THE WHITE HOUSE
WASHINGTON

**DATE:** 12/6/93

**NOTE FOR:** LEON PANETTA

[redacted]

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

- Information ☐
- Action ☐

The original memo was returned to this office today.

Thank you.

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

cc:

THE PRESIDENT HAS SEEN 12/6

THE WHITE HOUSE

WASHINGTON

November 10, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN PODESTA
TODD STERN

SUBJECT: VA Funding for FY 95 and the Budget Process

We attach three documents that relate to funding for VA's FY 95 budget and, more generally, to the Administration's process for developing its FY 95 budget.

Panetta/Rubin Memo on FY 95 Budget Process

This memo to you attaches a memo that Leon and Bob sent on Friday to agency heads setting forth a process for having OMB and then NEC consider FY 95 budget requests. The process contemplates a final appeal to you in December -- but only at the end of the OMB/NEC process. **Leon's and Bob's memo urges you not to let Cabinet Secretaries preempt the process through premature appeals to you.**

Jesse Brown Letter on VA FY 95 Budget Request

This letter was delivered by Hershel Gober to Bruce Lindsey Sunday evening. It does what the Panetta/Rubin memo is trying to avoid -- preempting the process with a direct appeal to you to grant VA's FY 95 budget request, described as $450 million more than OMB is willing to approve. The letter says VA could not maintain current service levels under OMB's funding proposal.

Panetta Memo on VA FY 95 Budget Request

In this memo, Leon discusses VA's FY 95 budget request. VA is asking for $956 million over and above what is assumed in OMB's FY 95 planning guidance. OMB believes a $260 million increase would be adequate to maintain FY 94 service levels, but, "to be fair", offered a $500 million increase ($450 million less than VA wants).

In addition, Ira Magaziner has proposed a $3.3 billion special investment fund for FY 95-97 ($1 billion for FY 95) to help VA get ready for health care reform. This $3.3 billion special fund is included in our health care proposal. **The health care team**

**wants to button down approval on the $3.3 billion fund today so that your health care legislation can actually be introduced on the Hill (you delivered the package on October 27, but it has not been introduced yet).** Leon has been reluctant to sign off on the $3.3 billion fund as long as VA is continuing to press for an FY 95 budget far in excess of what OMB is offering.

At Mack's direction, Carol Rasco tried to work with VA and OMB to resolve these matters. OMB has offered to increase the FY 95 budget by an additional $100 million (i.e., a total increase of $600 million over FY 94), but VA is still holding out for a total increase of $850 million. Leon thinks it would detrimental to your other investment priorities to accede to VA's request and recommends that you ask VA to accept the $600 million offered by OMB plus the $1 billion in the special investment fund.

**OPTIONS**

Essentially, two options are presented to you:

1. (a) Let the $3.3 billion special fund get finalized in the health care bill now. This will weigh heavily against, although not preclude, raising VA's FY 95 budget above the $600 million increase proposed by Leon; and (b) defer any final decision on VA's FY 95 budget until December -- the appropriate time for your consideration of agency appeals under the budget process laid out in Leon's and Bob's memo.

2. Address VA's and OMB's competing substantive positions now, either on the basis of the attached (or additional) paper or a meeting.

**RECOMMENDATION**

**Mack, Carol, George, Bob Rubin and the health care team recommend Option 1, since the alternative would encourage an ad hoc process that could both sap your time and lead to undisciplined and unintended budget results.**

Concur [√] Discuss [ ]

THE WHITE HOUSE

WASHINGTON

November 8, 1993 8 10:14

MEMORANDUM FOR THE PRESIDENT

FROM: AR for LP SM for RER
LEON PANETTA AND ROBERT E. RUBIN

SUBJECT: **1995 Budget Process**

Pursuant to our conversation about the budget process and the need to assure Cabinet members that they will have due process, we sent the attached memo outlining the process to them, including final appeal to you.

If any Cabinet members seek to pre-empt the process through side conversations with you -- which could quickly lead to chaos -- you may want to refer them to this memo.

Your economic team, led by OMB, will have an initial meeting with you on the budget the week of Thanksgiving, and after that we will meet with you for an hour every other day until the holiday break and the completion of the FY 95 budget.

cc: Christine Varney

Attachment

BR|Bo|GS/SM

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

THE DIRECTOR

November 5, 1993

M-94-8

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND MAJOR AGENCIES

FROM: Leon E. Panetta
Robert E. Rubin REN

SUBJECT: Schedule for the Production of the FY 1995 Budget

Current law requires that the FY 1995 Budget be transmitted by the President to the Congress on or before February 7, 1994. However, choices must be completed by the President by mid-December in order to produce and print a final document.

Therefore, in order to meet the requirements of a compressed timeframe that allows adequate time for review and comments by the responsible agencies and departments, the President has decided on the following process:

1. November 1 -- November 22. OMB will review the budget submissions of the departments and agencies, and prepare a summary of each budget comparing them to the FY 1994 Budget, the FY 1995 cap requirements, and the FY 1995 requests of each department and agency. OMB's role will be to advise the President on progress towards his major economic and policy goals, and how the budget submissions support these goals. Emphasis will be placed on the President's investment priorities, and the limits on discretionary and mandatory spending. Options will be developed on how best to achieve these investment goals.

2. November 22 -- early December. OMB will present these options to the National Economic Council. The NEC will then meet with agency heads to review their proposals and the options for funding the investments. These discussions will focus on specific investment priorities, the consequences of adhering to the ceilings provided each agency, and the cross-cutting options available. The NEC will make final recommendations to the President.

3. Early December -- December 23. The President will make his decisions on each agency budget and any major cross-cutting decisions. The Members of the Cabinet will be notified of these decisions and will be given the opportunity to clarify or appeal the President's decisions.

4. December 23. All policy decisions will be finalized.

5. December 27 -- January 13. Your staffs will translate the policy decisions into detailed budget schedules. They will also enter thousands of detailed data records that are used to support the published budget into OMB's automated budget system. At the same time OMB, working with White House staff, will be preparing the text that outlines the Administration's program.

Your regular OMB contacts can provide more detailed information on the progress of the schedule over the fall. If there are significant changes, you will be alerted.

Thank you for your assistance in this matter.

M-94-8 Sent to the Following Heads of Executive Departments and Major Agencies:

Agriculture
Commerce
Defense
Education
Energy
Health and Human Services
Housing and Urban Development
Interior
Justice
Labor
State
Transportation
Treasury
Veterans Affairs

Environmental Protection Agency
Federal Emergency Management Agency
National Aeronautics & Space Administration
National Science Foundation
Small Business Administration

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

November 7, 1993

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

Dear Mr. President:

We are at a critical point for the VA medical system, and with this letter, I want to present VA's position on adequate funding in FY 1995.

All Americans recognize their obligation to repay their fellow citizens who stepped forward to defend the country and its dearly held principles. VA was created to fulfill that obligation. Some 1.1 million military men and women have made the ultimate sacrifice, giving their lives in wartime service. Many more sustained non-mortal wounds. Today, 2.2 million veterans receive compensation for service-connected disabilities and 806,000 surviving dependents of deceased veterans depend on VA payments for their support. This background puts VA in a unique position among Federal agencies.

Our medical system cares for sick and injured veterans who *need* the care they seek from us. It is not a business that can curtail hours or services as funding diminishes. Deciding what constitutes an adequate medical care budget, requires that we consider funding history: no significant increase in real dollars for the past 20 years. We have reached the limits of what can be done through greater efficiency, until the system is restructured through health care reform. In fact, any more directed "efficiencies" for budget purposes will be little more than thinly disguised cuts. Their effect will be nothing short of devastating.

VA and OMB at this point are approximately $450 million apart. To put it plainly, the OMB numbers mean putting veteran patients at risk in underfunded VA medical facilities. They also mean massive backlogs in claims handling, and diminished capacity to bury veterans with the dignity they earned. The enclosed paper gives more detail on the impact, if the OMB number stands.

This is not the time to shrink from our moral obligation to veterans, especially the World War II warriors, who now really need the benefits the American people always intended for them. This is the continuing cost of war, and it is clearly in the national interest to honor our commitment to veterans. If we don't fulfill our obligations to the heroes of the past, perhaps we should ask how that will be viewed by the men and women we expect to be the heroes of the future.

*Putting Veterans First*

We need to stop and ask: What message are we sending to veterans and to the American public, if we come forward with a request that won't permit VA to operate in 1995 at the same level as in 1994? (The OMB figure represents significantly less than a current services increase.) I submit we cannot say we support the VA health care system as an integral part of national health care reform at the same time we cut its funding.

I respectfully request the opportunity to meet with you personally before you reach a final decision.

Respectfully,

Jesse Brown

Jesse Brown

Enclosure

## VA PROPOSAL TO THE PRESIDENT

## MEDICAL CARE

*BACKGROUND*

VA health care system has been underfunded during the past decade. As a result it has an aging infrastructure that lacks many of the features that are taken for granted in modern hospitals. The following points describe and highlight the funding shortfall:

- In constant 1980 dollars, the Medical Care appropriation has remained static at a level of about $6 billion over the 1980 - 1992 period. In 1980, VA health care funding was 4 percent of the Federal Budget. By 1990, it was only 2 percent. (see attachment 1)

- When compared to the private sector, VA care is more economical in that VA employs 30% fewer clinical staff, mainly nurses, per occupied bed and 14% fewer non-clinical personnel per hospital bed in use.

- VA has been forced to a lower rate of capital investment than the private sector. VA invests 60% less annually per bed in use and 20% less per facility for equipment and buildings.

- Outpatient care is not comparable to private sector standards in terms of waiting time. Average waiting time for an appointment in a specialty clinic is presently 62 days and can reach six months at some locations.

- VA currently projects a cumulative shortfall in inflation funding (in 1994 dollars) of over $765 million. Actual inflation has exceeded OMB economic assumptions by 1 to 3 percent annually over the last four years.

## MEDICAL CARE APPROPRIATION

The basic appropriation is directed at caring for the 2.6 million sick and elderly veterans who now use VA for their medical care. The requested 1995 increase of $862 million is needed to continue to care for these veterans and to start to move VA to managed care. Through managed care initiatives, we are expecting a reduction of almost $600 million in current services by 1997. The funding level requested in 1995 is necessary to begin this shift to outpatient care by opening clinics as well as meeting the higher costs of treating the same patient caseload as in the previous year. This of course assumes eligibility reform for the VA within the Health Security Act. Without sufficient funds in 1995, these future year efficiencies cannot be achieved. This proposal includes a reduction to existing employment (208,000 FTE) by 16,000 FTE over 5 years as part of the Administration's streamlining plan. The reduction is to be achieved through eligibility reform and purchasing of services. However, staffing must be dependent on market share and enrollment under health reform.

## HEALTH SECURITY ACT INVESTMENT FUND

The investment package is intended to reduce equipment and maintenance backlogs and address the problem of the aging infrastructure. This will include installing bedside telephones, reducing large open wards and community bathrooms for privacy and accommodating female veterans, addressing heating, cooling, and safety as well as appearance requirements to make VA competitive under the national health care reform.

## IMPACT OF REVISED OMB TARGET ON MEDICAL CARE

- The revised OMB target ($500 million above original target) is $362 million below the VA requirement of current services.
- The revised OMB target would require limiting workloads at medical centers. The shortfall means a reduction of 30 thousand inpatients treated and 650 thousand outpatient visits.
- For perspective, the current service shortfall is equivalent to the funding required to support 5 VA Medical Centers with an average of 300 beds each.
- Current programs and services would have to be curtailed by either closure or across the board reductions.
- Sick veterans would be unable to receive care due to lack of resources.

## IMPACT OF REVISED OMB TARGET ON NON-MEDICAL CARE PROGRAMS

Straightlining funds at FY 1994 levels as proposed by OMB will also significantly impact non-medical care programs.

### RESEARCH

- VA is a leader in research related to wartime conditions, such as spinal cord injury, PTSD, rehabilitation of amputees, as well as geriatric research for older veterans.

- Eighty percent of our research is conducted by physicians and is clinically based.

- VA research contributes to an improved quality of life for all Americans and will contribute toward health care cost containment.

- A static research budget would cause elimination of currently funded research that would affect 7 percent of the project base.

### VETERANS BENEFITS ADMINISTRATION

- From 1991 to 1994, VBA's adjudication backlog will increase from 378,000 to 711,000. The 827,000 pending claims currently estimated for 1995 would increase to about 1.2 million as a result of straightlining funding.

- Termination of outreach programs such as the Transition and Disabled Transition Assistance programs which would eliminate support for new veterans displaced as a result of military downsizing.

- Elimination of ADP modernization's stage-three award as well as applications development in support of VBA's business re-engineering activities.

- VA will be prohibited from achieving its 1998 productivity commitment to the Administration and Congress to substantially reduce its backlog and improve day-to-day customer service.

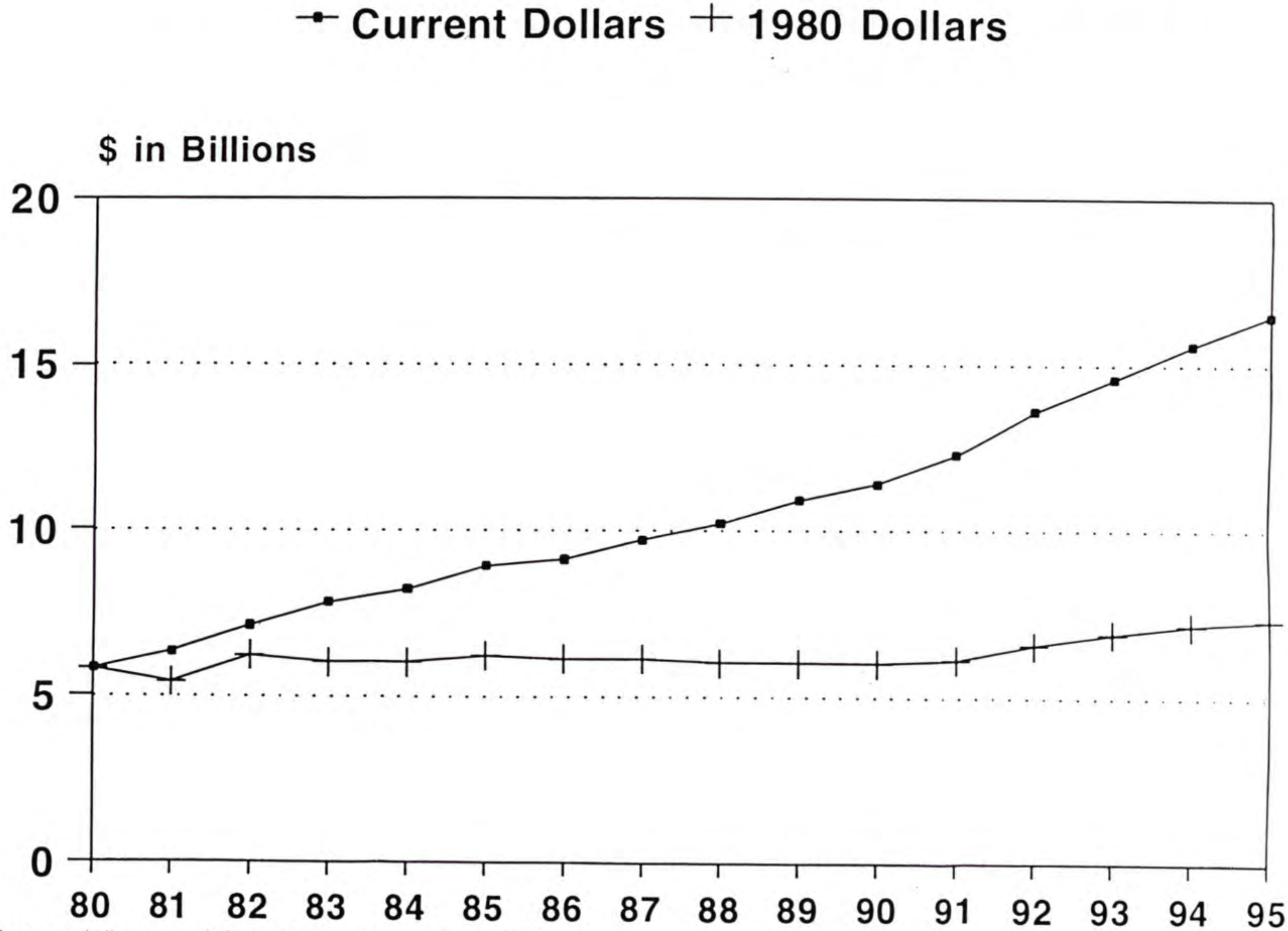
### BOARD OF VETERANS APPEALS

- In 1991, the Board response time was 139 days with a backlog of 17,000 cases.
- In 1995, with the effect of the Court of Veterans Appeals, the response time is expected to be 807 days with a backlog of 60,000 cases.

### NATIONAL CEMETERY SYSTEM

- The National Cemetery System is faced with the certainty of closing 7 cemeteries in the next several years. Five new cemeteries can not be constructed and opened.

# Medical Care
## Actual BA Current vs Deflated Dollars




NOTE: Current dollars are deflated using the Medical CPI for non-payroll costs and converting the value of 1980-1988 actual and 1989-1995 appropriated employment to 1980 dollars

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

10:55

THE DIRECTOR

November 6, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: LEON PANETTA

SUBJECT: VA Health Care and the Budget

As you know, Ira Magaziner has been discussing the possibility of an investment fund for the VA to help them get ready for health care reform. Ira offered to provide $3.3 billion over the next three years for this purpose but with the understanding that we would not be able to give them a FY1995 appropriations request beyond what is needed to provide the same level of medical care services as provided in FY1994.

The Department maintains that this current services level is $882.3 million. They are also asking for an additional $74.1 million to expand eligibility for outpatient care. Their total request is thus $956.4 million -- just short of a $1 billion increase over FY1994. This is in addition to the $1 billion in the special investment fund that Ira has offered to them in FY1995. I have rejected this request, and they are appealing the decision. Our reasons for rejecting the request are as follows:

- o The VA has not provided convincing evidence that they need their requested level of funding for FY1995 to maintain the FY1994 level of services. Indeed, as the attached analysis by my staff shows, they could probably maintain services with the $260 million increase assumed in the FY1995 planning guidance for the VA budget. However, to be fair and conservative, we were willing to provide them an additional $500 to $600 million for this purpose. In our extensive discussions with them, they never came close to accepting these numbers.

- o The tight budgetary caps under which we are operating do not permit us to give increased funds to a Department without taking funds away from other Departments. Acceding to the VA request would entail reduced funding for other Departments, few of which are getting any increase in FY1995. This shift in funds would, we're afraid, jeopardize your commitment to provide increased funds for Head Start, dislocated workers, immunization, Goals 2000, National Service, and other priorities.

- o Providing VA with their request could send a signal to other Departments that they, too, can expect substantial additional funds. At a minimum, it would be viewed by other members of your Cabinet as unfair. Their request would provide the VA with a larger percentage increase in spending than the FY1995 planning levels provide for all but two or three other Departments. Under the planning guidance, seven Departments already will have to reduce their outlays in FY1995, and any increase over the $260 million target for VA Medical Care will require further reductions.

- o As noted in my earlier memo to you on the VA budget request, we believe that the VA should view health care reform as an opportunity to provide the veterans' community more choices and better health care, not simply more resources for the Department. They argue that they cannot now compete with other providers. We believe that Ira's $3.3 billion commitment gives them that opportunity.

The Secretary may argue that, as an advocate for veterans, he cannot accept an appropriation increase that is lower than $1 billion -- the increase provided in the last four years. However, there was no hard freeze on domestic spending in those years. Outside of the increase in funding for violent crime reduction in the crime bill -- which further reduces funding available for other agencies -- a FY1995 appropriations increase of $500-600 million for VA medical care will be one of the largest increases in the budget.

I strongly recommend that you ask the VA to accept the $500 million dollar increase we have offered, along with $1 billion for FY1995 in the special investment fund.

## VA MEDICAL CARE: FY 1995 BUDGET
## MAINTAINING FY 1994 EFFORT AND ACTIVATING NEW FACILITIES
## (Amounts in thousands of dollars)

| | $ | |
|---|---|---|
| ***Adjusting 94 Enacted (Basis for 95 Current Services):*** | | |
| Remove excessive salary estimates................ | (119,015) | Congress provided VA with requested funds to support 205,188 FTE (including FTE to open new facilities). VA has since determined that their estimates of 94 personnel costs were overstated. This $119m is not needed to fund the approved 94 FTE level, and VA would use these excess funds to hire an additional 2,500 FTE -- which is inconsistent with Presidential policy on FTE. VA should spend the excess funds to reduce the equipment backlog in 94, and these excess funds should be removed for calculating 95 current services. |
| Remove 94 equipment funding generated from excess salary estimates.............................. | (95,000) | Represents excess salary money in 94 that is in addition to the $119 million discussed above. During the 94 appropriations process, these excess funds were removed from VA's budget by the House, but restored by the Senate and earmarked to reduce equipment backlog. The use of these excess salary funds for equipment would be treated as a "one-time" investment in 94 and removed in 95. |
| ***Subtotal, Adjusting 94 Enacted*** | **(214,015)** | |

*__Adjusting VA's Current Services Estimate:__*

| | | |
|---|---|---|
| Do not provide estimate for "within grades".... | (76,513) | In 93 VA hired 2,020 more FTE than was estimated in their budget. As discussed above, VA plans to hire 2,500 FTE above the budget in 94. The excess funding of these FTE is due in large part to VA's inclusion in it's budget of costs for within-grades. Removing these funds in 95 will help ensure VA does not have excess salary funds in 95. |
| Use correct federal retirement (FERS) assumptions .......................................... | (62,352) | FERS contribution has been reduced from VA's assumption of 12.9% of base pay to the Administration's budget assumption of 11.4%. |
| Remove non-recurring maintenance (NRM) increase above inflation............................ | (45,738) | Request would provide funds in excess of inflation for NRM. That would be a program increase, not current services. |
| Other Adjustments .................................. | (17,330) | Includes reductions for the following:<br>-1,913 benefits related to 2,500 FTE removed above.<br>-5,760 in wrongly paid out workmen's comp. claims.<br>-6,603 in FEHB annualization of 94 increase.<br>-3,054 in FEHB costs for 95 consistent with Admin. est. |
| Use correct pay assumptions...................... | (47,848) | VA assumed 2% general increase plus $30 million for locality pay. Current govt-wide policy is 1.6% general raise and no locality pay. |
| ***Subtotal, adjusting current services*** | **(249,781)** | |

## *Facility Activations:*

| | | |
|---|---|---|
| Adjustment to facility activations ................ | **(59,000)** | VA's estimate has been adjusted to correct the delay rate in opening new facilities. The rate for providing new staff has been adjusted to reflect the rate actually experienced by VA's top 20% most efficient facilities. |

## *Other Adjustments:*

| | | |
|---|---|---|
| Participating in Presidential/NPR Policies | (23,900) | Assumes implementation of President's NPR policies. |
| More efficient distribution of resources through PPS-type allocation system.......................... | (100,000) | Implements policy agreed to by VA in 94 budget process, which was highlighted in President's A Vision of Change for America and reflected in the President's 94 Budget. |
| ***Subtotal, Other Adjustments*** | **(123,900)** | |

| | | |
|---|---|---|
| ***Total Adjustments*** | **(646,696)** | ***VA's current service estimate is $882 million. Subtracting this $647 million in adjustments would bring current services to a level of $235 million above 94 enacted.*** |

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 12/6/93

[redacted]

**NOTE FOR:** SECRETARY HENRY CISNEROS

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

Information XX

Action ☐

Thank you.

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

cc:

THE PRESIDENT HAS SEEN 12/6

THE WHITE HOUSE

WASHINGTON

25:41

November 26, 1993

MEMORANDUM

FOR: John Podesta

FROM: Christine Varney CAV

SUBJECT: Attached memo from Secretary Cisneros to the President

Attached is a memo from Secretary Cisneros to the President regarding Habitat for Humanity's proposed "Dade County Model Community." It appears that the Secretary's memo is in response to a letter the President forwarded to the President. The Secretary is reporting that progress has been made on the issue.

Varney

042473

THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

OCT 28 1993

Thanks!

MEMORANDUM FOR: The President

FROM: Henry Cisneros Henry Cisneros

SUBJECT: Update on Habitat For Humanity (South Dade) Jordan Commons Project

Thank you for forwarding Millard Fuller's September 10, 1993 letter concerning Homestead Habitat for Humanity's proposed "Dade County Model Community" project to me. I am pleased to report that significant progress has been made on this Habitat project in the last month.

You will recall that Habitat is seeking $ 3.6 million for infrastructure and land acquisition costs for an exciting new 200-home Dade County model community that is now known as Jordan Commons. This is the largest single Habitat For Humanity Project ever proposed and the first to integrate family and community support facilities into a Habitat effort.

Otis Pitts and Dade County Manager Joaquin Avino have been working with Dorothy Adair, Executive Director of Homestead Habitat for Humanity to identify strategies and resources to fund this exciting project. Habitat's Jordan Commons project application for funding and request for zoning approval was filed with Dade County Board on October 5, 1993. Joaquin Avino assures me that this request is receiving his highest priority attention. His office has established a daily log to record all actions taken to forward this important project.

Dade County professional staff has reviewed this Habitat application and has earmarked $ 3.6 million from FY 1993 supplemental HOME and Community Development Block Grant funds for the project. Before these earmarked funds can be finally committed, the County Board must complete its mandated public hearing process and approve the proposed project zoning.

It is expected that the zoning hearing will be scheduled for late December or early January. Some neighborhood organizations have expressed opposition to the project and plan to challenge the requested zoning. Habitat has retained Attorney Robert Traurig, one of Florida's foremost zoning experts, to represent them on any zoning challenge or appeal. The Jordan Commons project is located in Dade County Commissioner Larry Hawkins' District. To date, Commissioner Hawkins has not taken any public position on this project.

Like you, many in the local community believe this project will be a vital step in South Dade's rebuilding process. We Will Rebuild, the private sector organization established to raise funds for hurricane recovery efforts, has provided more than $400,000 for project engineering costs. The requested $ 3.6 million in public dollars are expected to leverage more than $13 million in private funds through Habitat for housing construct-ion. Other private and non profit resources are being sought for the proposed town center facilities and social service programs.

George Latimer of my staff was in Miami last week and visited the proposed site and reviewed the project plans with Robin and Dorothy Adair of Homestead Habitat For Humanity. George returned with the enthusiasm shared by most folks familiar with the proposal-- it truly is an exciting opportunity for both Habitat and Dade County.

We will continue to work with Habitat, Otis Pitts, Dade County and all other interested parties to make this project happen. I look forward to the day that you can join Habitat for Humanity for a nail pounding session in South Dade.

THE PRESIDENT HAS SEEN

12-6-93

THE WHITE HOUSE

WASHINGTON

6 11:05

December 4, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: Howard Paster HP

SUBJECT: Douglas Fraser

Thank you very much for taking the time to greet Doug Fraser on Friday. He is my second favorite boss of all time.

Before he left the White House Doug asked me to give you the attached editorial from the Detroit News. This ran the day of the House vote on NAFTA and includes some wonderful quotations from Walter Reuther on the importance of free trade.

to Doug [illegible]

# Walter Reuther and Free Trade

The most virulent opponents of the North American Free Trade Agreement (NAFTA) have been union leaders, who have forgotten that free trade helps workers. For that perspective, undecided congressmen should consult the writings and speeches of one of America's greatest labor leaders, the UAW's own Walter Reuther.

Walter Reuther

Mr. Reuther's 1962 congressional testimony on world trade legislation (the so-called "Kennedy Round," aimed at further opening world trade) is especially relevant to the NAFTA debate. As Mr. Reuther declared:

"There is a certain tendency on the part of shortsighted people to see only the legislation before us, to see only the possible troubles that may arise in some localities and some industries as the result of a freer trade program. . . . By substantially lowering the economic barriers that we have all erected against one another . . . we can assure for all broader markets, greater efficiencies in production, greater economic stability and faster economic growth. . . ."

Over 10 to 15 years, NAFTA would eliminate many of our small trade barriers with Mexico while tearing down most of Mexico's very high tariffs and barriers. Three decades ago, Mr. Reuther emphasized the importance of reducing tariff barriers with other countries. "It will offer a far broader market to our own producers," he said, and would "also bring benefits to consumers in the way of a greater variety of products and some reductions in prices." Try getting a union leader today to show the same concern about consumers.

Although some NAFTA opponents ridicule the small size of Mexico's economy, Mr. Reuther argued that the growing economies of developing countries could provide important new job opportunities for America. "[W]e must also offer them the fullest possible opportunities to trade with us on a mutually profitable basis. If we fail to do so, we may quickly find ourselves on the losing side in the struggle for the minds and hearts of their people."

Current union leaders complain that the low wages of Mexican workers would result in a net loss of American jobs. But that only happens when American workers aren't productive. Mr. Reuther pointed out that high U.S. worker productivity can more than offset the wage gap with many countries. Indeed, a recent congressional study on NAFTA found that U.S. companies are better off producing cars in America than in Mexico.

Mr. Reuther was concerned about some side effects from freer trade. Workers who do lose their jobs because of it need economic assistance, he said. NAFTA provides such aid. Mr. Reuther wanted to prod other countries into adopting "fair labor standards." He raised this condition as a goal, however, not as an excuse for protectionism.

But Mr. Reuther still emphasized the importance of free trade, which included keeping U.S. corporations honest. He recounted how the growth of foreign car sales in the 1950s forced U.S. automakers to start producing small cars. As he remarked, "The future of the automobile industry and the job security of its workers cannot be assured by a retreat to economic isolationism and the building of high tariff barriers." The defeat of NAFTA would encourage such protectionism.

There were many things that were disagreeable about Walter Reuther's economic thought, but he certainly knew that the United States could never prosper as a siege economy. Unfortunately, many current union chieftains and their political lackeys are beginning to closely resemble "the shortsighted people" whom Walter Reuther worried about 30 years ago.

Dear Mr. President,

I meant to give this to you when I saw you. It appeared in the Detroit News the very day Nafta was voted on.

All my best

Doug Fraser

[redacted]

To Alevin

in case you

missed it

B.

THE PRESIDENT HAS SEEN

12.6.93

[redacted]

[redacted]

(Centre

Magazine)

# Newsweek

NAFTA
Perot's Challenge

# The Hidden Rage of Successful Blacks

Embassy of the United States of America

100 Wellington
Ottawa, Ontario K1P 5T1

THE PRESIDENT HAS SEEN
12.6.93

COVERSHEET FOR FAX

Date: 12/3/93

To: Nancy Hernreich

(202) 456-6703

From: Jim Blanchard
FAX: (613) 238-8750
Switchboard: (613) 238-5335

Page 1 of 7

Action: ________ Info: ________ Other: ________

Remarks:

Gergen/Greenm
anyone? —

B

JAMES J. BLANCHARD
UNITED STATES AMBASSADOR

Dec 3, 1993

Mr. President,

I thought you would enjoy seeing the attached polling data.

Your approval rating is 58% in Canada with 66% feeling you're "on the right track" and only 17% "on the wrong track."

The numbers in Michigan are going up too!

We hope you had a great Thanksgiving.

Sincerely,

Jim

100 WELLINGTON STREET, OTTAWA, ONTARIO, CANADA K1P 5T1

ANGUS
REID

# THE NATIONAL ANGUS REID POLL

## - CANADIANS' RATINGS OF U.S. PRESIDENT BILL CLINTON -



*Public Release Date: December 6, 1993*

ANGUS REID

*NATIONAL ANGUS REID POLL*

*Public Release Date:*
*December 6, 1993*


# CANADIANS GIVE "TWO THUMBS UP" TO U.S. PRESIDENT BILL CLINTON

**Toronto -- Canadian Public Approves of Presidential Performance and Views Administration as On the Right Track**

The Canadian public is impressed with U.S. President Bill Clinton: most Canadians express approval of his overall handling of the job and most believe his government is "on the right track".

These findings emerged from a National Angus Reid Poll conducted among a representative cross-section of 1500 Canadians between November 17th and 24th, 1993

By a margin of 58 percent to 24 percent, the Canadians polled indicated they approve rather than disapprove of the way Bill Clinton is handling his job as President of the United States. (Eighteen percent were unable to offer an assessment). Mr. Clinton has impressed Canadians from all regions of the country (with the one exception of the prairie provinces of Manitoba and Saskatchewan where those polled were as likely to indicate disapproval) and from all walks of life (with particularly high approval ratings coming from voters under 55, men, those with more formal education and more affluent Canadians). (Table 1)

The U.S. President's approval rating is higher in this country than in his own. The most recent publicly released polling conducted by the U.S. Gallup Organization (between November 19th and 21st) pegs Mr. Clinton's domestic approval rating at 48 percent while 43 percent of Americans currently disapprove of his performance.

Canadians give the Clinton administration even higher marks for the overall direction in which they have been leading the United States. Fully 66 percent of the Canadians surveyed for this late November poll said U.S. President Bill Clinton is "on the right track". This is almost four times the number (17%) who indicated his government is "on the wrong track" in terms of the overall direction in which they have been leading the country. (Another 17 percent were unsure on this question.) That the Clinton administration is "on the right track" is the majority view among all major socio-demographic segments of the Canadian population, with the magnitude of the numbers varying in a pattern consistent with the President's approval ratings. (Table 2)

This National Angus Reid Poll was conducted by telephone between November 17th and 24th, 1993 among a representative cross-section of 1500 Canadian adults.

These data were statistically weighted to ensure the sample's age/sex composition reflects that of the actual Canadian population according to the 1991 Census data.

With a national sample of 1500, one can say with 95 percent certainty that the results are within $\pm 2.5$ percentage points of what they would have been had the entire adult Canadian population been polled. The margin of error will be larger within regions and for other sub-groupings of the survey population.

\- 30 -

The Angus Reid Group is Canada's premiere market and public opinion research firm. With a full-time staff of over 80 professionals, five client service offices, and eight wholly-owned central location data collection facilities, the company conducts over 16 million dollars in research each year. In 1992, the Angus Reid Group opened its first U.S. office in Minneapolis to serve our growing number of U.S. clients and Canadian clients with U.S. interests.

For further information, please contact:
John Wright, Senior Vice President at 416-324-2900

TABLE 1

U.S. PRESIDENT BILL CLINTON'S CURRENT APPROVAL RATING IN CANADA

"Based on whatever you may have seen, read or heard, do you approve or disapprove of the way Bill Clinton is handling his job as President of the United States?"

| | REGION | | | | | | |
|---|---|---|---|---|---|---|---|
| (Base) | CANADA (1500) (%) | B.C. (183) (%) | Alberta (135) (%) | Man/Sask (111) (%) | Ontario (559) (%) | Quebec (385) (%) | Atlantic (127) (%) |
| Approve | 58 | 61 | 54 | 42 | 60 | 58 | 62 |
| Disapprove | 24 | 25 | 27 | 42 | 23 | 18 | 27 |
| (Unsure) | 18 | 15 | 19 | 17 | 17 | 24 | 11 |

| | GENDER | | AGE | | |
|---|---|---|---|---|---|
| (Base) | Men (729) (%) | Women (771) (%) | 18 - 34 (553) (%) | 35 - 54 (538) (%) | 55+ (409) (%) |
| Approve | 61 | 55 | 59 | 61 | 53 |
| Disapprove | 25 | 23 | 24 | 21 | 28 |
| (Unsure) | 14 | 22 | 17 | 18 | 20 |

| | HOUSEHOLD INCOME | | | EDUCATION | | | |
|---|---|---|---|---|---|---|---|
| (Base) | <$30K (472) (%) | $30K-$59K (593) (%) | $60K+ (347) (%) | <High School (283) (%) | High School (398) (%) | Some Post-Sec. (468) (%) | Complete Univ. (347) (%) |
| Approve | 49 | 63 | 65 | 50 | 54 | 61 | 65 |
| Disapprove | 28 | 22 | 21 | 29 | 25 | 23 | 20 |
| (Unsure) | 24 | 15 | 14 | 21 | 20 | 17 | 15 |

## TABLE 2

## CANADIANS' APPRAISAL AS TO WHETHER THE CLINTON ADMINISTRATION IS ON THE RIGHT OR WRONG TRACK

"All things considered, would you say U.S. President Bill Clinton is on the right track or the wrong track in terms of the overall direction in which his government has been leading that country?"

| | | REGION | | | | | |
|---|---|---|---|---|---|---|---|
| (Base) | CANADA (1500) (%) | B.C. (183) (%) | Alberta (135) (%) | Man/Sask (111) (%) | Ontario (559) (%) | Quebec (385) (%) | Atlantic (127) (%) |
| Right track | 66 | 64 | 68 | 54 | 68 | 67 | 65 |
| Wrong track | 17 | 18 | 20 | 31 | 16 | 10 | 23 |
| (Unsure) | 17 | 18 | 13 | 15 | 16 | 22 | 12 |

| | GENDER | | AGE | | |
|---|---|---|---|---|---|
| (Base) | Men (729) (%) | Women (771) (%) | 18 - 34 (553) (%) | 35 - 54 (538) (%) | 55+ (409) (%) |
| Right track | 70 | 62 | 68 | 69 | 60 |
| Wrong track | 16 | 17 | 18 | 14 | 19 |
| (Unsure) | 14 | 20 | 15 | 17 | 21 |

| | HOUSEHOLD INCOME | | | EDUCATION | | | |
|---|---|---|---|---|---|---|---|
| (Base) | <$30K (472) (%) | $30K-$59K (593) (%) | $60K+ (347) (%) | <High School (283) (%) | High School (398) (%) | Some Post-Sec. (468) (%) | Complete Univ. (347) (%) |
| Right track | 57 | 73 | 72 | 58 | 63 | 67 | 74 |
| Wrong track | 20 | 14 | 15 | 23 | 18 | 15 | 13 |
| (Unsure) | 22 | 14 | 13 | 19 | 19 | 18 | 13 |

steven spielberg

To HRC - fyi B

THE PRESIDENT HAS SEEN
12-6-93

2 December 1993

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

Dear Mr. President,

I was watching your World AIDS Day speech at the Georgetown Medical Center on CSPAN when the young man, out of frustration, interrupted your words with his. I could see how much he touched you, because your answer was healing and full of constructive ideas.

What I didn't expect were your wonderful words about our Holocaust document, *SCHINDLER'S LIST*. I can not recall in my lifetime when a President of the United States has implored the nation to view a film, albeit a painful one.

Please feel assured that I will guard and protect your words. They will not be used in any kind of advertising to benefit the film. The fact that you said it and felt that way is benefit enough, and from the bottom of my heart, I thank you.

All my best,

Steven

100 UNIVERSAL PLAZA/BUNGALOW 477/UNIVERSAL CITY, CA 91608/818/777-4600

Noted/GS
She covers the AG anyway next week
R.

# Control Guns, Say Riordan And Giuliani

Associated Press

Republican leaders of the nation's two largest cities said yesterday that they support waiting periods for gun purchases and tougher laws to restrict the proliferation of handguns.

New York City Mayor-elect Rudolph W. Giuliani said he advocated a "uniform licensing system with real teeth in it," including background checks, lessons, tests and required renewals every two years to "show you're stable, you're healthy, you're able to handle a gun."

MONDAY, NOVEMBER 29, 1993 THE WASHINGTON POST

THE PRESIDENT HAS SEEN 12/6

Los Angeles Mayor Richard Riordan said California has a bill with a 15-day waiting period, well beyond the five-day waiting period of the Brady bill just passed by Congress. "It doesn't go far enough," Riordan said. "We need some very strict legislation to get guns out of the hands of teenagers."

The two Republicans, appearing on NBC's "Meet the Press," skirted any direct criticisms of their party for holding up passage of the Brady bill, named after James S. Brady, the White House press secretary who was wounded in the assassination attempt on President Ronald Reagan in 1981. But both said they would campaign for tougher gun controls.

"Anything we can do . . . that will reduce the number of weapons in the country will help cities in particular and help police officers," said Giuliani, a former U.S. attorney. "Handguns should be in the hands of police officers."

Riordan, who took office last June, agreed. He said 13- and 14-year-olds are committing murders and robbing banks and "it's just gotten so out of hand that we've got to get tough on it."

THE PRESIDENT HAS SEEN 12/6

*William Raspberry*

# That Disturbing Charles Murray

Charles Murray is disturbing in a way other social iconoclasts are not. Pat Buchanan, Ralph Nader, Al Sharpton, Ross Perot, Thomas Sowell—all these can be embraced as prophets or dismissed as dangerous ideologues, depending on whether you agree or disagree with their philosophies.

Murray begins where you are and drags you, often kicking and screaming, much closer to where you thought you'd never go. Even when you see where his train of thought is headed, you may fail to find a convenient stop at which to exit. (I speak here of people willing to think about difficult issues; the rest can either embrace or dismiss Murray for what he is, without bothering to consider his arguments.)

He begins his recent Wall Street Journal piece in a particularly beguiling way: by citing statistics suggesting the rapid development of a white underclass, bigger and more disruptive than the much-analyzed black underclass. We all knew that out-of-wedlock birthrates were up among whites—now about 22 percent, according to a recent Census Bureau study. But it's the disaggregated numbers (not available in the published version of the census report) that tell the story.

"Murphy Brown" notwithstanding, women with college degrees account for only 4 percent of illegitimate births among whites. The bulk of those births—82 percent—are to women with a high school education or less. Fully 44 percent of births to white women who were below the poverty line the year before giving birth are illegitimate.

This illegitimacy begets illegitimacy—and crime, violence, school failure and all the other social ills associated with the underclass. Thus, the anticipated emergence of a large white underclass.

That's where he starts. Here's where he goes: to cutting out welfare, leaving poor women to scuffle to take care of their own children or, if they cannot, to place the children in orphanages. *Nobody* wants to go there.

But listen:

"The ethical underpinning for the policies I am about to describe is this: Bringing a child into the world is the most important thing that most human beings ever do. Bringing a child into the world when one is not emotionally or financially prepared to be a parent is wrong. The child deserves society's support. The parent does not.

"The social justification is this: A society with broad legal freedoms depends crucially on strong nongovernmental institutions to temper and restrain behavior. Of these, marriage is paramount. Either we reverse the current trends in illegitimacy—especially white illegitimacy—or America must, willy-nilly, become an unrecognizably authoritarian, socially segregated, centralized state."

And how would he go about reversing illegitimacy? The old-fashioned way: by letting such improvidence be its own punishment. Societies historically have added some measure of social stigma to the obvious economic difficulties of units consisting of a single woman and her children. Our great mistake, says Murray, has been to remove both types of sanction. He thinks we need to reimpose them.

Restoring the economic stigma means simply ending Aid to Families with Dependent Children (AFDC) along with most other benefits, including subsidized housing and food stamps (but not health insurance). The social stigma will follow automatically.

And here's where you get off Murray's train. Or is it?

He won't have much trouble convincing you that while AFDC may not *cause* illegitimacy, it surely subsidizes it—or that it's absurd to expect both to subsidize a behavior and decrease its prevalence. You're also likely to agree that while hardly anyone will have a baby for the welfare check, a lot fewer single women (and girls) would have babies if welfare weren't an option.

But you wouldn't let babies starve in order to teach mothers a lesson.

Well, neither would Murray. Listen: "How does a poor young mother survive without government support? The same way she has since time immemorial. If she wants to keep a child, she must enlist support from her parents, boyfriend, siblings, neighbors, church or philanthropies. She must get support from somewhere, anywhere, other than the government."

And then, according to his theory, the whole dreadful cycle reverses itself. Enlisting the support of others increases the likelihood that a responsible adult will be involved in the child's upbringing. Few babies will be born to children looking merely for someone to love and cuddle. And the difficulties that befall the young women who get pregnant anyway will serve as a deterrent to their siblings, cousins and peers.

All these things taken together will regenerate the stigma.

And if none of it works, and the mother is unable to take care of her child? The last stop is adoption and what Murray euphemistically calls "24-hour preschools." Orphanages.

I could state my objections and disagreements with at least some of what Murray says, but I think I'll wait, hoping his unrebutted analysis will draw the rest of us into a desperately needed debate.

THE WASHINGTON POST WEDNESDAY, DECEMBER 1, 1993

GS — shd we bring in Ralph & Murray & Herbert to talk w/ a group [illegible]? — B

63

## In America

BOB HERBERT

# America's Job Disaster

The vast majority of American young people, three out of four, never get a college degree. And the schooling they do receive does not prepare them well for the world of work.

These youngsters may be experts at video games, they may have an eye for fashion and a sense of style, they may be connoisseurs of MTV — but most of them are inept at the nearly lifelong task of finding and holding a job.

According to the Department of Labor: "They receive little guidance on how to move into a career that can support a family. Their reading, writing, math and communications skills are largely inadequate for the demands of today's quality employers."

New York Telephone once tested 57,000 applicants before finding 2,100 who were qualified for entry-level technical jobs.

Studies have shown that in the 1980's the real wages of men with college degrees increased modestly, while high school graduates saw their wages decline by 9 percent, and the wages of dropouts fell by a precipitous 12 percent.

**When you can't find work, you can find trouble.**

In those 10 years the earnings gap between high school and college graduates doubled.

Instead of getting better, the situation is growing worse. College graduates are having a harder and harder time finding employment, and when they have to settle for less they put a downward squeeze on everybody else in the job market. Those at the bottom get squeezed out.

For black and Latino young people in the nation's biggest cities, conditions have become catastrophic. Their official rate of unemployment ranges from 25 to 40 percent. But Jack Wuest, executive director of a program in Chicago called the Alternative Schools Network, noted that: "Over 75 to 80 percent of minority youth are not ever counted in the official unemployment rate because they are not even looking for work. They often live in neighborhoods where there are no jobs to be found."

And when you can't find a job it's easy to find trouble.

Job training advocates have felt for many years that it would be helpful if the United States had a school-to-work program, a national effort to aid the passage of young people into the increasingly complex world of employment. Bill Clinton was a supporter and he has come up with a program called the "School-to-Work Opportunities Act of 1993." It has passed the House and will be taken up by the Senate early next year.

It will do very little.

The original idea was to bring the school and work experiences together for young people. In addition to their academic work, they would receive some occupational training and real employment experience, thus giving them a boost toward a career. There would also be a component for dropouts.

The Commission on the Skills of the American Workforce, headed by Ira Magaziner and with Hillary Rodham Clinton as a staff person, reported in 1990 that "America may have the worst school-to-work transition system of any advanced industrial country. Students who know few adults to help them get their first job are left to sink or swim."

President Clinton's program will not change that. In introducing the legislation, Senator Paul Simon, the Illinois Democrat, said, "It is a small investment that will yield dramatic returns in productivity."

"Small" is the operative word. Minuscule would be better. Only $100 million is available for the entire program the first year. It's anybody's guess after that.

To put it in perspective, consider that the Senate, in approving its crime bill earlier this month, authorized the expenditure of $3 billion to finance the construction of 10 new regional prisons, and another $3 billion for boot camps and other programs for young offenders.

Referring to the funding levels of the school-to-work initiative, Bob Taggart, president of the Remediation and Training Institute in Alexandria, Va., said: "There's just enough water to water the topsoil of consultants and policy gurus. The money is just not going to get down there to kids in need."

There is a violent crime emergency in the United States, and there is an employment crisis. The policy makers seem unable to understand the ways in which they are linked, and the degree to which the former is driven by the latter. □

GS
Jobs + crime
is the answer
Hope we can get
some ~~[illegible]~~ investments on jobs
as you said
B.

THE PRESIDENT HAS SEEN
12/6

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THE NEW YORK TIMES, WEDNESDAY, DECEMBER 1, 1993

[redacted]

THE WHITE HOUSE

WASHINGTON

10:15

Nancy/GS/George

There is a good idea as part of the follow up

[redacted]

[redacted]

THE WHITE HOUSE

WASHINGTON

December 2, 1993

Susan Collins
Number Five
2600 Janet Street
Flatwoods, Kentucky 41139

[redacted]

Dear Susan:

Thank you for your letter.

I appreciate your good suggestion about a booklet explaining in simple language how the North American Free Trade Agreement will affect the people of our country. Its passage was a great victory for the future, but you may be correct that we need to do a better job of plainly describing its effect.

See you soon.

Sincerely,

Bill

Jrey

2600 Janet Street #5
Flatwoods, KY 41139

Dear President Bill:

Please excuse the typed letter, but I want to get this in the mail right away.

I'm not sure I was for NAFTA (mostly because it was spawned in Bush's administration and because I have many friends who live in Mexico who have told me over the years how corrupt their government has always been).

The matter I am most concerned with at this point is DAMAGE CONTROL. To paraphrase a very wealthy oddball, "that sucking sound...is the blue collar worker afraid he is going to lose his job taking his vote away from the Demo standard bearer and giving it to the one who promises (but never delivers) the best promises."

I know you trust me because I don't want or need anything from you and you know I am extremely intelligent and very much in touch with the grass roots. So, standing on my credentials, I offer this suggestion (to quote Mickey, "it's free and worth what you paid for it"):

Have someone on your staff read the NAFTA agreement; have that person create a booklet explaining NAFTA in very simple english, answering all the scary questions that were raised during the debates. Have that booklet made available to anyone and everyone who calls (you got it) an 800 number that will have a recording for addresses.

You go on t.v. and tell the people you know they are worried and because you want to allay those concerns, you are having this booklet prepared and you will make sure it gets out to whoever wants it.

If you come back to the people, talk to them the way only you know how to, I believe you will not lose any momentum (or votes). You are doing a great job, but you must remember, we the people are forced to trust you, and your opponents would have us tied up in knots of fear which will surely cause problems in '96.

Always your friend,

Susan Collins

THE PRESIDENT HAS SEEN 12/4

Welcome — Several items

THE WHITE HOUSE

WASHINGTON

P7:30

December 3, 19933

MEMORANDUM FOR THE PRESIDENT

FROM: CHRISTINE A. VARNEY
Secretary to the Cabinet

SUBJECT: Summary of Weekly Cabinet Reports
Week of December 3, 1993 to December 10, 1993

**CABINET-WIDE ACTIVITY**

HEALTH CARE

Seven Cabinet Officers visited hospitals last Sunday in support of your health care proposal. Their visits received wide national and local press coverage. Similar health care visits are being planned for the Christmas holidays. Participating Cabinet officials included: Secretaries Shalala, Babbitt, Riley, Jesse Brown, Dr. Lee Brown, Ambassador Albright and Attorney General Reno.

PERSIAN GULF MYSTERY ILLNESS TASK FORCE

Mack

The Departments of Veteran Affairs, Defense, Health and Human Services and the Environmental Protection Agency have formed an interagency working group to focus on the illness experienced by some veterans of the Persian Gulf War. The group will tap a $20 million fund marked for DOD/VA cooperative research to pay the immediate cost of researching the mystery illness, and tracking and treating patients with the illness. A mechanism has been established for DOD and VA to develop common examination and terminology procedures to study the illness.

This week, Senator Shelby, accompanied by Assistant Secretary of Defense Ed Dorn, has been visiting Prague and London to gather facts related to this issue. When they return Monday, Dorn will brief Secretaries Brown, Aspin, Shalala and Administrator Browner. These principals will then lay out an Administration strategy and, if appropriate, hold a joint press conference to announce the working group and its goals.

* * * * *

Still try to keep Shelby involved ~~[illegible]~~ should we do announcement in Ala?

## DEPARTMENT SUMMARIES

### Department of the Treasury

- **GATT Negotiations:** GATT negotiations continue. Treasury is particularly involved with the international tax matters and financial services aspects of the discussions.

- **Firearm Regulations:** ABC and CBS are preparing stories to air shortly on firearms issues. The reports are expected to focus on the proliferation of federal firearms licensees, the number of ATF inspectors, the Brady bill, assault weapons restrictions, tightening of federal firearms licensing standards, and prohibition on selling or transferring handguns to juveniles.

- **RTC Funding:** You are expected to sign the RTC funding bill next week.

### Department of Commerce

- **Mexico City Trade Mission:** Secretary Brown will travel to Mexico, December 7, to lead a Minority Matchmaker event sponsored in part by Commerce's Minority Business Development Agency (MBDA). The Secretary will take forty minority-owned firms to participate in REP COM '93, Mexico's largest trade show, and to explore export opportunities in Mexico, especially with the passage of NAFTA. The Secretary will meet with President Salinas, Secretary of Commerce Serra Puche, and Mexico's PRI presidential candidate Colosio.

- **U.S./Japan Framework Talks:** Discussions with Japan on government procurement of telecommunications, medical technologies and supercomputers are scheduled for early-mid December in Tokyo.

- **Economic Indicator Reports:** On December 8, Commerce will release "Monthly Wholesale Trade for October."

- **Libya Licensing Policy:** Commerce has conformed its export controls to the new U.N. Security Council resolution on Libyan trade sanctions, effective December 1. The Department now denies any re-export applications for shipments to Libya of aircraft and airfield-related equipment as well as oil terminal and refinery equipment.

### Department of Labor

- **Coal Strike:** Former Secretary Usery continues to mediate the coal strike which is now in its final stages. The parties are negotiating the final language.

- o **OSHA Reform Bill:** The Department's letter informing Senator Kennedy and Chairman Ford that the Administration will endorse the Kennedy-Ford OSHA reform bill is currently on the fast track in OMB for interagency clearance. The letter may be ready to announce next week.

- o **Prime Minister Gonzalez:** Secretary Reich will meet with the Spanish Prime Minister on Tuesday, December 7, to discuss the international economy and job creation.

**Department of Transportation**

- o **U.S./U.K Aviation Talks:** Between December 5-10, aviation talks will continue with the British in London concerning revision of the bilateral air services agreement and extension of British Airways' code-sharing arrangement with USAir.

- o **National Drunk and Drugged Driving Prevention Month:** On December 10, Secretary Pena will join other Cabinet Members in a press conference to promote the Presidential proclamation designating December 1993, "National Drunk and Drugged Driving Prevention Month." The First Lady may participate.

- o **National Highway System (NHS) Report:** Transportation will unveil the results of a two-year effort to determine the approximately 159,000 miles of highways "of national significance". The report will also announce the Department's intention to identify and designate a complete, intermodal transportation system, which will include routes and facilities of national significance. This effort is coordinated with the broader themes of the National Performance Review.

- o **U.S./London Air Routes:** Press attention is likely to continue regarding comments filed by various communities and airlines in response to the selection of national gateway cities for London air service.

**Department of Justice**

- o **Community Policing:** The Attorney General may finalize her awards decisions on grants to States and localities to hire additional police officers. White House staff is discussing the possibility of your involvement in the announcement.

- o **RICO-Abortion Protester Litigation:** On December 8 at the Supreme Court, in NOW v. Scheidler, Justice will support NOW's contention that the RICO statute is not limited to illegal conduct with an economic motive.

- o **Department Employment Policy on Homosexuals:** Spurred by the beginning of the Buttino trial, in which a former FBI agent is suing the FBI alleging he was fired because he is gay, the Department yesterday released new nondiscrimination-in-employment guidelines. The new guidelines make clear the Department's intention not to discriminate on the basis of race, color, religion, sex, national origin, disability or sexual orientation.

- o **Federal Gift Tax Litigation:** On December 6 in the Supreme Court, Justice will argue that a taxpayer's 1979 disclaimer of an interest in a trust created in 1917, before the enactment of the federal gift tax, is a taxable gift. The IRS estimates that the amount of gift taxes that may turn on this issue could run into the billions of dollars.

- o **Indecent Radio and Television Broadcasts:** The D.C. Circuit Court ruled last week that FCC regulations prohibiting TV and radio stations from broadcasting indecent material between 6 a.m. and midnight violate the First Amendment. The Department is considering appeal options.

- o **Labor Strike Practices/Civil Contempt Litigation:** On November 29, Justice participated as friends of the court in Supreme Court arguments in a case involving civil contempt judgements for more than $50 million rendered against the UAW for violations of court orders during a coal strike. The Department argued that civil contempt sanctions should be preserved for use in appropriate cases by federal agencies such as the NLRB.

- o **Cuban Athletes Request Political Asylum:** As of November 20, 27 Cuban delegates to the Central American and Caribbean Games have requested asylum. The Department is interviewing them.

**Department of Health and Human Services**

- o **Year of the Family:** On December 7, Secretary Shalala will address the UN General Assembly in honor of the launch of 1994 as the Year of the Family.

- o **Paternity Identification/Child Support:** On November 29, HHS published proposed rules for required state laws and procedures providing for voluntary acknowledgement of paternity and other practices to aid children

[illegible]

with a parent absent from the home. These rules were proposed pursuant to amendments to the 1993 Budget Resolution.

- **Entitlement Programs:** 60 Minutes is preparing a story on entitlement programs to air prior to the Entitlement Conference in Pennsylvania on December 13.

**Department of Housing and Urban Development**

- **HOPE Grants:** On Monday, December 6, HUD will announce $755 million in grants for the revitalization of distressed housing in the 40 most populous cities in the US. These awards are substantial ($47.3 million in Los Angeles, $49.6 million in Baltimore, $46.2 million in Philadelphia, etc.), and will receive much press attention.

**Department of Agriculture**

- **Mediterranean Fruit Fly:** Medfly outbreaks are occurring with more frequency in southern California. The next 7-10 days are crucial with regard to the extent of the infestation and the necessity to impose control methods. If the outbreaks worsen, there could be a major export impact on the affected commodities. Deputy Secretary Rominger (a long-time California farmer) is monitoring the situation closely with the State.

- **Welfare Waiver:** USDA and HHS approved a Virginia welfare reform proposal which does not include a food stamp "cash out" provision. The project demonstration period is November 1, 1993, to December 31, 1997.

- **Farm Report:** On Monday, December 6, the USDA Economic Research Service will release figures about **1990**. Farm and farm-related industries provided more than 21 million jobs, or 15.7% of U.S. employment in 1990. These industries had a net gain of 264,000 workers compared to 1989.

- **Ethanol:** USDA continues to receive pressure by the Illinois congressional delegation regarding their strong support of ethanol. This issue and the Administration's policy on the treatment of ethanol as part of the EPA reformulated gas rulemaking is receiving extensive media attention in corn producing states and in agricultural publications.

**Department of Energy**

- o **Domestic Oil and Gas Announcement:** Energy will release its Domestic Oil and Gas Initiative on Thursday, December 9. The initiative is modest but includes some proposals important to the industry. You are scheduled to drop by a reception in the Indian Treaty Room for industry executives who are in town for the announcement.

- o **Declassification:** On Tuesday, December 8, Energy will unveil a comprehensive plan to declassify much of the information relating to the Department's facilities. The new policy will specifically focus on the need to ensure maximum disclosure of environmental, safety and health information (consistent with national security objectives). The announcement is expected to receive considerable press attention.

- o **Clean Cars:** On Friday, December 2, Secretary O'Leary signed an agreement with Ford, Chrysler and General Motors which will guide all of the Department's "New Generation of Vehicles" research. This completes the process you announced on September 29.

- o **Superconducting Super Collider:** The Department announced the severance package for SSC employees on November 23. The package received favorable reviews from Members of Congress and the media for being flexible and responsive to the needs of the employees.

**Environmental Protection Agency**

- o **California Smog Check Program** As a result of recent progress in discussions with California legislative leaders, EPA has temporarily halted the process of imposing discretionary sanctions against the state for failing to improve the Smog Check program. EPA hopes to have a solution by the time the legislature reconvenes in January.

**Department of State**

- o **Middle East Peace Process:** Expectations for Secretary Christopher's visit to the region next week are high. The focus will be on pressing for timely implementation of the Declaration of Principles and on moving all parties toward more grounded diplomatic dialogue. The Department is talking with Chairman Arafat about the violence in the region and urging him to make progress on security arrangements.

- o **Mid-East Economic Cooperation:** Last week the State Department held a U.S.-Israeli-Jordanian economic meeting. The two sides completed a difficult banking agreement on the West Bank and began planning a regional business conference in Amman for early 1994.

- o **Nicaragua ESF:** Last week State formally notified Congress of the Administration's intent to disperse $40 million in assistance to Nicaragua. Several Republicans raised objections to the decision and complained about insufficient prior consultation. The Department feels that further consultation would not have generated greater Republican support.

- o **Vietnam:** Assistant Secretary Winston Lord will travel to Vietnam on December 11 to assess the government's cooperation and to emphasize the importance of POW/MIA progress.

**Department of Defense**

has this been made public

- o **Bosnia:** DOD has made an offer to the UN to increase the number of airlifts and airdrops by 100%. The U.S. military facility in Zagreb is ~~available to treat~~ wounded children. DOD is awaiting the outcome of the European Union peace initiative in Geneva.

- o **Somalia:** A "Police Donors" Conference convenes today in Addis to coordinate donations of training personnel, equipment and monies for the establishment of a Somali police force. Operation More Care, aimed at providing medical and dental support to the local population, is underway in the old port of Mogadishu. The carrier USS America is soon to be redeployed and replaced by the USS Independence, which will enter Somali waters shortly.

- o **Labor Outreach:** As part of DOD's ongoing outreach to defense workers, Secretary Aspin hosted representatives of 18 labor organizations whose members work for DOD or on defense contracts. The guests attended briefings and a reception.

- o **NATO/Europe Trip:** Secretary Aspin will be in Europe next week to help pave the way for the January NATO Summit.

**United Nations**

- o **Haiti:** Security Council action will depend on the contents of a forthcoming report from the Sanctions Assessment team and the possible resignation of Prime Minister Malval.

- o **Human Rights:** The General Assembly is in the final stages of drafting a resolution to establish the post of High Commissioner for Human Rights, an official who would coordinate all UN human rights activities.

**United States Trade Representative**

- o **Uruguay Round:** Ambassador Kantor, Secretary Espy, and virtually all senior USTR staff are in Brussels finishing negotiations on the GATT. USTR has made significant progress on the final outlines of a U.S.-E.C. package. Chairman Rostenkowski, joined by Majority Leader Gephardt, will lead a CODEL to Geneva next week on GATT.

- o **North America/NAFTA:** Canadian Prime Minister Chretien announced his intention to proclaim the NAFTA following meetings between Canadian and USTR officials.

- o **Latin America:** Ambassador Kantor is following up on your discussion with Central American leaders and their interest in legislation to provide tariff relief for CBI apparel.

* * * * *

cc: Vice President Gore
Mack McLarty

To Jeff Ellen / cc HRC / Tipper Gore
This could be great element of part of health package - B

THE PRESIDENT HAS SEEN
12/6



# Mental Illness Rises Among the Jobless

**■ Unemployment:** As Southern California's recession drags on, depression and unfocused anger are increasing to dangerous levels in many long-term unsuccessful job seekers, counselors say.

By MACK REED
TIMES STAFF WRITER

VENTURA—Thousands of long-term unemployed Southern Californians are growing angrier and more mentally ill each day their search for work fails, psychiatrists and job counselors say.

None may be sick enough to vent the festering frustration at the world through the barrel of a gun, as Alan Winterbourne did at an Oxnard unemployment office Thursday. But the number, illness and fury of the region's long-term unemployed are growing dangerously as the recession drags on.

"There [are] very high frustration levels; they're very quick to anger," said Bill Souza, who has run a Ventura employment agency for nine years.

"With most of them, it's unfocused anger," he said Friday. "They're nebulous about it—'I've been employed 20 years, I worked hard and now look at me, I'm not worth anything.' . . . I call it economic homicide, and some [newly jobless] can get very vindictive."

Psychologists and job counselors have no name for

Please see JOBLESS, A29

SPENCER WEINER / For The Times

Trish O'Brien, sister of slain police Officer James E. O'Brien, visits the site of his killing in Ventura.

# RAMPAGE: Motive Focus on Joblessness

Continued from A1

to the Employment Development Department office in Oxnard. At 11:41 a.m., he walked into the building, went behind the counter and shot seven people using a .44-caliber revolver and a 12-gauge shotgun, Cady said. Three victims—including two employees—died.

The gunman went outside, where he was met by officers. After a short foot chase and gunfight with the officers, he drove off in his vehicle before being stopped in traffic. Cady said oncoming traffic prevented Winterbourne from making a left turn, so he stopped in the middle of the street and pulled a .300 magnum rifle, peered through a scope and shot Officer James E. O'Brien in the head about 200 feet away.

O'Brien, an eight-year veteran, was crouched behind his car door, Cady said.

"The position of safety is in that doorjamb, where you have the hinges to give you protection," Cady said. "But the guy with a scoped rifle was able to shoot him."

From that intersection, Winterbourne drove to the Ventura unemployment office several blocks away, pursued by officers who shot and killed him.

Oxnard Chief Harold Hurtt said investigators are not sure if Winterbourne intended to injure more workers at the Ventura unemployment office.

"We don't know whether he intended to go there or just ended up at that location," Hurtt said.

Since graduating from Cal Poly San Luis Obispo with a computer science degree in 1985, Winterbourne had been living in a middle-class Ventura neighborhood with his mother. A year before graduation, his father—a Ventura College ceramics teacher—committed suicide by swallowing a poisonous compound used to glaze pottery.

Please see RAMPAGE, A29

[redacted]





# RAMPAGE

Continued from A28

Investigators said some of the documents Winterbourne dropped off at the newspaper showed that after Winterbourne resigned from his job as a systems engineer with Northrop Corp.'s Ventura division in February, 1986, he applied for unemployment benefits.

His request was rejected after Northrop challenged it on the basis that Winterbourne left the company of his own accord. He appealed the denial, but that too was rejected after a hearing Dec. 3, 1986.

Even some state unemployment officials said they could see how not having a job since 1986 would anger Winterbourne.

"1986 was boom times," said Sharrel Wyatt, chief administrative law judge for the California Unemployment Insurance Appeals Board, which denied Winterbourne's appeal. Wyatt said no information on the Winterbourne appeal exists in the agency's files, which are purged every three years.

More recently, Winterbourne had re-established his relationship with the jobs office. He was seeking its services through a job-referral program.

Cady said state unemployment officials were cooperating with the investigation. He said detectives planned to interview employees about services they provided Winterbourne for possible clues.

"We don't know if there was any one person [handling Winterbourne's case], or if there were several people who dealt with him," Cady said. Employment agency officials, who kept their offices in Oxnard and Ventura closed Friday, were not releasing any information on the Winterbourne case.

"We have some information, but not necessarily thorough information," said Anita Gore, an agency spokeswoman.

Cady said he did not know if Winterbourne's weapons were legally bought and registered. The owners of gun shops in Ventura and Oxnard said they had no records of purchases by Winterbourne.

ALAN HAGMAN / Los Angeles Times

Karri Miller, with daughter, Brittany, 4, cries after leaving flowers at Oxnard unemployment office.

# JOBLESS: Depression, Anger Increasing

Continued from A28

the fathomless, sometimes violent syndrome of unemployment-related depression.

But they say it is growing as layoffs, automation and corporate streamlining put more Southern Californians out of work and keep them out of work longer.

Mervyn Cooper, president of the American Psychotherapy Assn., based in Santa Monica, said psychologists are seeing more long-term unemployed people sunk into a vicious cycle of depression. Because their identity is so tightly linked to their jobs, professionals fall harder than most, Cooper said.

"The more training people have, the more they're going to suffer" when they can't find a job, said Cooper, a licensed social worker who specializes in unemployment-related depression. "They may eventually wonder why they were put on this earth . . . and they fall apart."

Unable to find a job, some people let their grooming and manners go downhill, and eventually become someone employers would rather not hire, he said.

"The more they are out of work and the phone isn't ringing and things aren't happening, their physical appearance starts deteriorating," he said. "It's like putting a sign out saying, 'Don't expect too much of me.' They put up barriers saying, 'Don't hire me' because they don't feel they have what it takes."

Their home life can suffer. A lost job can become a parent's excuse for foul moods, arguments and beatings, said Dr. Richard Reinhart, psychological director of the Ventura County Department of Mental Health.

Single working mothers are increasingly feeling the burden of financial responsibility added to the depression caused by job loss, but men are still hit hardest, Reinhart said. "This is going to sound like a sexist remark, but many, many men feel as though they should be the primary breadwinners in the family," Reinhart said. "I know that women get depressed when they lose a job, particularly when they're a single parent. . . . That's hard. But in couples, when a husband loses a job, it's much harder on him in terms of the expectations he has of himself."

Therapists and job counselors advise depressed job-seekers to seek professional advice and peer support. They recommend that the unemployed join support groups through employment agencies or the state Employment Development Department.

"When you get a group of people who are struggling with the same problem . . . that is such a relief," Reinhart said. "The successful groups are not just groups that offer people a chance to get out their gripes, but most of them also focus on very practical items such as how to search for jobs, how to write a resume and how to present yourself in an interview."

Empathy for Winterbourne ran high Friday among the jobless in Ventura County, who say they battle frustration every day.

Isidro Meza, 28, of Moorpark said he could never see himself imitating Winterbourne's murderous outburst.

"But you never know," he said. "Other people are going to go out and do the same thing. It's scary."

Lawrence Madison Jr. of Moorpark said his frustration worsened when he encountered state Employment Development Department workers who seemed not to care.

"It builds up animosity in people," said Madison, a union welder who often deals with the department between jobs. "You got a lot of people out there like that guy in Oxnard."

**Times staff writer Joanna M. Miller contributed to this report.**

THE PRESIDENT HAS SEEN 12/6



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# Child Gives Another AIDS, NBC Reports

*From Reuters*

WASHINGTON—Doctors have identified a rare AIDS case in which one child infected another child while in the care of a foster home, NBC Nightly News reported Friday.

It said the children are between 2 and 5 years old and that the acquired immune deficiency syndrome virus is thought to have been transmitted when one child bled on the other.

The network said doctors at the University of Medicine and Dentistry in Piscataway, N.J., discovered the case.

NBC did not identify the doctors but said that they intend to publish the case in the New England Journal of Medicine, which prohibits researchers from discussing cases publicly before they are published.

By studying the molecular structure of the virus in each child, researchers have established that the AIDS infection, which occurred sometime in a 15-month period, passed from one to the other, NBC reported. The network did not identify the source of its information.

ministers for the a... issued a statement reaffirming its stand, including a demand that negotiators "exclude the audiovisual sector from the principle . . . of the progressive liberalization of trade."

Canada, ... Valenti said. Yet he ... was heartened by Clinton's ... public endorsement of the U.S. industry.

HRC -

THE PRESIDENT HAS SEEN 12/6

## New Screening Guide for Women in 40s

WASHINGTON—The National Cancer Institute on Friday changed its existing guidelines for mammography screening and no longer recommends that women aged 40 to 49 have mammograms on a regular basis to detect breast cancer.

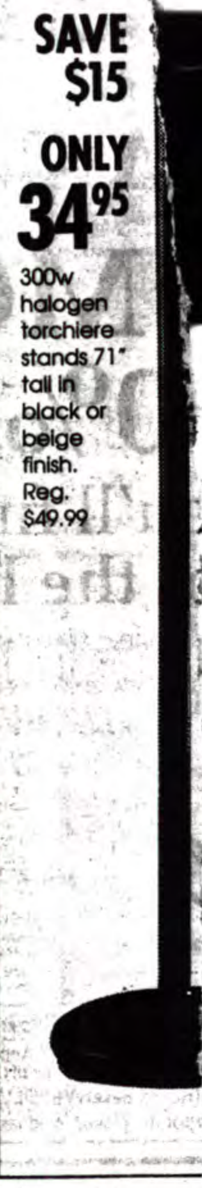
Instead, the institute issued a brief statement that said there is "general consensus" among scientific experts that routine mammography reduces the death rate for women age 50 and older.

The new statement applies only to routine screening for women without symptoms of breast cancer and not to breast X-rays for women with signs of the disease.

Like numerous other private medical and advocacy groups, the institute since 1987 had advised women aged 40 to 49 without symptoms of breast cancer to have a mammogram every one or two years, and women 50 and over to have one annually.

Eighteen outside groups, including the American Cancer Society and the American Medical Assn., issued statements on Nov. 22 urging women to stick with the existing guidelines.

*—The Washington Post*

However, authorities said that they cannot be sure that the stress of being out of work was what caused Winterbourne to erupt. "We don't know what the motive will be because our suspect is dead," Oxnard Police Cmdr. Joseph Munoz said. "We will never know what it will be."

Police do know that Winterbourne, 33, had looked long and hard for a job without success since losing his position as a Northrop computer systems engineer in February, 1986. They say he apparently got tired of looking for employment and decided it was time to turn to violence.

He somehow gathered four high-powered guns and planned the rampage, said Cmdr. Tom Cady. About 20 minutes before the shooting, he calmly walked into a local newspaper office and handed over a file of material documenting his nearly eight-year battle with unemployment.

"Here's some documents," he told an editor of the Ventura County Star Free Press. "Please take a look at them."

On his way out of the door, he said: "You don't have to do it now."

Inside were more than 200 job rejection letters and other files relating to his lack of work.

He apparently drove from there

Please see RAMPAGE, A28

California today, partly to trumpet the Administration's defense conversion initiative and other efforts to enhance the state's economy.

Administration officials contend

the American economy, and I want to point out that this report is another in a long list recently, suggesting that the recovery has

Please see JOBLESS, A19

# Europe's U.S. Film Curbs Could Scuttle Trade Talks

By KAREN TUMULTY
TIMES STAFF WRITER

WASHINGTON—Issues involving billions of dollars in potential U.S. entertainment industry profits appear likely to become one of the final sticking points in the marathon worldwide trade negotiations now heading toward a climax.

The conflict between Hollywood and Europe, which wants to protect its culture and its entertainment industry from an onslaught of American films, presents a difficult political challenge for President Clinton, for whom Hollywood has been an important political backer.

Clinton, who will be in Los Angeles today to raise $2 million for the Democratic Party from the entertainment industry, has publicly committed himself to taking on the issue of Europe's restrictions, which include limits on foreign movies, television programs and related technologies, and entertainment business subsidies.

After a White House meeting with 16 top entertainment executives seven weeks ago, Clinton pledged that he would not sign any agreement in which film, television and video exports are "singled out for unacceptable restrictions."

But some in the Administration worry that unless he has bargaining room on the issue, the entire trade package, affecting virtually the entire U.S. economy, could go down the tubes when the talks hit their Dec. 15 deadline for completion. Recognizing that bind, the industry has quietly relaxed its position in recent weeks, and now says that it can live with some import quotas.

European negotiators, too, have shown some flexibility, offering for

Please see TRADE, A16

THE PRESIDENT HAS SEEN
12/6/93

# For the Love of a Child, a Man Is Saved

■ **Recovery:** A Skid Row addict turns his life around to keep his daughter.

By GORDON DILLOW
SPECIAL TO THE TIMES

It's not really very far from the filthy, seemingly hopeless sidewalks of Skid Row in Downtown Los Angeles to the neat, one-bedroom apartment on Atlantic Avenue in Compton—only about 12 miles. But there was a time not so long ago when Orlando Lee figured it might as well be a million.

He was living on the streets then, sleeping in a cardboard condo and planning no further ahead than his next bowl of crack, his next bottle of cheap fortified wine. After eight years on the Row, he had become one of those apparently hopeless cases, the kind you have to step over when you're

Please see CUSTODY, A24

VINCE COMPAGNONE / Los Angeles Times

Orlando Lee at home with his 3-year-old daughter, Danielle.

I want to write [illegible] a note of congrats, encouragement — cc [illegible]

VINCE COMPAGNONE / Los Angeles Times

Orlando Lee says he's got "worries, responsibilities, bills" and—making it worthwhile—his daughter.

# CUSTODY: Father Regains His Daughter

**Continued from A1**
walking down Main Street.

Orlando Lee had pretty much given himself up for dead.

What saved him was the love of a little girl—his love for her and her love for him—and a tough, no-nonsense "restoration and re-entry" program run by a Lynwood church.

Now, two years after he picked himself up from a Skid Row sidewalk for the last time, Lee once again has a job, a home and a future. And, in what social services workers acknowledge is a startling accomplishment for a man with his background, he recently was awarded sole custody of his 3-year-old daughter, Danielle, who was born into the squalor of Skid Row.

"If it hadn't been for my daughter, I'd probably still be down there," says Lee, 36, who spent months in parenting and literacy classes to win his child back. "She's the reason I turned around. Now I'm sitting in my house—a real house, not a cardboard house—and I've got a job, and I'm watching my daughter grow up. It's a joyful thing."

"Mr. Lee has accomplished what he has through a lot of guts and effort," says Jeff Murphy, an L.A. County Department of Children's Services social worker who has monitored Lee's efforts to gain custody of his daughter. "Unfortunately, we don't see enough success stories like this. What he's done should be an inspiration to a lot of people."

"We're very proud of him," says Pastor John Hopkins of the Truevine of Lynwood Missionary Baptist Church, which operates the program that helped Lee. "He's an example of what can be accomplished with men like him."

An L.A. native, Lee grew up in South-Central Los Angeles near 70th and Central. He dropped out of Fremont High School in the 12th grade, got married at 21, had two

**'She's the reason I turned around. Now I'm sitting in my house—a real house, not a cardboard house—and I've got a job, and I'm watching my daughter grow up. It's a joyful thing.'**

ORLANDO LEE

700 women and children a month.

Living on the streets with a new baby and readily available drugs and alcohol did not make for a stable relationship between Lee and the baby's mother. There were arguments and fights, and Lee did some jail time for spousal abuse—six months one time, three months another. The baby was often dropped off at her maternal grandmother's house for days or weeks while Lee and the baby's mother got high.

One day several years ago, a friend of Lee nicknamed Crazy Charlie told him about the Truevine church in Lynwood, which was operating a feeding program for Skid Row down-and-outers. Every Sunday the church bus would make a run to Skid Row and bring a full bus back for a sermon and a hot meal.

"When Crazy Charlie said there was a meal in it, that got me," Lee remembers. "I started coming down. I'd sit through the service, waiting for the meal, and then after the meal, it was like, 'I'm full, take me back Downtown.'"

Perhaps providentially, the Truevine church bus was there when Lee hit bottom. He remembers waking up on the sidewalk at the corner of Los Angeles and Winston streets after a binge on crack and cheap wine—dirty, hung over, feeling sick at heart and sick in body. It was November, 1991.

"I was at my rock bottom," Lee says. "That was it. I knew I had to change my life or my life was going to be over. Then I saw the Truevine bus come by and I flagged it down and said, 'I need help.'"

Since 1988 the Truevine church has operated a program called Truevine Community Outreach Transitional Program for Men, which puts alcohol- and drug-addicted men in a highly disciplined group home environment. Funded by grants and contributions, the program has two residential houses in Lynwood and Compton, each with space for six men. The rules are strict: out of bed at 6 a.m. sharp, working during the day at house chores or church-related tasks, no one allowed out of

VINCE COMPAGNONE / Los Angeles Times

Orlando Lee says he's got "worries, responsibilities, bills" and—making it worthwhile—his daughter.

# CUSTODY: Father Regains His Daughter

**Continued from A1**

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An L.A. native, Lee grew up in South-Central Los Angeles near 70th and Central. He dropped out of Fremont High School in the 12th grade, got married at 21, had two sons and was working as a food preparer for a catering company. But somehow things started going wrong.

"I was starting hanging out, drinking, smoking weed," Lee remembers. "That was when crack started getting popular, and I started doing that. I was getting lazy, missing work, making excuses. I lost my catering company job, and got a part-time job as a cook at a child-care center on 75th Street. But I lost that job, too. I left my home and my wife and my kids. I was going down, down. People in the neighborhood were talking bad about me, talking me down. Then this friend of mine said, 'Hey, let's go Downtown.' I wanted to go, 'cause Downtown nobody cares what you look like, or what you wear, or what you do."

That was in 1984. Lee would spend the next eight years on the Row, picking up a little money unloading trucks in the warehouse district or working in a liquor store, but mostly living on his county general relief check—at the time a little more than $300 a month.

He met a young woman, and started living with her—and using drugs and drinking with her. When she got pregnant, he says, she quit drugs until Danielle was born on Sept. 10, 1990. He and the baby's mother would pool their relief checks and get a room in a $9-a-night hotel for a week or so, but most of the money went for drugs. When the money ran out they'd be out on the streets with their baby, living in a cardboard box.

Nobody knows for sure how many children live on Skid Row. But Liz Mooradian, a spokeswoman for the Union Rescue Mission in Downtown, says the problem is growing, and notes that her mission alone provides services—food, clothing, diapers, baby food—to about 700 women and children a month.

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In the past five years, about 40 men have gone through the program, Hopkins says. It's a small program but an effective one.

"We're not a shelter, we're a re-entry program," says Hopkins. "A lot of men wind up just going to this shelter for so many days, then that shelter for so many days and so on. They get locked into that system. But we can give them training, help them build up their self-esteem. And when they leave the program every man has permanent housing. He doesn't just go back on the street."

Lee signed the papers agreeing to abide by the program rules and moved into one of the residence houses. He didn't tell anyone on Skid Row where he was because he didn't want to be embarrassed when he failed in the program. He simply assumed that he would fail. His years on the Row hadn't prepared him for anything else.

"I had the shakes for two weeks," Lee remembers. "But then after a couple of weeks in the home I wasn't shaking any more. It was hard, but I stuck with it. I knew I had to stick with it."

Lee's daughter, Danielle, then about a year old, was at her grandmother's house in Hollywood when Lee checked into the program. Her mother was still on Skid Row. Eventually the grandmother decided she couldn't or wouldn't care for the child; she turned

**Please see CUSTODY, A25**

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BusinessWeek

DECEMBER 13, 1993 A McGRAW-HILL PUBLICATION $2.75

Som good ideas (GS)

THE PRESIDENT HAS SEEN
12/6/93

# THE ECONOMICS OF CRIME

**R**ampant crime is costing America $425 billion a year. What can be done? Plenty.

PAGE 72

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B Rubin FYI — Mcl. should bring him in off for a visit

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cc Rickie Rubin

CHAIRMAN
SECURITIES AND EXCHANGE COMMISSION

ARTHUR LEVITT

THE PRESIDENT HAS SEEN 12/6

Dear Mr President:

Thank you for affording me the opportunity of taking on the most rewarding challenge of my life. For nearly six months I have worked with an incredibly talented and supportive staff and dealt with broad issues that have a significant impact upon our economy and our society.

I want you to know how much I appreciate your support. I shall do all I can to justify your confidence.

Sincerely,
Arthur

Arthur Levitt, Jr.
OFFICE OF THE CHAIRMAN
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

President William Jefferson Clinton
1600 Pennsylvania Avenue
Washington, DC 20500

Personal

THE PRESIDENT HAS SEEN 12/6

UNITED STATES DEPARTMENT OF EDUCATION

THE SECRETARY

November 24, 1993

Honorable William J. Clinton
President of the United States
Washington, DC 20500

Dear Mr. President:

The 1995 budget is decisive to the success of your education agenda.

Over the past ten months, under your leadership, our Administration has made an impressive start in education. We won major victories in higher education with the passage of the National and Community Service Act and the Direct Student Loan Program with its promised $4.3 billion savings over the next five years. We have gained considerable momentum in other areas. Our Goals 2000: Educate America Act is destined to be a landmark in education reform; our School-to-Work Opportunities Act will help prepare high school youth for high-skill, high-wage jobs; our Safe Schools Act will help to rid our schools of drugs and violence; and our Improving America's Schools Act will reshape our $10 billion elementary and secondary education programs and create opportunities for all children to meet challenging standards. I am enclosing a more detailed description and status of these initiatives.

All these initiatives are geared to moving America towards a more internationally competitive educational system for our students and our future work force. Now that we have the NAFTA victory behind us, one of our major challenges will be to ensure its promise through investment in our Nation's human capital. This investment--education--is critical if we are to achieve our economic vision for America, and if we are to meet challenges such as crime prevention, welfare reform, health care, and protection of the environment.

We simply cannot afford to jeopardize these initiatives and the momentum we have created. A 1995 budget that is not credible will do just that--with Congress, with parents, with educators, with business and labor, and with the public in general. We must send a budget message that the American people are waiting to hear from their Education President--that education is our prime investment in human resources and a key ingredient in our economic recovery. While taxpayers want Federal spending cut, public opinion polls consistently and overwhelmingly support increased Federal funding for education.

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202-0100

I fully appreciate the problems you face in developing a budget within the discretionary caps. However, this Department was a "good soldier" last year. We had a modest 1994 request and we got a modest appropriation that was up just 2.8 percent over 1993. In fact, many education supporters have regularly pointed out to me the disparity between the 1994 budget for the Education Department and the 1994 budgets for the Departments of Labor and HHS. A recent article in USA Today highlighted this imbalance most graphically. I hasten to add that this was not "all bad" because we did not have our education reform agenda completely in place last year. But now we do, and we must be ready to support it.

I must also point out that, within the total Federal budget, an increase for education does not cost much. My 1995 request for discretionary programs--after subtracting out entitlements and the $800 million remaining in 1995 for the inherited Pell Grant shortfall--totals $25.9 billion, an increase of $1.6 billion or 6.6 percent over 1994. Virtually all of this increase would support our new reform initiatives--Goals 2000, School-to-Work, Safe Schools, and reshaping of Chapter 1 and other elementary and secondary education programs.

My total budget request, including entitlements, would be $32.3 billion, just $1.7 billion or 5.4 percent over 1994. This lesser increase is due to lower interest rates for student loans and the beginning of the savings from the new Direct Student Loan program. Total increases of $3.3 billion for our initiatives and other high priorities are offset by savings of $1.6 billion in lower priority areas.

While we have made some tough choices in recommending program eliminations and reductions, there is a base of current activities--such as special education for the disabled, Historically Black Colleges and Universities, and vocational education--for which we must maintain funding if we are to have any hope of achieving enactment of our new initiatives. A similar situation exists regarding the National and Community Service program which, while not in our Department, would face very real difficulties obtaining funds if our student aid budget is not credible.

In summary, Mr. President, our achievements are significant. They point in the direction Americans know we must go if our students are going to reach world-class academic and occupational standards. This first year has laid the groundwork for us in the Federal Government to build strong partnerships with States and communities across the country--partnerships for making American education, by the year 2000, unsurpassed anywhere in the world.

That can be the legacy of your Education Presidency. The first steps have been taken. We in the Department of Education look forward to the next steps in helping you make it a reality.

Respectfully,

Dick Riley

Richard W. Riley

Enclosure

STATUS OF ADMINISTRATION'S INITIATIVES
CURRENTLY PENDING IN CONGRESS

The Goals 2000: Educate America Act has passed the House with a substantial bipartisan majority and is now scheduled for floor action in the Senate as soon as the Congress returns. It has the support of the Governors, teachers, business groups, and labor. The bill would stimulate State and local efforts to reorient entire school systems around world-class standards. It would encourage performance-based accountability, and through waivers, it would expand flexibility for schools. Title IV of the bill would spur the development of world-class skill standards for various occupations, building a strong link between education and employment. $105 million is appropriated in 1994 for Goals 2000. (We need $400 million, an increase of $295 million, for this program in 1995.)

In collaboration with the Labor Department, the Department of Education developed the School-to-Work Opportunities Act, which has passed the House and is now awaiting floor action in the Senate. The Act would offer funding for school-business partnerships to create training-and-education programs. Beginning in high school and continuing into college, these programs would offer on-the-job learning and in-school studies that are mutually enhancing and reinforcing and that prepare students for employment in occupational clusters within industries. These 3- to 4-year programs would culminate with students being certified as competent in an occupational area; and that certification would be portable nationally. This Act could pass this calendar year. $100 million is appropriated for it in 1994. (We need $300 million, an increase of $200 million, divided between the two Departments, for this program in 1995.)

The Safe Schools Act is vitally important because there currently is no program of targeted Federal assistance to local school districts to address the unacceptable and increasing incidence of violence in our Nation's schools. The proposed Act would respond to this crisis by: (1) establishing a program of competitive grants to local educational agencies with serious school crime, violence, and discipline problems for projects designed to combat those problems and thereby enhance school safety and promote better access to learning, and (2) authorizing the Secretary of Education to conduct national leadership activities such as research, program development and evaluation, data collection, public awareness activities, and training and technical assistance. The bill has been reported out by the Senate committee. Under our proposed Improving America's Schools Act, the program would be merged with the Drug-Free Schools Act. (We need $100 million, an increase of $80 million, for this program in 1995.)

THE PRESIDENT HAS SEEN 12/6

Chris —
We need to
discuss these as
budget meeting
continues.
B

[redacted]

Ricchi / DeeDee / Gearan

THE WHITE HOUSE

WASHINGTON

Talk w/ Harry Vine 12/6

son plays for UVa
Soccer team —
won Nat'l champ

will I bring
to WH

[redacted]

DEC 6 P12:47

B

good to see — lots
of local publications
all over US will
carry —
see me re: this.

[redacted]

[redacted]

THE WHITE HOUSE
WASHINGTON

6 P12:45

~~ED~~

BL

[redacted]

Did we name
Lew Wasserman
to Kennedy Ctr Bd?
I thought we had but
someone said it
wasn't done yet -

B.

[redacted]

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN 12/6

2 P5:41

November 26, 1993

MEMORANDUM

FOR: John Podesta

FROM: Christine Varney CV

SUBJECT: Attached article from Secretary Cisneros to the President

Secretary Cisneros sent the attached National Journal article to the President. The President has most likely seen it. I've responded to the Secretary that the article was forwarded to the President's office.

To Bob Rubin / L Tyson

# Unequal Shares

**The 1980s ended with wage-and-salary earnings more unequally divided than at any time since 1939. Since then, the gap's gotten wider. It's a trend—driven by basic economic and technological changes—that may have disturbing political and social consequences.**

**BY PAUL STAROBIN**

Worried about an unequal division of the economic pie? You've got good reason to be. But don't blame Ronald Reagan for the problem. Instead, evidence is mounting that the real culprit is a hodgepodge of changes in the basic structure of global capitalism. And that means that governments might not be able to do much to reverse the trend.

The 1980s ended with wage-and-salary earnings more unequally divided than at any time since 1939. Over the first third of the 1990s, earnings fell for high-wage and low-wage workers alike, but the drop was greater for low-wage workers, according to a new analysis of Bureau of Labor Statistics data, timed for release on Labor Day, by Lawrence Mishel of the Economic Policy Institute.

So the earnings gap seems to have widened—and it might not narrow any time soon. "The trend is in the same direction and, if anything, may accelerate" over the rest of this decade, said economist Gary W. Loveman of the Harvard Business School.

"A lot of people are terrified," Loveman added, referring to himself and his Harvard colleagues. "It really has the potential of being one of the major social issues of the next 10 years." Although he acknowledged that the fallout was difficult to predict, he speculated: "I can't but imagine that these trends exacerbate the sense of hopelessness and lack of prospect of good fortune" in America's inner cities and other deteriorating areas.

Not everyone's so gloomy. Some economists expect that the natural push and pull of forces in the labor market will start correcting for the inequality problem. But not even the optimists are predicting a rapid and substantial reversal of this deeply rooted trend.

Although earnings inequality accelerated in the 1980s, it was also growing in the 1970s. Its continued growth in the 1990s has both liberal and conservative analysts convinced, more than ever, that the trend has very little to do with the role of government policy, including the zigs and zags of tax policy. Reagan, who made deep cuts in the top marginal tax rate, is off the hook; Bill Clinton, who just persuaded Congress to raise the top rate on the rich, probably won't much change things.

"Reagan's tax policies don't have much to do with wage inequality," said economist Mishel of the Economic Policy Institute, a Washington-based liberal think tank that's partly financed by organized labor. "I don't think they were the main thing behind income inequality, either. Most of the income inequality that occurred was before taxes." (Job earnings compose by far the biggest chunk of family income, the distribution of which also became more unequal in the 1980s.)

"The main reason that inequality increased [in the 1980s] was for economic factors that were outside the control of the government. And those, I think, are still largely outside the control of the government," said liberal economist Gary Burtless of the Brookings Institution. Economist Paul Krugman of the Massachusetts Institute of Technology (MIT), another liberal who has written widely about inequality, agrees with Burtless.

Although they are confident about their measurements, the analysts don't know precisely what to blame for the earnings disparity. But the hunch that the villain is global capitalism is buttressed by data showing an increase in earnings inequality throughout the advanced-industrialized world. "No advanced economies show declining wage inequality during the 1980s," University of Chicago economist Steven J. Davis reported last year in a study by the National Bureau of Economic Research in Cambridge, Mass. Moreover, Australia, Canada, Great Britain and West Germany experienced a surge in inequality on the order of the sharp increase in the United States. Inequality rose even in Sweden, a bastion of social-welfarism.

Many economists point a finger at the so-called reengineering of the workplace by firms in the United States and elsewhere. Using new technologies and management methods, many large firms have reorganized the production process in ways that have increased demand for a relatively small cadre of well-skilled, well-educated workers—and reduced demand for the much larger cluster of low-skilled workers. It's a trend that began in the manufacturing sector, which has become increasingly automated, and has now spread to the service sector.

Analysts also speculate that growth in international trade has bid down wages by exposing low-skilled manufacturing workers in advanced capitalist nations to more intense competition. Another possible culprit is the influx of Third World immigrants into the advanced countries—a trend that may be widening inequality by expanding the available pool of low-skilled workers. Low-wage earners may also have lost ground because of the steady decline in unionization across the industrialized world.

There's even blame assigned to the so-called superstar effect. Economists have long been intrigued by the ability of the best athletes, movie stars, opera singers and others to command stupendous salaries that far outstrip the earnings of their only-slightly-less-talented peers. Now they're finding signs of a similar, if less dramatic, pattern, in such professions as the law. "Thanks to computers and faxes and Federal Express," Krugman said, "the most productive people," the sharpest operators, can more easily dominate a line of business.

Because so little is known about the causes of the earnings inequality gap (and because few have much confidence in the problem-solving ability of the government), many economists are hesitant to offer policy prescriptions. The safest and wisest course, most analysts say, is for the nation to invest heavily in improving the educational system. The changes in the global economy "favor people who use their minds rather than their hands," Davis said in an interview.

**BRAVING THE '90S**

The new data analyzed by Mishel suggest that earnings inequality grew from 1989 through the first half of 1993 but at a slower pace than in the 1979-89 period. From 1989-91 (no data are yet available on 1992 and 1993), the gap in income inequality narrowed slightly. Perhaps because of a drop in interest income on stock-and-bond holdings and the like, the share of aggregate income held by the top 5 per cent of households dropped from 18.9 per cent in 1989 to 18.1 per cent in 1991, according to the Census Bureau.

According to Mishel, the lead author of *The State of Working America*, a well-respected publication updated every other year by the Economic Policy Institute, the recent trend has been for a worsening of real (inflation-adjusted) earnings for workers at virtually all points of the spectrum. While the highest-paid workers are getting poorer, the lowest-paid are getting poorer faster.

There are different ways to measure earnings—Mishel's numbers, for example, don't include nonwage fringe benefits—and not all economists agree that the average worker fared quite so poorly during the 1980s. There is general agreement, however, that the past 20 years or so have seen a flattening of earnings gains of workers in the immediate post-World War II period.

This is how Mishel analyzes recent history. From 1979-89, he plots a 0.4 per cent decline in the real hourly earnings of a worker at the 80th wage percentile—a worker, that is, whose hourly earnings exceeded those of 79 per cent of all other members of the labor force. Over this period, a worker at the 60th percentile experienced a 4.5 per cent earnings decline. The drop for a 40th-percentile worker was a steeper 7.1 per cent; and for a worker at the 20th percentile, it was 11.8 per cent. These are the statistics that led many analysts to worry about a vanishing middle class in America.

In his new Labor Day analysis, Mishel found that from 1989 through the first six months of 1993, an 80th-percentile worker suffered a 0.6 per cent real wage loss. The drop was 2.4 per cent for a 40th percentile worker and a less steep 0.7 per cent for a 20th-percentile worker. Earnings for a worker at the 90th percentile fell by 0.3 per cent.

Richard A. Bloom

**Economic Policy Institute analyst Lawrence Mishel**
**The highest-paid workers are getting poorer, but the lowest-paid are getting poorer faster.**

Mishel also found that earnings inequality had continued to grow in the 1990s across other dimensions, including college-educated workers versus those who went no further than high school. He gloomily predicts "a continuing erosion of wages and job prospects for the vast majority of Americans."

A bright spot is the earnings of women. Although they continue to earn less than men at virtually all points of the wage distribution, the gap is narrowing. And even though the earnings gap between females is widening, most women are still making real-wage gains. Analysts speculate that more well-educated women are entering the work force than before and that many women are employed in growth sectors of the economy. There are relatively few women, by contrast, in the declining manufacturing sector.

An important caveat: The Mishel data don't tell us anything about the mobility of workers or households. The data, in other words, don't track how a particular worker or family fared over the course of the 1980s or even from 1989-93; all that's provided is a snapshot of the earnings distribution at different points in time. There's disagreement among analysts about the degree of mobility in America; some conservatives, including economist Marvin H. Kosters of the American Enterprise Institute for Public Policy Research (AEI), argue that many workers and families were able to seize on opportunities and greatly improve their material lots in the 1980s. In this important respect, they say, the American dream remains very much alive.

What is not seriously contested within the economics profession, however, is a long-standing growth in earnings inequality going back at least to the early 1970s. "It's persistent," said Gary Becker, the free-market-leaning, Nobel prize-winning economist at the University of Chicago. "There's no denying that."


Richard A. Chase

**Harvard economist Gary W. Loveman**
**The trends "exacerbate the sense of hopelessness."**

## DON'T BLAME REAGAN

Are Reagan and George Bush really not to blame for growing inequality? If they aren't, then one of the more resonant liberal themes of the 1990s—appropriated by Clinton and just about everyone else in or connected to the Democratic Party—is a myth fit for history's dustbin.

Here's how it looks to most analysts. Reagan's 1981 tax cuts, which reduced the top marginal tax rate from 70 per cent to 50 per cent, were regressive. The 1986 Tax Reform Act, which among other things expanded the earned-income tax credit (EITC) for the working poor, was progressive. Bush's 1990 tax bill, which also expanded the EITC and also increased tax rates on the rich, was progressive. The result? From 1980-91, there was "almost no change in the effective tax rates of almost all income groups," Urban Institute analyst C. Eugene Steuerle declared in *The Tax Decade*, published by the Urban Institute Press last year.

Clinton's new economic package, which once again expanded the EITC and hiked tax rates on the rich, is also progressive. But the rate hikes affect only the wealthiest 1 per cent or so of taxpayers, and the EITC affects only the working poor. The legislation "will affect the posttax income distribution, but not very much," said labor economist Lynn A. Karoly of RAND, a Santa Monica (Calif.) think tank. One problem is that the rich can be expected to change their financial behavior to try to evade the higher rates. *(See NJ, 8/14/93, p. 2016.)*

The larger point is that—fiscal policy aside—the distribution of pretax income has also been growing increasingly unequal. It's the uneven distribution of pretax pay that has so many economists worried.

Of course, governments can attempt to influence pretax pay. For example, a case can be made that the rapid growth in earnings inequality in the 1980s could have been forestalled by aggressive applications of policies, such as a higher minimum wage, to which Republicans were hostile but which were favored by many Democrats and their core constituents in the ranks of organized labor.

The minimum wage remained fixed at $3.35 per hour from 1981-90—which meant that its after-inflation value declined quite a bit. (The hourly minimum was increased to $3.80 in 1990 and to $4.25 in 1991. About 6 per cent of the labor force is paid the minimum wage or lower.) By contrast, in France, which experienced considerably less wage inequality in the 1980s, the real value of the legal minimum wage increased. According to a recently published study by economists Loveman, Lawrence F. Katz (currently a top adviser to Labor Secretary Robert B. Reich) and David G. Blanchflower, the increases in the French minimum wage, coupled with tough wage bargaining by entrenched unions, appeared to slow an erosion in real wages at the low end of the French wage distribution.

But the French also experienced much higher unemployment among youth compared with other industrialized countries—in 1984, youth unemployment was 26 per cent. Some economists speculate that France essentially paid for more wage equality among active workers with higher unemployment. The French experience may be worth pondering for the Clinton Administration, which is considering a proposal, backed by Reich, for raising the hourly minimum wage from $4.25 to $4.50 and then indexing the wage to inflation. Clinton favored a proposal along these lines during last year's campaign.

The 1980s also saw a decline in the manufacturing sector's share of total employment in the United States and just about all other industrialized countries. Some analysts argue that a shift from well-paying factory jobs to lousy service-sector jobs helps to explain the increase in earnings inequality—and perhaps could have been forestalled in the United States by an activist Administration willing to adopt an industrial policy to protect the manufacturing base. To Reagan and Bush, of course, industrial policy was anathema.

But economists who have studied the manufacturing-to-services shift, including RAND's Karoly, say that deindustrialization hasn't much contributed to the growth in earnings inequality. The telling sign, according to Karoly, is that widening inequality took place ~~within both~~ the goods-producing and services-producing sectors of the U.S. economy. This finding suggests that government policies to bolster the manufacturing sector—to which the Clinton Administration is sympathetic—may help the firms but won't necessarily do much to reverse the pattern of inequality.

## DAMN COMPUTERS!

When economists don't have the foggiest idea of how to account for their observations, they often point the finger at technology—a convenient black box that seems to be affecting everything happening in society. But in this case, technology may deserve the blame.

The Information Age has dramatically reshaped everything from the method of making cars to the method of publishing newspapers. The growth in inequality over the last 20-odd years, meanwhile, neatly corresponds to the widespread introduction of computers and related products to every nook and cranny of the industrialized world.

In a 1991 study of 1984-89 data for the National Bureau of Economic Research, Princeton University economist Alan B. Krueger found that workers who used computers on the jobs earned a 10-15 per cent higher wage rate than otherwise similar workers. On the basis of this study, Microsoft Corp., the software giant, ran advertisements in *Time* magazine and elsewhere declaring, "We make it easier to get a 15 per cent raise."

Although Krueger wouldn't necessarily go that far, his findings appear to make a lot of sense for certain occupations, such as clerical work. Temporary-employment agencies, for example, typically offer higher pay for computer literacy.

In an interview, Krueger said it was possible that the increasing supply of computer-knowledgeable workers may dampen the computer's contribution to wage inequality. But referring to the constant changes in computer software, the economist said it was also possible that the demand for ahead-of-the-curve computer-savvy workers might continue to outpace the supply.

Wage gains experienced by computer users also seem to reflect the growing advantages of education and flexible skills in the postindustrial economy—or, put another way, the growing disadvantages of not being well educated and flexibly skilled.

Paul Swaim, an MIT-trained labor economist at the Agriculture Department's Economic Research Service, has found in his research that the investments that employers make in training their workers tend to reinforce the "inequalities," as he put it, of the entering personnel. "Workers who come into the job with a college education tend to get a lot more training than those who don't, which tends to amplify the differences in earnings over the pattern of a career," Swaim said.

Well-educated, adaptable workers appear to be the prime beneficiaries of the "reengineering" craze that has taken hold at firms in the United States and elsewhere. Basically, companies have pushed for efficiencies by overhauling their practices in ways that typically give a fortunate cadre of workers more responsibility and more pay. A quick-learning factory hand at a paper mill, for example, may be given additional responsibilities for operating computerized machinery. Or, as recounted in a case study used at the Harvard Business School, Taco Bell Corp. reorganized its operations to increase demands on its store managers, who were also given much higher salaries.

The downside to reengineering is that a lot of workers get pink slips or are shunted to low-skill jobs. And in America and elsewhere, the economy isn't generating a lot of demand for low-skill workers. There's something of a paradox here: The problem maybe isn't that the economy has too many "bad" jobs, but not enough, say many economists. Low-skill workers would get paid more if they were in greater demand. But these days, "the economy in the international marketplace is enhancing the demand for skill," Loveman said.

John Eisele

**Brookings Institution analyst Gary Burtless**
**Inequality increased in the 1980s because of factors "outside the control of the government."**

**The growth in earnings inequality over the past 20-odd years corresponds to the introduction of computers and related products.**

It is possible that the labor market will mitigate the problem on its own. Tomorrow's crop of wage earners, alerted to the increasing return on earnings to a good education, may take greater care to get a good education. (And, in fact, college enrollment rates among high school graduates are higher now than they were in the 1970s.) As the wages of college graduates rise, meanwhile, employers may start to make wider use of the more cheaply available pool of workers who didn't go to college.

"There are a lot of labor-market forces that tend to be self-correcting," the AEI's Kosters said. He foresees a narrowing of the earnings-inequality gap over the remainder of the decade.

Suppose he is wrong, however. Unless there is another spasm of social unrest on the scale of last year's Los Angeles riots—and maybe not even then—the safe bet is that inequality will not move to the top of the national policy agenda. In both parties, the No. 1 objective is economic growth.

In an anemic economy, growth is a perfectly understandable objective. Only the very envious would find comfort in an economy in which everyone was getting poorer—but the rich at the fastest rate. But growth is not always a rising tide that lifts all boats. After all, the 1980s saw a spurt in inequality notwithstanding the longest peacetime economic expansion since the Second World War. The one mitigating factor—the factor that perhaps keeps a lid on public discontent over the increasingly unequal division of earnings—is mobility. Americans seem willing to tolerate wide gaps between rich and poor so long as as they view the door of opportunity as open. ■

# The Working Poor

## Minimum-Wage Jobs Give Many Americans Only a Miserable Life

A1

### In Rural Vermont, Some Go Week to Week, Hoping No Major Bills Hit Them

### Hunting Bear for the Table

By TONY HORWITZ
*Staff Reporter of* THE WALL STREET JOURNAL

NEWPORT, Vt. — On payday, Brian Deyo's sole purchase is a $4.96 box of cheap bullets known as "full metal jackets."

Mr. Deyo works full time at a hockey-stick factory. He takes home $188.40 a week. After rent and utilities, that leaves about $20 for food—and no margin at all for misfortune, such as the one Mr. Deyo now faces. Vermont's brutal cold hit freakishly early this fall, and he must buy heating oil three paychecks ahead of plan.

"Every day I'm making choices," says Mr. Deyo, who has a wife and a chronically ill two-year-old daughter. "Do I pay the rent and risk having the power cut? Or do we take a chance on both and buy food?"

*Brian Deyo*

This payday, the choice is clear: He's two weeks late on the rent, and the fuel tank must be filled. Unable to afford food, he will hunt for it. Stalking through the icy woods beneath the Green Mountains, Mr. Deyo mulls his life. At age 28, he senses he has done something wrong, but he isn't sure what. "I'm proud to be a working-man," the son of two factory workers says. "I only wish I made a living."

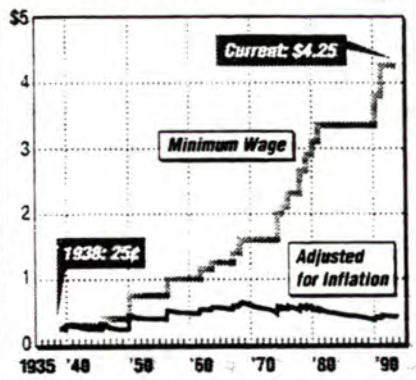
"Making work pay" has become a Clinton administration catch phrase, but one that appears increasingly hard to fulfill. Put simply, the aim is to lift working Americans above the poverty line — a threshold that Mr. Deyo and 9.4 million others currently don't reach. Almost 60% of poor families have at least one member working. "Someone who plays by the rules and tries to work full time should be able to support a family," says Lawrence Katz, chief economist at the Labor Department.

However, with universal health insurance — one means toward achieving this goal — under siege, the administration has retreated from another. In late October, after arguing for months that a modest rise in the minimum wage is needed to help pull workers out of poverty, Labor Secretary Robert Reich shelved his campaign until after Congress votes on health-care reform. This delay was welcomed by business groups, which argue that an increase would cost jobs because employers would automate, relocate overseas or cut staff to recoup higher labor costs (see page A4).

But what's often obscured by such policy debate is the sheer harshness of life in low-wage America. The minimum wage — currently $4.25 an hour — was mauled by inflation in the 1980s and now provides an income so meager that welfare recipients often do better if they turn down jobs paying it. A full-time minimum-wage worker grosses $8,840 a year—$2,300 under the poverty line for a family of three. In 1979, the same worker earned $459 *above* the line.

**Running in Place**

The federal minimum hourly wage in current dollars and adjusted for inflation




*Source: Bureau of Labor Statistics*

The depressed minimum wage also anchors the bottom end of a pay ladder so low that even people who, like Mr. Deyo, climb up a few rungs are still in poverty. In fact, such workers often are worse off than those earning $4.25 an hour because they are more likely to be adults and heads of households qualifying for little or no government assistance. Many minimum-wage workers are young part-timers with other income from spouses or parents.

"Families where the main breadwinner is making $5 or $6 an hour — these are the people who are really hurting," says Gary Burtless, a labor economist at the Brookings Institution. This largely forgotten group also helps account for the 44.3% jump in the number of working poor between 1979 and 1992.

### Profile of the Working Poor

America's working poor are mostly white, mostly high-school educated and disproportionately rural — a profile that is typified by the three-county corner of Vermont known as the Northeast Kingdom. This bucolic landscape of moose crossings, maple-syrup stands and scarlet foliage also harbors 10% unemployment, closed mills and ramshackle homes.

Barbara Stevens runs a crisis center in Newport, a town of 4,700 that is a two-hour

*Please Turn to Page A4, Column 1*

*Continued From First Page*

drive from Burlington. The morning after the first big chill, her office was crammed with disheveled people unprepared for the winter and seeking help. Many were on their way to work. "They'd say things like, 'I've got two kids and no oil in the furnace, so we slept in the car last night with the heater on,' " Ms. Stevens says.

One such visitor is Mr. Deyo, the hockey-stick worker. Late paying his bills, he has had his electricity disconnected several times. This is a special calamity for Mr. Deyo; his daughter has asthma and relies on a ventilator. Letters from Ms. Stevens and local doctors have helped him to get his power switched back on.

Ironically, Mr. Deyo is earning more than he ever has. After years of minimum-wage jobs, he gets $5.50 an hour stenciling trademarks onto hockey-stick blades. His annual gross income is so near the poverty line that now he qualifies for very little public assistance. In principle, this suits him fine; he's a former National Guardsman and a conservative Republican wary of government and liberal "do-gooders." But in practice, just a minor setback—even a blown-out tire on his 1980 Buick — sets off a cycle of late bills, ruined credit ratings and shaky employment.

Though the cost of living here is low, his take-home pay of $188.40 a week barely covers his fixed costs: $60 rent for a cramped apartment, about $40 for heat, $40 for power (high because of his daughter's ventilator and humidifier), $10 for gasoline and $15 for installment payments on the family's few possessions. The Deyos can't afford a phone. That leaves about $20, mostly spent at a discount market that sells dented cans and crushed boxes.

"We don't buy taped boxes because the food could have spilled on the floor and been scooped back in," says Roxanna Deyo, who stays home because she is loath to put her frail child in day care.

The Deyos also live in terror of small shocks that can knock them off their tightrope budget. Three years ago, for instance, their car developed transmission trouble. Unable to afford a $500 repair bill, Mr. Deyo had to abandon the car — and his job cleaning kitchens at a ski resort more than an hour's drive away.

### A Disappointing Move

Soon afterward, the Deyos, seeking work in higher-wage Massachusetts, sold all they owned to go there. But they ran out of money before finding jobs. Two years later, they are still making payments on the used, now-tattered furniture they bought on their return north. Many needs are put off indefinitely. Plagued by painful, rotted teeth, Mr. Deyo waited two years until he was laid off and eligible for Medicaid before having a few pulled.

Week to week, the Deyos still cling to one luxury. To "break the constant tension," Mr. Deyo says, he buys a take-away dinner every Saturday, usually a plain pizza costing $5.99.

"I feel like I'm doing what I'm supposed to do," says Mr. Deyo, who dreamed of studying forestry when he graduated from high school but couldn't afford the fees and went to work at McDonald's instead. "I work hard, my family's together. But I'm running just to stay where I am, which isn't a real great place."

His most recent frustration: an attempt to free his family of rent—and of their grim quarters — by purchasing a $24,000 trailer to park on his parents' land. A local bank refused his loan request, citing "excess obligations" and "insufficient income."

One upbeat note: the Deyos, who anxiously await their annual rebate from the

1/2

earned-income tax credit to catch up on bills and buy appliances, should see the amount double in early 1995 to about $3,200 because of a recent change in the law.

A growing number of Americans share the Deyos' plight. Lawrence Mishel of the Washington-based Economic Policy Institute says 28% of adult workers are at wage levels too low to keep a family of four out of poverty, compared with 21% in 1979. He also notes that their privation has deepened: 14.3% of adult workers now earn wages below 75% of the poverty line, triple the 1979 percentage.

### The Forces at Work

Mr. Mishel and other economists cite various reasons, such as the decline of manufacturing jobs and of unions in an ever-more technological economy. In addition, minimum-wage increases, which tend to bump up the whole bottom of the pay scale, didn't occur between 1981 and 1990. That especially hurt young workers, such as Mr. Deyo, who began working during the 1980s at the minimum wage and have edged up very slowly ever since.

However, the depressed minimum wage may have kept alive some jobs that otherwise would have vanished. Along Newport's railroad tracks, in an old flour depot, American Maple Products Corp. employs 40 people bottling syrup and making candy Santas and other treats. The family-owned company is typical of the light, often-marginal businesses that employ many low-wage workers nationwide.

"Maple candy," the company's president, Roger Ames, dryly observes, "is not your basic growth industry."

Starting most workers at the minimum wage, Mr. Ames ekes out profits of 3% on sales from what he admits is a creaking plant. At one conveyor belt, nine people fill jugs with syrup, then cap, date and box the jugs by hand – a task, Mr. Ames says, that costly new machines can perform with two workers. Nearby, two people run a 50-year-old device that drops candy into molds, while other workers use their fingers to smooth the fuzzy edges left by the plant's old tools.

"If you're paying the minimum [wage] and it takes 20% more time to do a job than it should, it doesn't seem that critical," Mr. Ames says.

He adds that a 50-cent increase in the minimum wage would cost him about $100,000 a year and force him to "take a hard look" at labor-saving machinery. He would stop replacing workers who leave or retire and go to a piecework system that might penalize older employees.

### Rapid Change Unlikely

"I don't have a sweatshop mentality," Mr. Ames says. But he says neither he nor other employers are likely to raise their pay simply out of charity, particularly in a competitive industry. "If you had someone who mowed your lawn every week for $5, would you reach in and pay $10 the next week?" he asks.

Moreover, he is under no pressure to raise pay because few employers deviate from the prevailing wage. The result: an uncompetitive labor market that traps low-skilled workers even as they climb the pay scale. Connie Lucas went to work at American Maple 12 years ago at the minimum wage and now earns $6.10 an hour. With a weekly take-home pay of only $151.50, and worried about the plant's future (her husband also works there), she decided to seek another job.

"But every opening offers the same– $4.25, $4.25, $4.25," the 35-year-old Ms. Lucas says. "I can't afford to work another 12 years just to get back to where I am."

Bonnie Buskey wonders whether she can afford to work at all. Last spring, both she and her husband were unemployed and received about $1,000 a month in public assistance. Now, he works in construction, and she works full time at American Maple at the minimum wage. Together, they bring home about $1,200 a month.

But Ms. Buskey pays a baby sitter $2 an hour to look after her two girls for part of the day, slicing her real wage during those hours to $2.25. And now that the Buskeys are off welfare, they no longer qualify for Medicaid. Unable to afford health insurance, Ms. Buskey spent a week's pay on a recent visit to the dentist and lives in dread of serious illness.

"The message from the government seems to be, 'Stay home, vegetate in front of the TV, and you'll be better off,' " the 29-year-old says. Asked why she doesn't, she shrugs. "Good old American pride. I like to think that I earn whatever I get."

### The Pressure to Quit

In fact, some people do quit jobs because they can do better on benefits. Ms. Stevens, the Newport social worker, says she feels forced to advise jobless people to turn down work at or near the minimum wage. "I have to tell them, 'The job's good for your soul and good for your mind but not for your pocketbook,' " she says.

Trapped at the bottom by the low minimum wage, such workers also must compete with people sliding down the pay ladder. At the hockey-stick factory, Mr. Deyo's brother-in-law and co-worker, Garth Shannon, has never worked for the minimum wage. His first job after finishing high school was at a shoe factory that paid $9 an hour. But after a wage dispute, the plant moved to the Dominican Republic, and Mr. Shannon has bounced down the pay scale ever since, enduring plant closings, layoffs and menial jobs.

"Most people plan for when things get better," says the 35-year-old Mr. Shannon, who wears thick glasses on which he pays monthly installments. "I try to plan for when things get worse."

*Garth Shannon*

As a foreman, he is among the factory's best-paid workers, earning $5.95 an hour. But with a family of five, his poverty is even worse than Mr. Deyo's. He heats his jerry-built home with a wood stove in which he burns old doors and other scrap timber salvaged from abandoned houses. He burns kerosene lamps to save on electricity. Like the Deyos, the Shannons can't afford a telephone. They also couldn't afford a foundation when they built the house seven years ago; stones and wood props keep it from sliding downhill.

A conservative man with a fierce work ethic, Mr. Shannon has urged his wife to work part time rather than stay home with their youngest daughters, age five and eight. As a nursing-home housekeeper, she earns $4.61 an hour and brings home $20 a week after baby-sitting bills. "Work is what made this country great," says Mr. Shannon, who has draped an American flag across the front of his house.

### Occasional Despair

But as he cooks home-made pizza for his girls, he confesses to occasional despair at how little his labor provides for his family. The worst moment came when his five-year-old's kindergarten class took a day trip to a zoo in nearby Canada. The Shannons couldn't afford the $12 bus fare and were too proud to borrow. "We kept her home that day so she wouldn't feel bad about missing the trip," he says.

David Price, Mr. Shannon's and Mr. Deyo's boss, is sympathetic. He helped pay for Mr. Shannon's glasses and recently gave him his own children's outgrown clothing. But like Mr. Ames at American Maple, Mr. Price doesn't need to raise pay to keep his 13 workers; he has 500 job applications on file.

So Mr. Price does small things, such as treating workers to a birthday lunch. In October, it was Mr. Deyo's turn. Devouring a prime-rib sandwich, he confides that it is his first meal out in six months. Mr. Price also gives workers a turkey at Christmas and a ham at Easter; Mr. Deyo still has a bit of ham left, in his freezer, "for emergencies," he says.

But there is little else in the larder. So, on payday, after banking his check to cover the rent, Mr. Deyo buys bullets and drives to his brother-in-law's home. The two men hike off in search of an animal Mr. Shannon recently spotted in a cornfield. "I've never eaten bear," Mr. Deyo says excitedly, toting a used military rifle he bought for $80. "But they look like they have a lot of meat on them."

The two men soon find tracks but no bear. At dusk, after two hours of tramping through dense woods, Mr. Deyo spots a crow – "edible if you cook it just right," he says. But he can't get close enough for a shot. Frustrated, he aims at a chipmunk. Mr. Shannon talks him out of it. "There wouldn't be enough meat there for a sandwich," he says.

Exhausted and cold, the two head back. Mr. Deyo tosses his gun in the trunk. Mr. Shannon touches his brother-in-law on the arm. "It could have been worse," he says. "At least we didn't waste any bullets."

2/2

THE PRESIDENT HAS SEEN 12/6

CS/George
Must have a more
aggressive campaign
of GITC after 1st of yr.
Let's develop one
R

Knox College
Founded 1837
Office of the President Galesburg, Illinois 61401-4999 309/343-0112

Ricki
The Lincoln event we discussed. JoAnn. What do you think?

November 19, 1993

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

Dear President Clinton:

I am honored to invite you to Knox College to rededicate the only building remaining from the historic 1858 Lincoln-Douglas debates, Knox's "Old Main."

Knox has just completed a comprehensive exterior renovation of Old Main, including tuck-pointing, cleaning, masonry repair and replacement of more than 30,000 of the original bricks from its 1856 construction. The College plans to commemorate the completion of this project with a rededication ceremony in which a "last brick" is put in place near the Lincoln Window on the building's east side, through which Abraham Lincoln climbed onto the platform for his famous senatorial campaign debate with Stephen O. Douglas. To accommodate your schedule no date has yet been set for this event, which could take place anytime between Lincoln's Birthday and early May. The event would be simple, with perhaps one additional speaker on Old Main's historical significance.

Old Main is worthy of such a rededication, for two reasons. First is the importance of the building within American history. Visited by thousands each year, Old Main is a living monument, since it was here that Lincoln first set forth his moral objections to slavery. "He is blowing out the moral lights around us, when he contends that whoever wants slaves has a right to hold them," Lincoln asserted.

In addition, Old Main is the symbolic and real center of a college that over its history and still today exemplifies the best that Lincoln stood for. The building has been home to Knox students continuously since its opening in 1856. Even today, classes meet daily within its walls. First thoroughly renovated in 1936, Old Main was then named a National Historic Landmark. At the building's first rededication in 1937, Galesburg native Carl Sandburg spoke words that still ring true:

*"Old Main as a living instrument today might be saying: 'One thing I know deep out of my time: Youth when lighted and alive and given a sporting chance is strong for struggle and not afraid of any toils or punishments or dangers or deaths.'"*

Knox College demonstrates the truth of that assertion. Throughout its 156-year history, Knox has enrolled students from all walks of life, with particular regard to those of modest means, and through intellectual challenge and personal support it has prepared them for success. Two early examples are Hiram Revels, student in Knox's preparatory academy in 1856-57 and later the first African-American elected to the U.S. Senate, and Ellen Browning Scripps, student from 1856-59 and later co-founder of the Scripps-Howard newspaper chain and United Press International--both of whom may have been among Lincoln's audience on that blustery October day.

Today, more than one in every five Knox students is an American student of color or an international student, and two of every five are of low income or the first in their families to attend college. And these students flourish. Their accomplishments as alumni put Knox in the front ranks of liberal arts colleges for production both of scientists and corporate executives. A Knox alumnus is president of Kraft USA and another was president of the U.N. General Assembly. And almost a quarter of them are teachers in schools and colleges around the country and the world, passing on to the next generation the knowledge, skills and confidence instilled in them at Knox.

I hope you will be able to accept our invitation. Please have your staff contact me if I can provide any additional information.

Sincerely,

Frederick C. Nahm

Frederick C. Nahm
President

FCN/dla
Enclosures

Founded 1837
Knox College
Office of College Communication Galesburg, Illinois 61401-4999 309/343-0112 FAX 309/343-9816

November 19, 1993

Ms. Ricki Seidman
Assistant to the President and
Counselor to the Chief of Staff
The White House Office
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Ms. Seidman:

On the advice of John Podesta, I am sending to you a letter from Knox College president Rick Nahm to President Clinton, inviting him to rededicate Knox's Old Main, the sole remaining site of the Lincoln-Douglas debates.

Let me suggest a few reasons why this event might have some value. First is the connection to the debates themselves and their importance as exemplars of serious political discourse. The fifth debate, at Knox, in particular, established Lincoln's moral opposition to slavery. The connection with Lincoln personally--still our most beloved President--is also important. For that reason, I thought Lincoln's Birthday, or near to it, might have some appeal as a date. In addition, Knox is a college with a demonstrable record of moving the children of "ordinary people"--and many different kinds of ordinary people--forward intellectually and personally toward success. (I won't try to persuade you of that in this note, but I can demonstrate it. John, too, may be able to attest to it.) In addition, the building is a National Historic Landmark and was restored completely at the college's expense, with no reliance on taxpayer funding. You may be able to see other reasons, too, that I'm not aware of, why a trip to Western Illinois to recognize a historic liberal arts college might have some appeal to the President.

To maximize chances of success, we've purposefully kept the date open. We have slight preferences either for Lincoln's Birthday, (which coincides with a meeting of our Board--list attached) or around May 1, but we'd take a "yes" anytime. We'd arrange timing to fit into your scheduling requirements, and we're open to requests as to the structure of the program.

I hope this proposal has some appeal and that it fits into plans for Presidential events.. Please call me for any additional information. My office phone is 309/343-0112, Ext. 336; home, 309/342-0232; fax: 309/343-9816.

Sincerely,

David L. Amor
Director of Communication

CC: John Podesta

Knox College
Founded 1837
Office of College Communication Galesburg, Illinois 61401-4999 309/343-0112 FAX 309/343-9816

November 19, 1993

Mr. John Podesta
Assistant to the President
and Staff Secretary
The White House Office
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear John:

Here is a copy of President Nahm's invitation to President Clinton, along with my cover letter to Ricki Seidman. You'll see I've taken your name in vain in the latter at a couple of points. Thanks for your forbearance. Any further help you can provide in raising the chances for a "yes" will be wildly appreciated.

I expect I will be talking with you either just before or just after you get this letter. I really appreciate your generosity both in helping out with this and in agreeing to fit in an interview.

Sincerely,

David L. Amor
Director of Communication

P.S. I'm enclosing an article from a recent issue of *In These Times,* written by a current Knox student who was editor of *The Knox Student* last year. I know from the papers that you were involved with a review of the "clipper chip" policy, and I thought you'd be interested to see that critical perspectives are still thriving at Knox.

THE WHITE HOUSE

WASHINGTON

December 5, 1993

MEMORANDUM FOR DEE DEE MYERS

THROUGH: JOHN PODESTA JDP

FROM: JAMES DORSKIND JD
DEPUTY DIRECTOR OF CORRESPONDENCE
AND PRESIDENTIAL MESSAGES

SUBJECT: HANUKKAH, 1993; CHRISTMAS, 1993

I attach copies of the President's messages for Hanukkah and Christmas, which you may wish to release to the media. Please feel free to call me if you have any questions.

cc: Ron Geisler, Executive Clerk
Mike Sullivan, Weekly Compilation of Presidential Documents

THE WHITE HOUSE

WASHINGTON

Christmas, 1993

Warmest greetings to all who are celebrating Christmas in this season of hope.

Each year at this time, we gather together with our loved ones. We teach our children to believe that, with faith and hard work, their dreams can come true. We reach out to each other in caring and fellowship. We look to the future with hope and always with the most earnest of mankind's prayers -- the prayer for peace. Thankfully, at this Christmastime, we can joyously celebrate the results of our prayers.

Around the world, people are embracing the promise of the post-Cold War era, throwing off the shackles of tyranny and committing themselves to the ideals of democracy. Old enemies who met for centuries on the battlefield are now meeting on common ground to discuss peace. In our own country, many citizens are rededicating themselves to improving their communities and to ending the crime and violence that still threaten us. This has indeed been a year worthy of the Prince of Peace.

I have always believed that the Christmas spirit of giving and caring joins children and parents across the country and around the world. This year, let us listen to the dreams of our children and gain strength from their idealism. On this holiday, let us reach out to the people around us and work for a world at peace.

Hillary joins me in extending best wishes to all for a very merry Christmas.

Bill Clinton

THE WHITE HOUSE

WASHINGTON

Hanukkah, 1993

I am pleased to send my warmest greetings to all who are celebrating Hanukkah.

The Festival of Lights, a joyous holiday that commemorates a miracle, is a fitting time to give thanks for the blessings of the past year. One of those great blessings was the historic handshake between the Prime Minister of Israel and the Chairman of the Palestine Liberation Organization -- something that surely would have seemed a miracle just a short time ago. Hanukkah serves as a reminder that faith and perseverance can sustain us against the most difficult odds.

We live in a world weary of violence and determined to take steps to advance the cause of peace. We live in a nation that has made a renewed commitment to improving our communities and using our rich ethnic heritage to unite us, rather than to divide us. The strong beliefs and confidence that brought victory to the Maccabees and eight days of light to the Temple can guide us as we face the momentous challenges of our times. The eternal lesson of Hanukkah -- that faith gives us the strength to work miracles and find light in times of darkness -- inspires all of us to strive toward a brighter future.

In this holiday season, let us rededicate ourselves to creating a more peaceful world for all.

Bill Clinton

~~John Podesta~~

Ian Piery

I'm returning this to you. Is there another genesis of this

John Podesta

DETERMINED TO BE AN ADMINISTRATIVE

MARKING INITIALS: NV DATE: 10/31/18

2018-0661-S

**BRIEFING MEMORANDUM**

P3:56

CONFIDENTIAL Working Document: not for file retention

DATE: December 1, 1993

RE: Appointment of Archivist of the United States National Archives and Records administration

## I. BACKGROUND

The National Archives and Records Administration Act of 1984 provides that the Archivist of the United States shall be appointed by the President with the advice and consent of the Senate **"without regard to political affiliations and solely on the basis of the professional qualifications required to perform the duties and responsibilities of the office of Archivist."** The Archivist may be removed by the President, but the President must "communicate the reasons for any such removal to each House of the Congress."

The Conference Report with respect to the Archives Act states that **"the conferees intend that (the Archivist) be an officer performing professional archival and records management functions insulated from the political orientation of a particular administration."** In the Report of the House Committee on Government Operations which accompanied the House version of the Senate bill, the Committee recognized "the desirability of ensuring that the Archivist, like other presidential appointees...will be responsive to the leadership of the president, while at the same time providing the Archivist with a degree of insulation from improper political pressure in the discharge of his duties.

The Presidential Personnel search team consulted extensively with recognized organizations of professional archivists and historians for their views on qualifications and characteristics needed in an Archivist and to identify potential candidates. The search team also consulted with the staff of the Senate Committee on Governmental Affairs (chaired by Senator John Glenn, (D-Ohio)), which provided extensive written materials for consideration, and with Staff Secretary John Podesta whose work involves extensive contact.

### Current Situation at the National Archives and Records Administration

The Archives FY 1994 budget is approximately $194,000,000. It employs approximately 3000 persons, including a highly educated professional staff. There are 12 regional Archives, in addition to the National Archives in Washington, 14 regional records centers and 11 Presidential Libraries, whose Directors and staffs are employees of the National Archives. A new $250,000,000 state-of-the-art archival facility has just opened in College Park on the campus of the University of Maryland. About one half the holdings of the National Archives in Washington will be moved to the Maryland facility over the next 2-3 years, an immensely complex logistical undertaking.

The National Archives has highly visible, serious morale, procurement, personnel, and ethics problems and may have more similar serious problems not yet discovered. The former leadership of the Archives has been pedantic, bureaucratic and pedestrian for the last 10 years or more. At the senior management level there is enormous resistance to electronic technology, strategic planning and any form of leadership role for the Archives. With the support of Clinton White House representatives assigned to the Archives and White House Staff Secretary John Podesta, Acting Archivist Trudy Peterson has taken action to remove and reassign several senior staff members and has initiated other administrative reforms.

In 1992 the Senate Committee on Governmental affairs conducted an investigation of the National Archives and Records Administration. In October 1992 the Committee issued a critical report describing serious mismanagement of the Archives, particularly in procurement, personnel and ethics matters. The Senate report was followed by an external Inspector General's investigation which confirmed the findings of the Senate Report and by an investigation by the President's Council on Integrity and Ethics which also confirmed the findings of the Senate Report and made specific recommendations for managerial actions, including consideration of criminal charges against certain senior managers of the National Archives.

**Qualities Needed in the Archivist**

As the ultimate recipient of federal, Presidential and Congressional records, and as the national institution looked to for leadership by the hundreds of state and local government archives, the National Archives needs inspired, professionally qualified, leadership. While politically independent, the Archivist must be an individual whose concept of the Archives is compatible with the Clinton Administration values and objectives, and who would work effectively with the White House. The Archivist should be a distinguished member of either the archival or historical professions who can

- lead a highly technical and exceptionally complex institution with a vocal and intensely interested external constituency of historians, archivists, researchers and communications professionals;

- provide leadership within the government with respect to the identification and preservation of valuable records and the development of electronic records management systems which will serve the vast archival needs of the federal government;

- and institute significant management and organizational changes, including the removal of ineffective administrators at the Archives.

## II. CANDIDATES UNDER CONSIDERATION

**Mary Maples Dunn**, BA (History), William & Mary College; MA and Ph.D. (History) Bryn Mawr College. Dr. Dunn has been President of Smith College in Northampton, Massachusetts since 1985. Dr. Dunn is a scholar of early American history who has written several books and numerous articles for distinguished academic journals. Dr. Dunn is well known for her work on the papers of William Penn, published with the help of the latest technology. Before coming to Smith, Dr. Dunn spent seven years as Dean of the Undergraduate College and Academic Deputy to the President at Bryn Mawr College. As Dean at Bryn Mawr and as President of Smith, Dr. Dunn has proven to be a firm manager and experienced public spokesperson, qualities necessary in the position of Archivist. While at Smith, Dr. Dunn has had to make a series of tough and not always popular decisions on budget and personnel issues and has succeeded in giving the college financial stability and new direction. Her colleagues report that she has a great capacity for leadership and is a direct, upbeat, engaged person.

Dr. Dunn is an active Democrat and is very supportive of the Administration. If nominated, Dr. Dunn is expected to receive support of Senators Wofford and Kennedy and possibly of Senator Moynihan and would be well received by the Senate Committee on Governmental Affairs. Dr. Dunn is affirmatively supported by all of the external constituencies of the National Archives organizations.

## III. CANDIDATES ALSO CONSIDERED

**Robert L. Hardesty**, BA (?) Georgetown University. Mr. Hardesty is not professionally qualified to be Archivist of the United States, his nomination would appear to be politically motivated and the public opposition to his nomination would cause considerable embarrassment to the Administration.

**Trudy Huskamp Peterson**, BA (English, History) and MA (History), Univ. of Iowa, PH.D. (History), Iowa State Univ. Dr. Peterson is currently the Acting Archivist of the United States. Dr. Peterson previously was Assistant Archivist for the National Archives and has been associated with the National Archives in various positions since 1968 and a member of senior management since 1980. Dr. Peterson is a distinguished agricultural historian who has a strong record of scholarly and professional publications and a national and international reputation as a historian and archivist. She has served as president of both the national and international associations of archivists. Since 1992, Dr. Peterson has been a member of the U.S.-Russia Joint Commission on Missing in Action/Prisoners of War.

At the request of the Administration, Dr. Peterson has served as Acting Archivist, displaying great skill, tact and aggressive leadership under conditions of extraordinary stress. Since becoming Acting Archivist, Dr.Peterson has faced a series of crises in ethics, procurement, personnel, budget and litigation matters. She has met these challenges with courage and great ability. Dr. Peterson has led an institutional strategic planning effort that is providing long-term direction for developing a technological infrastructure for electronic information management and has moved quickly to implement the objectives of the National Performance Review. Dr. Peterson is a candidate supported by the archival and historical communities and would be well received by the Senate Committee on Governmental Affairs. Dr. Peterson is a dedicated professional in archival matters, the treatment of historical records and records management procedures. As a senior career civil servant, Dr. Peterson has not been politically active, but is a Democrat who strongly supports the President. While the search group felt that an external candidate could more readily gain congressional support for needed changes at the Archives, Peterson could be a viable choice and should definitely be retained as the Assistant Archivist if not selected as head of the Archives.

cc: Lader
Podesta
Verveer

PETER B. KOVLER
1250 24TH STREET, N.W., SUITE 300
WASHINGTON, D.C. 20037
PHONE 202/857-7810
FAX 202/466-3079

18 November 1993

Bruce Reed
Ricki
for your consideration
John Podesta

President William J. Clinton
1600 Pennsylvania Ave., NW
East Wing, Suite 200
Washington, DC 20500

Dear Mr. President,

You and Mrs. Clinton were incredibly gracious and kind to include Judy and me in your dinner plans on Saturday night. For lifelong Democrats such as ourselves it had particularly great significance. We are grateful to you for giving us what is certainly the most unforgettable "dinner and a movie" of our 18 years in Washington.

Our brief talk about Black on Black crime - in conjunction with that heartfelt and well received Memphis speech - caused me to think that in 60 days the Administration could take greater charge of this issue.

January 17 is Martin Luther King Day. It should be used as a centerpiece of this Administration's vigorous effort to stop crime. That holiday should be a living memorial to King, not a nostalgic one.

Using the name of a great American historic figure for a contemporaneous cause is a strategy which requires timing. Having successfully organized and chaired FDR's Centennial Committee in 1982 - (when FDR's values and leadership were arguably under their greatest assault since his death) - I believe that the moment now exists to "exploit" Dr. King's name... for the purpose of going at the violence and crime problems.

A series of speeches or events connecting you and Dr. King and the effort to stop violence could resonate throughout the country. (The polls can't be that far off when they say that crime is the highest concern of the people.)

Your days are as busy as those of any human being and I apologize for taking up so much of your reading time. Again, I thank you and Mrs. Clinton for your hospitality.

Sincerely yours,

P. B. Kovler

Peter B. Kovler

GORDON KERR

Administrative Assistant to
U. S. Senator
Carl Levin

Washington, D. C. 20510
202-224-6221

PETER B. KOVLER
1250 24TH STREET, N.W., SUITE 300
WASHINGTON, D.C. 20037
PHONE 202/857-7810
FAX 202/466-3079

17 November 1993

Peter Edelman
Fax: 690-7595

Dear Peter,

I am absolutely persuaded that in 61 days, the Administration should use Martin Luther King Day as a centerpiece of an effort to stop crime, particularly Black on Black.

Using the symbolism of a great American figure for a contemporary cause is one technique that should now be exploited. I have done this with FDR, and the Clinton Administration should be doing it with King.

I'm sure we'll be talking soon.

Best,

Pete

Peter Kovler

cc: Anne Bartley
Sara Ehrman
Congressman John Lewis
Anne Jordan
Bill Galston
George Stephanopoulos
David Gergen
Mary Bain
David Wilhelm
Sheldon Cohen

# Black on Black Crime: A Taboo Broken

Peter Kovler

In 1967, for the first time, the facts were presented on the phenomenon of black on black urban ghetto crime. At that time the President's Commission on Crime revealed that most crime in this country is intra-racial, and that "it is Negro males and females who are most likely to be victimized in crimes against the person." The commission used Chicago as an example, saying that a black man in that city ran "the risk of being a victim nearly six times as often as a white man." For the black woman, the likelihood of being a victim was nearly eight times greater than for the white woman.

Unfortunately, according to the latest crime statistics by race, the situation has not improved. Blacks are still disproportionately the victims of crime, most of it still committed by other blacks. Seven years after the President's report, the murder statistics for Chicago told a similar story: in 1974, 803 blacks were killed as compared to 127 whites. (In the 1970 census, blacks comprised about 20 per cent of the Chicago population; today it is perhaps somewhat higher.)

Until recently, however, few would publicly mention the subject. Blacks and liberal whites rarely spoke of it, largely because of the fear that conservative whites could use it as "material" for their fight against civil rights. Blacks who did call for "law and order" in their own communities were immediately labeled "Uncle Toms." Liberal whites who even mentioned the subject were accused of a sort of "pull 'emselves up by their bootstraps" racism. In fact, the only people who seemed to come near the problem, publicly, were Nixon and his gang. But they simply used "law and order" as code words to attract the votes of frightened whites.

There were only two settings where black on black crime was discussed. The first place was in the ghettos, where talk was confined to church gatherings and infrequent, informal and unorganized block club/police meetings. The second place was in the private conversations of the genuine white racists (not the "unconscious" ones), people who could say things like "they're all animals."

Now, within the past few months, attitudes have begun to change; many have begun to speak openly about the problem. People from the inner cities of New York, Chicago, Detroit, Philadelphia, etc., are saying that a top priority for blacks is to stop black on black crime. It is also significant that these voices have risen independently, not in response to a major policy change on the part of a major national group such as the NAACP or SCLC.

In Harlem, for example, the only community newspaper, the *Amsterdam News*, has begun its fight *(1)* by highlighting the problem through articles and editorials; *(2)* by cleaning up certain "target areas" that had been taken over by drug addicts; *(3)* by forming a sort of Dodge City posse, Citizens Action for a Safer Harlem, that has already managed to drive the junkies and pushers from a street that *Life* once called the worst in the country.

The National Urban League has also begun to call attention to the problem. The director of its "Administration of Justice" division, Robert Woodson, recently told a House committee: "The facts and figures on crime in America are harsh realities for the black community: Criminal homicides, perpetrated by blacks on blacks, is particularly severe. . . . Of an estimated 1,500 homicides committed in New York City in 1974, 545 of the victims were black; sixty-seven of these victims were slain by whites or members of other racial groups."

From Chicago, Rev. Jesse Jackson is now preaching and writing about the same sort of problem. While he emphasizes "black self-development," a large part of his message is for blacks to stop "the decadence in black communities." The head of the National Urban Coalition, M. Carl Holman, has a similar message: "The rest of society has made it clear to blacks that it's your community and we don't give a damn about it," he says. "We're trying to get past some of the scare tactics and down to the reality of crime." The NUC has also given a great deal of financial support to inner-city anti-crime efforts.

In addition, the executive director of The Woodlawn Organization, the most influential community group on Chicago's murderous and black South Side, says: "Black people are more concerned with safety than with the connotations of racism at this point." That *Ebony* has given its support is shown by a recent complimentary article on A. Reginald Eaves, the Marshal Dillon of Atlanta; and black Rep. John Conyers of Michigan is pushing for legislation that would fund ghetto community anti-crime programs.

There are, of course, dangers in this new approach. The main one, according to black columnist William Raspberry, "is that society could read this as an exoneration and we could start all over again with the 'blaming the victim' syndrome." But perhaps the most important question to be raised by this new movement is, will it work? Will it help to decrease crime? So far, there is little evidence one way or the other. The 1976 crime rates appear to be similar to those of previous years. Yet it must be said that at this point the campaigns against black on black crime are for the most part at the talking or planning stage; few specific programs have been implemented.

This seems to be especially upsetting to the Urban League's Woodson. Although he does not deny the need to attack the "root causes" (poverty, unemployment, discrimination, inadequate housing, education and health care), he seems to be a strong advocate of black community anti-crime programs. The funding of such programs, he says, has been difficult because the government has failed "to recognize the enormous potential for community involvement in crime control and prevention." He adds: "The 'war on crime' has been one of the few battles in our history in which the black community has not been enlisted."

*Peter Kovler is a free-lance writer in Washington.*

THE PRESIDENT HAS SEEN 12/6/93

# THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: RICKI SEIDMAN RS

DATE: DECEMBER 6, 1993

SUBJECT: NOTES ON TODAY'S SCHEDULE

I am writing this memo because I'm not scheduled to see you until 2:30 today and you have a difficult schedule.

There are several NSC/ foreign policy events today:

10:45 A.M.: You will receive a brief <u>update from Mickey on GATT</u> with a White House photo. This is marked on the schedule as a meeting with Tony Lake as the contact. Tony had previously requested the time to speak with you privately, but on Saturday, he and David Gergen determined that you should see Mickey instead.

11:20 A.M.: You have an <u>official visit with the Spanish Prime Minister Gonzalez</u>. After an Oval Office meeting, you will have lunch and do the press availability at the Blair House.

4:30 P.M.: You will attend the end of a <u>"Principals Meeting" on North Korea</u> (not on the schedule to avoid unwanted leaks) at which your presence is required for no more than 15 minutes, according to Tony. You will receive a 5 minute presentation, followed by 10 minutes of discussion with the Principals. If you decide to stay longer, that's up to you, but it cuts into your already meager phone and office time.

6:30 P.M.: You will have a <u>45-minute meeting regarding Haiti with Malval and Aristede</u> that will open with a pool spray. Tony says he needs 15 minutes to brief you before the meeting. You have two options- please pick one:

(✓) cut into my phone and office time because I want to get home to Chelsea as early as possible.

( ) brief me right before the meeting, even if it means starting the meeting 15 minutes late.

You have one domestic public event today. This is the first day The White House is open for Christmas tours and it's Seniors' Day. We have planned an event to highlight how you and Hillary have "opened up" The White House and to demonstrate your continuing concern for seniors, particularly their worries about health care. So, at

2:45 P.M. You and Hillary will greet touring seniors for 10 minutes in the Residence. You will then return to the Oval Office, where you will have a 30 minute conversation with a group of 15 seniors who have come for the tour. There will be a press pool in the room for the entire conversation in order to convey the health care message. Our staff has reluctantly determined that the best way to pick up your remarks is for you to use a <u>lavelier microphone</u>.

At 5:30 you will have a budget meeting for one hour to review the <u>Commerce</u> Department budget. There are still about 20 hours outstanding in the process. I am currently reviewing the schedule to determine what public events I can cut to make sure you complete the process before December 22. Leon and Bob Rubin are adamant that they can't make do with a minute less despite several attempts I have made to get them to condense or restructure the meetings. You told Nancy last week you do not want to micromanage the budget -- if you don't like this process, we need a separate session with Bob and Leon to reevaluate it. Let me know what you think.

See you this afternoon.