10/3/93

Copies to Pastor *
Rasco
Reed
George

* Please coordinate a
response

John Podesta

Daniel Patrick Moynihan
New York

United States Senate
Washington, D. C.

October 1, 1993

Dear Mr. President,

Last Sunday evening, we talked about taxing bullets. You asked if you had any executive powers in this area. It appears not, but the manufacture of ammunition already requires a Federal license, and license fees clearly can be raised by legislation.

We are currently experiencing an epidemic of morbidity and mortality associated with handguns. We attempt to combat this by controlling the supply thereof. This strategy can have no effect, as there are some 50 million handguns in circulation. A two century supply, as you might say. On the other hand, we have about a four year supply of bullets (some 7.5 billion rounds). Bullets are the pathogen. If that supply is sharply reduced, an epidemiologist would hypothesize that morbidity and mortality would also be reduced.

Under the Federal Firearms Act of 1938, a Federal license is required to manufacture or import ammunition.

The license, issued by the Bureau of Alcohol, Tobacco and Firearms, costs \$10 per year. No stipulation is made as to caliber or quantity, and no reporting is required. BATF guesses that some 2 billion cartridges are manufactured or imported each year. There are currently 284,000 BATF licenses either to sell firearms or to manufacture or import ammunition. The latter number some 7,000.

This last number would immediately attract the attention of the epidemiologist. When we were working out the epidemiology of automobile crashes, the plainest first fact was that it would be easier to change the behavior of three automobile manufacturers than of 90 million automobile drivers. Go for the weakest link! Don't swat the mosquitos, drain the swamp.

There are probably no more than 10 major ammunition manufacturers. Naturally, the BATF doesn't know which.

The power to tax is the power to destroy. By picking and choosing rounds, exempting police, possibly dispensing ammunition to legitimate sports clubs and such other controls no different than those we use for prescription medicine, we could effectively disarm a huge proportion of those individuals now ravaging our streets in a mode not conceptually different from any other plague.

Thus, a calibrated tax scheme could most likely eliminate the use of 9 mm. handguns in drive-by-shootings in, say, five years.

I have been working at this for a decade and have passed one bill banning one round (armor-piercing, "cop-killer" bullets). But the precedent is established, and the taxing power has been there for more than half a century. There is no guarantee that we would succeed, but I can attest that in the field of automobile safety, public opinion changed from incomprehension/hostility to easy acceptance in the matter of a decade.

Respectfully,

A handwritten signature, possibly reading "J. D.", written in dark ink.

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

Letter: On Gun Control

Seat Belts, Bullets and American Lives

To the Editor:

In a letter you published in 1960, I wrote to say that epidemiologists were trying to redefine automobile safety as a public health problem with greater attention to "passive" measures such as vehicle design.

Such views were then generally greeted with skepticism, if not derision, since conventional thinking then saw the problem as driver behavior and the solution as law enforcement. Yet by 1966 Congress had enacted legislation establishing the National Highway Safety Bureau, headed first by William Haddon Jr., M.D., who had begun his career in the New York State Department of Health. Automobile safety is now a recognized field of scientific research and technological innovation with results to show for it.

I relate this in the context of "What Can the Brady Bill Really Do? A Little Gun Control, a Lot of Guns" (The Week in Review, Aug. 15). You

note that since 1981, when James S. Brady, President Reagan's press secretary, was shot, "Americans have bought nearly 50 million new guns, including more than 20 million handguns." Americans may own some 200 million firearms. Would a waiting period for purchasing new weapons, which I surely support, even so make much of a difference?

You cite criminologists who are skeptical. And ought not they be? We have a two-century supply of handguns. These things last forever. Dr. Haddon used to say that when a car hit a tree nobody got hurt. It wasn't until the passenger hit the car that injury or death occurred. Therefore, think seat belts.

In the same analytic tradition can we not bring ourselves to see that guns don't kill people? Bullets do. And at most we have a four-year supply of ammunition, albeit some can be hoarded. Moreover, the Federal Gov-

ernment already controls, through licensing, the manufacture of bullets. Mind, the Bureau of Alcohol, Tobacco and Firearms, which issues the licenses (for derisory sums with no record keeping), isn't much interested. There is no reference to this responsibility in the bureau's job description in the Government Manual.

The publications of the National Safety Council in 1960 did not mention automobile design. But this can change. John D. Graham, who is director of the Injury Control Center at the Harvard School of Public Health, from which Dr. Haddon graduated, writes: "Bullet-related injury is barely a field of respectable scientific endeavor." But neither was vehicle design a third of a century ago.

DANIEL PATRICK MOYNIHAN
Pindars Corner, N.Y., Aug. 17, 1993
The writer is United States Senator from New York.

Chen

Editorial Contact:

Mark Fredrickson
(508) 493-4930

David Farmer
(508) 493-0179

Digital Equipment Corporation
Maynard, Massachusetts 01754-2571

*To Alexis Herman**From John Podesta**10/3/93***digital**

DIGITAL EQUIPMENT CORPORATION APPLAUDS
PRESIDENT CLINTON'S EXPORT CONTROL REFORMS

WASHINGTON, D.C. -- September 29, 1993 -- Robert B. Palmer, President and Chief Executive Officer of Digital Equipment Corporation, today praised President Bill Clinton's dramatic relaxation of export control regulations affecting computers.

"President Clinton hit a home run today," said Palmer, who appeared at a White House press conference with President Clinton as the Administration unveiled its new National Export Strategy. "This most dramatic change would not have occurred without the direct involvement of President Clinton and his cabinet.

"This Administration deserves tremendous credit for listening to industry needs and truly finding the right balance between U.S. economic security and military security in determining export policy," Palmer continued.

"The new proposed control levels will allow Digital, with our industry-leading 64-bit Alpha AXP chip technology, to compete on even ground in the worldwide market," Palmer noted. Alpha AXP chips are designed and manufactured by Digital in Hudson, Massachusetts, where, in addition to its existing facility, the company is building a new semiconductor fabrication plant for completion in 1995.

Today's announcement will bolster Digital's competitiveness in some of the world's fastest-growing emerging markets and will substantially reduce Digital's administrative costs for export licensing. Said Palmer, "Global competitiveness and administrative costs are directly linked to Digital's ability to positively contribute to the growth and prosperity of the communities in which we operate."

Digital Equipment Corporation Applauds
President Clinton's Export Control Reforms
Page 2

"President Clinton's announcement is good for Digital and for Massachusetts, by helping us sell Alpha AXP technology," Palmer said. "I also want to acknowledge the ongoing work of a number of important Congressional leaders, including Senator John Kerry of Massachusetts and Representative Sam Gejdenson of Connecticut, who have been quite attentive to industry's concerns."

Palmer joined a delegation of Computer Systems Policy Project (CSPP) CEOs at the White House press conference. CSPP, which has been discussing the need for these changes with the Administration for the past several months, was formed in 1989 to develop and advocate industry positions on trade and technology policy issues. CSPP members include the chief executives of Apple, AT&T, Compaq, Control Data Systems, Cray Research, Data General, Digital Equipment Corporation, Hewlett-Packard, IBM, Silicon Graphics, Sun Microsystems, Tandem, and Unisys.

Digital Equipment Corporation, headquartered in Maynard, Massachusetts, is the leading worldwide supplier of networked computer systems, software and services. Digital pioneered and leads the industry in interactive, distributed and multivendor computing. Digital and its business partners deliver the power to use the best integrated solutions - from desktop to data center - in open information environments.

####

Note to Editors: Alpha AXP is a trademark of Digital Equipment Corporation.

CORP/94/290

Chron

PIPER & MARBURY

1200 NINETEENTH STREET, N.W.
WASHINGTON, D. C. 20036-2430

202-861-3900

FAX: 202-223-2085

93 OCT 3 A8:

BALTIMORE
NEW YORK
PHILADELPHIA
LONDON
EASTON, MD

RONALD L. PLESSER
202-861-3969

October 1, 1993

Mr. John Podesta
Staff Secretary
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

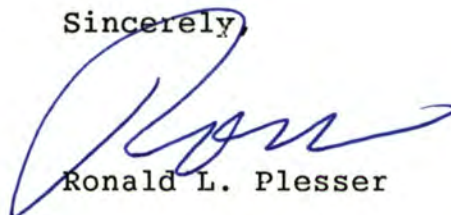
JAN Piercy
Do we already
have a candidate
for chair?
JHP

Dear John,

Enclosed is a memo written by Jeff Liss concerning his
appointment to the Kennedy Records Commission.

Let me know what you think. I think it would be a
great idea.

Sincerely,



Ronald L. Plesser

RLP/dd
Enclosure

M E M O R A N D U M

TO: Ron Plessner
FROM: Jeffrey F. Liss 
DATE: September 23, 1993
RE: JFK Assassination Records Panel

As we discussed, I am enclosing my resume for consideration by the appropriate parties for the vacant position on the JFK assassination records panel.

I would be very interested in serving on this panel, and I believe I can bring a useful perspective to it. As you know, my practice has afforded me a working familiarity with information law and general Freedom of Information Act considerations. Much more importantly, I have a great appreciation for the value of archival materials for historians arising out of my graduate work in legal history and my teaching experience in the same field as an adjunct at Georgetown University Law Center and, previously, Washington College of Law of the American University. Indeed, I have published an article that relies on a significant amount of work in Supreme Court archival material (also attached).

I also have a long-standing background in civil liberties, including my service over the years as a board member of the ACLU of the National Capital Area.

Finally, as you know, I was an early supporter of the President's. Marc Lackritz can vouch for me in that regard.

Please let me know if you need more information, and thanks for your help.

cc: Marc Lackritz (w/o encls.)

Enclosures

JEFFREY F. LISS

Piper & Marbury
1200 Nineteenth Street, N.W.
Washington, D.C. 20036
(202) 861-3940

3904 Woodbine Street
Chevy Chase, MD 20815
(301) 656-6510

CURRENTLY

Administrative Partner (since 1990) and Partner (since 1985),
Piper & Marbury, Washington, D.C.

- * Maintains an active commercial and environmental litigation practice, as lead counsel in cases in federal and state courts and agencies and before the American Arbitration Association.
- * Manages an office of 65 lawyers and 150 total employees and partners; serves on the firm's Policy & Management Committee (since 1989).

PRIOR EXPERIENCE

Partner (1981-85) and associate (1977-81), Wald, Harkrader & Ross, Washington, D.C.

Judicial Law Clerk, Honorable Charles R. Richey, United States District Court for the District of Columbia, 1975-1977.

LAW TEACHING

Adjunct Faculty (since 1986), Georgetown University Law Center (Remedies, Legal History).

Faculty, EPA Trial Advocacy Institute, 1992

Adjunct Faculty, University of Maryland Law School, 1986 (Administrative Law).

Adjunct Faculty, Washington College of Law, American University, 1978-1985 (Anglo-American Legal History, Advanced Civil Procedure -- Discovery).

EDUCATION

J.D., University of Michigan, 1975

- * Note and Comment Editor, University of Michigan Journal of Law Reform, 1974-75.
- * Recipient, Louis Honigman Memorial Award, 1975.
- * Intern, Center for Law and Social Policy, Washington, D.C., 1974.
- * Research Assistant, Honorable Arthur J. Goldberg (during Center internship).

M.A. (History), University of Michigan, 1975

B.A., with High Distinction, University of Michigan, 1972

* Honors in Philosophy and Class Honors.

BAR MEMBERSHIPS,
ACTIVITIES,
AND RATINGS

Admitted to District of Columbia and Maryland Bars, to all Federal district and appellate courts in and for those jurisdictions, and to U.S. Supreme Court.

Member (since 1989), U.S. District Court (D.C.) Early Neutral Evaluation panel of mediators (appointed by Chief Judge Robinson).

Fellow, American Bar Foundation.

Chairman, Subcommittee on Fiduciary Obligations of Corporate Representatives of the Business Torts Litigation Committee, Section of Litigation, American Bar Association, 1988-1991.

Steering Committee, D.C. Bar Section on Courts, Lawyers and the Administration of Justice, 1988-1992.

Member, D.C. Bar Committee on Continuing Legal Education, 1989-1991.

Member, D.C. Bar Admission Rules Study Committee, 1987-88.

Frequently-invited member, Judicial Conference of the District of Columbia Circuit and Judicial Conference of the District of Columbia.

Rated "av" by Martindale-Hubbell.

BOARD MEMBERSHIPS

Advisory Committee, D.C. Bar Foundation (since 1991).

Executive Committee and Board of Directors, Washington Lawyers' Committee for Civil Rights Under Law (since 1988).

Executive Board, American Civil Liberties Union of the National Capital Area, 1981-83 and 1990-91.

PUBLICATIONS
AND SPEECHES

See attached.

9/93

PUBLICATIONS AND SPEECHES

"Remedies in Business Torts Litigation," chapter in Business Torts Litigation (1992) (co-author).

"A Summary Of Some Major Insurance Coverage Issues Involving Manufacture Or Use Of Pesticides," 2 Environmental Claims Journal 227 (1989-90) (co-author).

"The Judicial Nominations Process: Seeking a Commitment to Equal Justice," chapter in One Nation Indivisible: The Civil Rights Challenge for the 1990's, a report of the Citizens Commission on Civil Rights (1989) (co-author).

"The Linuron Decision: Impact on Pesticide Registrants, Implications for Data Compensation Disputes Under FIFRA," 12 BNA Chemical Regulation Reporter, No. 46 (Feb. 17, 1989) (co-author).

"Formal Discovery from Nonparties," 13 Litigation, No. 4 (1987).

"The Schneiderman Case: An Inside View of the Roosevelt Court," 74 Mich. L. Rev. 500 (1976).

"Political Candidates' Loyalty Oaths," U. Mich. J.L. Ref. 637 (1974) (student note).

* * *

"Regulation of Advertising Under FIFRA," Chemical Producers and Distributors Association's Mid-Year Meeting, Washington, D.C., 1993

"Managing and Working Effectively With Outside Counsel," Institute for International Research, Washington, D.C., 1992.

"Insurance of Environmental Remediation Costs for Government Contractors," Federal Publications, Inc., Washington, D.C., San Francisco, CA, and San Diego, CA, 1989-92.

"Insurance Coverage for Toxic Torts," Government Institutes, Inc., Washington, D.C., 1990.

"Fiduciary Obligations of Departing Employees," ABA Annual Meeting, Chicago, IL, 1990.

"Injunctive Practice and Other Equitable Remedies," Georgetown University Law Center/D.C. Bar Mini-Course, Continuing Legal Education Division, 1990.

"Insurance for Environmental Claims in New England: Case Studies," Executive Enterprises, Inc., Boston, MA, 1989.

"Trial Demonstration: Fiduciary Obligations of a Corporate Officer Who Leaves to Compete," ABA Section of Litigation Annual Meeting, San Francisco, CA, 1989.

"The Linuron Decision: What it Means for Future Data Compensation Issues," Chemical Producers and Distributors Association's Mid-Year Meeting, Washington, D.C., 1989.

"Insurance and Superfund," Government Environmental Lawyers Conference, Ellenville, N.Y., 1987.

"Effective Drafting of Pleadings Under the Federal Rules," Georgetown University Law Center/D.C. Bar Mini-Course, Continuing Legal Education Division, 1987.

"An Outline of FIFRA," Executive Enterprises, Inc., Washington, D.C., 1986.

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