Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. resume	[Personally Identifiable Information] [partial] (1 page)	12/00/1993	b(6)

COLLECTION:

Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 2244

FOLDER TITLE:

January 1-8, 1994 [1]

2018-0662-S
rs3083

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

IFES *International Foundation for Electoral Systems*

1620 I STREET, N.W.▪SUITE 611▪WASHINGTON, D.C. 20006▪(202) 828-8507▪FAX (202) 452-0804

M E M O R A N D U M 94 JAN 6 P2:50

Will Itoh

TO: John Podesta, Staff Secretary
The White House

FROM: Richard Soudriette, Director

RE: Belarus Report

DATE: January 6, 1994

Enclosed is an advance copy of the International Foundation for Electoral System's (IFES) latest report on Belarus. We had a team in Belarus two weeks ago doing a pre-election technical assessment. They just returned and this advance copy is hot off the press. We wanted to get it to you immediately in case it might be useful for President Clinton's pending trip to Belarus.

If you need any additional information or any of your colleagues wish to be briefed by our team members, please give me a call at (202) 828-8507.

Enclosures

cc: Charles Manatt

C.C. Tim Dorsk.

IFES International Foundation for Electoral Systems

1620 I STREET, N.W. • SUITE 611 • WASHINGTON, D.C. 20006 • (202) 828-8507 • FAX (202) 452-0804

PRELIMINARY PRE-ELECTION REPORT ON PREPARATIONS FOR THE ELECTIONS IN BELARUS

Linda Edgeworth Richard Messick
Jan Zaprudnik

This preliminary report has been prepared for the purpose of discussion within the NIS Task Force of A.I.D. only. It is not for general distribution and is not to be quoted. The IFES report will be available for general distribution upon clearance from U.S. Embassy/Minsk and the Regional Mission in Kiev.

The contents of this report do not necessarily represent the views or interpretations of the Agency for International Development.

TABLE OF CONTENTS

Preliminary Pre-Election Report on Preparations for the Elections in Belarus for the Supreme Soviet

I. Introduction and Summary

A three member delegation sponsored by the International Foundation for Electoral Systems (IFES) visited the Republic of Belarus from December 12 through 21, 1993, to assess the situation in advance of the nationwide elections now tentatively set for March 1994. The trip was prompted by Secretary of State Warren Christopher's October 26th meeting in Minsk with Stanislav Shushkevich, head of the Belarusan state, when the two agreed that the United States would provide assistance for the elections. The Agency for International Development asked IFES to review preparations for the elections and recommend what type of aid was needed.

The delegation left Belarus impressed by the opportunity for democratic change but sobered by the obstacles that stood in its way. Democratic activists had been able to gather almost 450,000 signatures within a two month period on a petition for a referendum calling for new elections. However, within Belarus there is an entrenched, post-communist elite fearful of the loss of power should democratic change ensue. As of early January it was still an open question whether elections would be held this coming March.

The U.S. can assist Belarus in the forthcoming elections in two ways. First, starting with President Bill Clinton's upcoming visit, U.S. officials should make it very clear that America is committed a free and fair election, and to steady progress on democratic reform. This commitment should be made absolutely clear to government officials, opposition leaders and the people of Belarus through both public and private diplomatic efforts. This would put pressure on those who oppose elections and democracy while at the same time provide moral support to those working toward democratic change. Second, government officials should be encouraged to work in concert with nongovernmental organizations to build a democratic infrastructure in Belarus. An independent media should be supported, and nonpartisan civic and voter education programs should be funded. Training in grass roots organizing and communication skills should be offered to political parties, alongside technical assistance to the Central Election Commission in its efforts to enforce the election laws and manage an internationally recognized election.

These recommendations are in the following pages. In preparing this report, the delegation met with members of the Supreme Soviet, government officials, representatives of political parties, election officials, journalists, labor leaders, local officials, and students. In every instance these individuals gave generously of their time, and the team was gratified by their candor. Without such cooperation, this report would not have been possible.

II. IFES Team Profile

Linda Edgeworth

Ms. Linda Edgeworth is a top IFES consultant and is formerly of the Office of the Governor of Alaska, Division of Elections. Over the past two years, Ms. Edgeworth has served on five IFES pre-election assessment teams (Sierra Leone, Mali, Kenya, Kyrgyzstan and Ukraine). She has also served as the IFES technical advisor to the national election commissions of Albania and Yemen as part of IFES election training, voter education and technical assistance projects.

Richard Messick

Mr. Richard Messick is a Washington-based attorney specializing in election law and public policy. Mr. Messick is the former Chief Counsel of the Senate Committee on Foreign Relations and a member of the American Bar Association/CEELI Working Group on Election Law.

Dr. Jan Zaprudnik

Dr. Jan Zaprudnik is one of the foremost authorities on Belarusan history, politics and cultural issues. He has served as a Senior Program Specialist at Radio Liberty and will be teaching "History and Politics of Belarus" at Columbia University in January of 1994. His most recent book, Belarus at a Crossroads in History has just been published by Westview Press.

III. The Political Situation in Belarus Today

A growing democratic movement in Belarus is confronting a government that is essentially a remnant from the Soviet period. The democratic forces are led by the Belarusan Popular Front, a mass movement founded in 1989 dedicated to the transformation of Belarusan society and the renewal of the Belarusan nation according to principles of democracy and humanism. Although only about 10% of the 345 members of the Supreme Soviet, the Republic's one chamber legislature campaigned under the democratic Front's banner in the 1990 elections, the Front's leaders told the IFES delegation that they can now count on as many as 70 more voting with them, depending on the issue.

Political power in Belarus, however, remains in the hands of a clique of former members of the Communist Party, senior bureaucrats, managers of state-owned enterprises, and chairmen of collective farms. Prime Minister Vyacheslav Kebich and all members of his cabinet were key members of the Communist Party. The majority of deputies to the Supreme Soviet are either themselves managers of state-owned companies or collective farms or are their hand-picked representatives. Supreme Soviet Chairman Shushkevich is the only high official in the Supreme Soviet who is not a member of the ***nomenklatura***, and his position is precarious. The majority in the Supreme Soviet tried to unseat him just before he left for Washington last summer and may try again just before President Clinton's forthcoming visit to Belarus. Vote totals are difficult to analyze, as the election was boycotted by the opposition.

Despite the undemocratic nature of the present government, the delegation was struck by the commitment to democracy evident throughout the NGO community. University students, labor leaders, local government officials, academics and journalists all expressed a genuine desire to see the country join the family of democratic states. Even some members of the Communist "old guard" seem to have changed their spots.

Indeed, that the ruling ***nomenklatura*** promised to hold elections this March is in itself a testament to the appeal of the democratic idea in Belarus. Under current law elections to the Supreme Soviet are not scheduled until March of 1995. However, within a brief span of only two months during the spring of 1992 the Belarusan Popular Front gathered the signatures of almost 520,000 people, or almost eight percent of all voters, on a petition for a referendum calling for the immediate election of a new Supreme Soviet under a modern election law. Although the majority in the Supreme Soviet refused, in violation of Belarusan law, to hold the referendum, the public outcry over its defiance of the law and the popular will was so great that the Supreme Soviet could not ignore it. As a result, the majority pledged to move the date for the elections up by one year, to March of 1994.

IV. The Politics of the Elections

During the delegation's stay team members heard conflicting views on whether the majority would keep its promise to hold elections. Elections would require the Supreme Soviet to pass a new election law, and with the deadline for March elections just over 90 days away the majority has yet to propose legislation. The delegation interviewed several deputies to the Supreme Soviet who had seen different versions of a bill, but Vladimir Levchik, who chairs the committee responsible for writing a new law, refused to speak to the delegation either about what the bill might contain or when it might be introduced for discussion.

The proposed elections will be for a new Supreme Soviet, whose members took office in 1990 when Belarus was still a part of the Soviet Union. Given the membership of the present Supreme Soviet, it is not surprising that there remains concern that the elections will not actually be held this spring. The Supreme Soviet now consists of 50 seats set aside for appointees of veterans associations, groups representing the handicapped and similar public organizations and another 295 seats filled by election from single member districts. Not only did the 50 deputies from the public organizations gain their seats without standing for election, but very few of those who actually ran for office in 1990 faced any real competition. The vast majority of deputies thus have no experience with democratic procedures and competitive elections, and many are reportedly reluctant to gamble their position on a process with which they are unfamiliar.

V. Progress on a New Constitution

Adding to the uncertainty over the timing of the elections is the controversy over a new constitution. Many believe that the Supreme Soviet should revise the constitution inherited from the Soviet period to change the structure of the Belarusan government and the composition of the Supreme Soviet before scheduling the elections. Debate on restructuring the government has been underway for almost three years, but the dispute over whether deputies to the Supreme Soviet should be full- or part-time has brought progress to a standstill.

The Belarusan Popular Front insists that the deputies should be full-time, professional legislators, but the majority in the Supreme Soviet is demanding a continued role for the heads of state enterprises and collective farms. These individuals would apparently not quit their current jobs to serve as full-time parliamentarians, yet because of their position within society, it is argued, they should be involved in governing the nation. One compromise being discussed by the majority is a two-chamber legislature with the lower house made up of professionals and an upper house modelled after the British House of Lords, where the ***nomenklatura*** could serve on a part-time basis. But at this writing whether this proposal will break the deadlock, or whether the stalemate over a new constitution will continue, remains to be seen.

VI. The Debate Over a New Election Law

Whether the elections are held before or after a new constitution is approved, a new election law will still be needed to determine the official election date. This date must be set and several changes made to the Soviet-era law now in effect. In addition to calling for new elections, the Popular Front's 1992 proposed referendum would have required that these elections be conducted under a new election law it had drafted. Since the Front's proposal for a new election law was published, several alternatives have also been put forward, including one by the Party of Communists of Belarus, the reconstituted communist party. The majority in the Supreme Soviet published a draft bill in 1992 too but have apparently decided to abandon it in favor of a still uncirculated alternative. Again, the refusal of Mr. Levchik, the majority's designated leader on election law reform, to speak with the delegation makes it difficult to say precisely what the majority's position on a new bill will be.

The most comprehensive election law reform plan the delegation saw was the one the Belarusan Popular Front put forward in 1992. Its bill would reduce the number of deputies, provide for a combination of majoritarian and proportional representation and comprehensively manage all phases of the campaign and election process. The bill would cut the number of seats in the Supreme Soviet to 160 and do away with the 50 appointed seats. Under the Front's legislation each district would consist of roughly 80,000 voters, about four times the size of the average district today. Although only political parties and blocks of parties could nominate candidates, an independent could run if he gathered 1,000 signatures on a nominating petition.

Under the Front's proposal, half of the 160 seats in the new legislature would be elected from single member districts and half from party lists. As in several West European democracies, each voter would cast two ballots, one for a candidate running to represent his district, and a second for a party. Candidates and parties would receive public funds for the campaign which could be supplemented by private contributions, and all expenditures and receipts would have to be disclosed. The bill would ensure that a representative of at least one party was a member of each local and district commission administering the election, give all citizens the right to observe the conduct of the election, and provide any citizen dissatisfied with election procedures a judicial remedy. Finally, the bill would spell out in detail the procedures for administering the election and reduce the Central Election Commission's power to invalidate an election.

With the possible exception of the provision doing away with appointed seats, leaders of the Popular Front are not sanguine that any bill approved by the Supreme Soviet will contain their proposals. Reducing the total number of seats by enlarging the constituencies would weaken the ***nomenklatura's*** grip on power. The smaller the electorate, the more influence the head of the local collective farm or state enterprise wields: many residents, particularly pensioners, depend on them for food and other necessities are thus afraid to risk the ire of the boss by any show of political independence. Even the deputy chair of the Party of Communists of Belarus conceded that under present conditions the political power of enterprise managers and collective farm chairmen was substantial.

Those who favor preserving the power of the collective farm and state enterprise managers also oppose the Popular Front's plan to elect deputies from lists put forth by political parties. When the Communist Party of Belarus was outlawed in 1991, most of these individuals chose not to join the new Party of Communists but to remain independent. Although the Popular Front thought its proposal to elect half the deputies from party lists and half from single member districts struck a balance between the need to strengthen political parties and the need to represent the electorate directly, the delegation was told that the draft being prepared by the majority in the Supreme Soviet is not likely to include any provision for election from party lists. The delegation heard no answer to the argument that to help build political parties some portion of the deputies ought to be selected from party lists and can only assume that any draft excluding party lists altogether would be based solely on considerations of political advantage.

The delegation also was advised that the majority's draft would probably reject any provision limiting the power to nominate candidates to political parties. Under present law organizations of employees of a particular enterprise can nominate candidates to the Supreme Soviet. The Popular Front argues that the workplace should be depoliticized and that the provision in its bill allowing nomination by petition is sufficient to ensure that the political system remains open to change. The issue would again seem to boil down to one of power: enterprise managers often exercise tight control over these work collectives, and the collectives are thus one more avenue by which the ***nomenklatura*** can maintain its hold.

The present law bans private donations to candidates. Campaigns are publicly-funded, even to the extent that the law provides for the payment of a candidate's salary if he takes a leave of absence from his job to campaign. The funds are limited, however, and in a recent by-election for a seat in the Supreme Soviet only enough money was available to print some black and white posters with a brief biographical sketch and short statement of the candidate's views.

The Popular Front's bill would substitute a mix of private and public funding for the current system. All candidates would be guaranteed a certain minimum of public funds and could raise additional money from individuals and commercial entities, and the parties would receive public funds both for campaign expenses and for ongoing activities. Several deputies told the delegation that the ban on private donations had not been effectively policed during the 1990 elections and suggested the same might well hold in the future. Allowing private contributions so long as they are disclosed appears to be the Front's answer to this problem.

The legislation proposed by the Front would permit contributions from foreign sources as well. A number of individuals told the delegation this might help to right the current imbalance in funding between democratic forces and the ***nomenklatura***. The democratic deputies all said that their opponents had outspent them significantly, thanks to their access to the resources of state enterprises and collective farms, and were afraid the same would happen at the next election. A representative of the newly constituted communist party admitted that at a recent by-election for the Supreme Soviet his party had spent 200,000 rubles promoting its candidates and charged that another candidate, who held a position in the present government, had spent some six million rubles to win. The communist party representative claimed that this money was used to provide voters with beer and sausage on election day.

Although the delegation was unable to learn how the majority's draft might treat campaign finance issues, deputies from the Popular Front were sure it would ban the receipt of any funds from abroad for any purpose, even for nonpartisan civic and voter education programs. These deputies explained that the ***nomenklatura*** feared that any foreign support would favor those with a democratic orientation.

The Popular Front's proposed election law would make a number of changes in how the elections are to be administered as well. Under present law, which mimics typical 1989 Soviet-era legislation, there is a local election commission in each district that is responsible for conducting the election and counting the ballots. The Front's bill would ensure that a representative of a political party served on each local commission.

Its bill would also severely limit the circumstances under which an election could be nullified. Under current law, regional and local election commissions as well as the Central Election Commission enjoy broad discretion to invalidate an election if there are improprieties -- even, the delegation was told, if the alleged improprieties would not affect the outcome. Furthermore, the law and the guidelines issued by the Central Election Commission often do not provide definitive guidance for adjudicating grievances, resulting in rulings that have been perceived as arbitrary, inconsistent and, in extreme cases, manipulative. Indeed, according to Front representatives, during the 1990 elections the counting of ballots in several districts where democratic candidates were leading was suspended, and then on the basis of this suspension the election was voided. Under the Front's proposal, only if it were absolutely clear that improprieties had affected the outcome would the Central Election Commission have the power to void the election.

VII. The Political Environment Affecting the Elections

Despite the strides Belarus has made towards democracy, the obstacles to further progress should not be underestimated. Although elections have been held at regular intervals since 1938, the 1990 elections were the first that were at all competitive. Even then only a few districts, mostly around Minsk, saw anything approaching a genuinely competitive race. Citing this history of sham elections, a number of those with whom the delegation spoke contended that the great majority of the electorate had become so cynical about elections and their impact that it would take years to convince citizens that their vote did indeed count.

The delegation was told of several other factors that aggravated this situation. For one thing, so far the campaigns have been extremely dull. Campaign materials have been limited to black and white posters and one or two short pamphlets, and the campaigning has consisted of a few appearances where the candidates give set speeches. Because many of the parties' and the candidates' communications skills are so underdeveloped, they have not generated the kind of enthusiasm among the electorate that would overcome voter apathy and cynicism.

Another factor cited to the delegation was the lack of any significant nonpartisan voter education or civic programs. A civil society is just beginning to emerge in Belarus, and the rich variety of nongovernmental organizations that contribute to a democratic culture in established democracies has yet to form. On the other hand, it is clear that the citizens of Belarus appreciate the need to start such organizations, and the delegation met with one nascent civic organization whose leadership recognized the importance of educating the electorate about political participation and had begun, with very limited resources, a program aimed at reforming local government.

But time and time again the delegation was told that the greatest obstacle to nurturing democracy in Belarus was the attitude of those now in power. There simply does not appear to be any commitment by the government to furthering democracy. The most striking example was its refusal to honor the petition for a referendum the Popular Front submitted last year, but this is not the only example of communist-style old thinking (see p. 3 for details on the referendum). The new constitution and election law are clearly the key to building a democratic Belarus. Yet all signs are that the election law the majority will present is being written with an eye to short-term political advantage and not to the long-run development of political parties, and the apparently serious proposal to create a House of Lords-type chamber of the legislature shows just how far those in power are willing to go to maintain control.

In the view of many, the most damage the government is doing to the cause of democratic development is through its continued refusal to open up the media to new voices. The delegation heard again and again that only those whose message conforms to government thinking have access to state radio and television. The director of state media tried to assure the delegation to the contrary, insisting that the media was objective and nonpartisan and that although the editorial content of broadcasts was subject to direct control by the Ministry of the Information, there had never been a conflict with the Ministry over coverage of political events. In a way, this is even more damning than if the charges of bias were true, for it shows a complete failure to appreciate the role of the media in a democratic society. The economy is in upheaval as it moves away from central planning and dependence on Moscow, and it is impossible to imagine that the government's management of economic change has not provoked at least some criticism. How could objective coverage of the economy not call government policy into question?

The philosophy guiding state television and radio's approach to politics was inadvertently revealed by a staff member when explaining why state television was refusing to give the Popular Front an hour a week for a public affairs program. If we granted the Front's request, he said, we would have to give time to the communist party, and if we did this, others might want time, and soon we would loose all control. Control, it would appear, is the paramount consideration in all programming decisions.

This conclusion is reinforced by the approach the government has taken to private radio and television channels. The delegation was told of several cases where it had used its licensing power to control what these outlets broadcast. The most notorious case involves channel 8. Allegedly because of the quality of its programming and technical problems with its broadcast signal, a lengthy bureaucratic review of its operations was undertaken. In the end, the channel was allowed on the air, but only on condition that it not broadcast any political news and not criticize the government. More recently, the delegation was told that a student group was denied a license for a radio station altogether without explanation or justification.

Control over the print press is exercised indirectly. Those mass circulation papers not owned outright by the government are subsidized, and the cost of continued subsidies is adherence to the government line. Thus, when *Banner of Youth*, a paper founded by a work collective, adopted an independent editorial line after the fall of the Soviet Union, its subsidy was revoked. To make up the difference, the paper raised the newsstand price, but the subsidized press then undersold it and the paper's circulation plummeted from over 500,000 to less than 23,000. Unable to continue this way, the delegation was told that a new editor was brought in who convinced the government to resume subsidizing the paper. It did, and circulation is climbing again, but the paper is now generally considered the most pro-government of any in the country.

The subsidies undermine the growth of independent media because the independents cannot sell their papers at the same low prices as the subsidized press. One paper has been able to survive on a grant from the National Endowment for Democracy but only precariously. All printing presses are government-owned, and the paper has found it difficult to get its press run scheduled.

But although the political environment in Belarus makes continued progress towards democracy difficult to achieve, the changes that have taken place cannot be ignored. New freedoms are being exercised everywhere: articles questioning government policy are starting to appear, and new textbooks, without Marxist-Leninist cant, are being commissioned. Indeed, the fact that political decisions about such fundamental issues as the choice between a majoritarian and proportional system of representation and a professional versus a non-professional legislature are being openly debated is itself one sign that the political environment is improving.

The delegation was encouraged by the general consensus it found among those with whom it met that, regardless of the decisions about the election law, the next election will represent a step forward. As one representative of an independent group commented, "The important thing right now is not to take and keep power but to support and nurture the reform of civil society." And evidence of the growth of a civil society was palpable. Fifteen separate political parties have managed to overcome bureaucratic obstacles and win official legal recognition and so too have a variety of independent institutes and commercial organizations. Independent labor unions are now competing with the government-controlled unions for members, and local government officials, after years of day-to-day control from Minsk, are beginning to show initiative.

These trends have just begun and they remain hesitant and unsteady, but if nurtured they will provide the foundations upon which a genuine democracy can develop.

VIII. The Delegation's Recommendations

With the United States and other international donors assistance, the delegation is convinced that democracy has a real chance not only with the forthcoming elections, but with democratic reform in general. Based on what the delegation heard throughout its stay, the most effective type of assistance would come in two parts. One, U.S. officials should redouble their efforts in support of democracy, and two, governmental and nongovernmental organizations should provide a range of assistance to further the development of a democratic infrastructure. Because Belarus is a small country, both parts are likely to have a significant impact.

A. American Support for Democracy

> *Beginning with President Bill Clinton's visit this January 15th, U.S. government officials should miss no opportunity to voice their support for democratic reforms in Belarus and should make it clear to government leaders, the opposition and the public that the U.S. will not be satisfied until democratic reforms are complete.*

Belarusans of all political shades told the delegation that international pressure in support of democratic reform in Belarus is nonexistent. Government officials reported that they feel no pressure to hold elections this March or indeed to make any progress on democratic reforms, and the opposition recounted several efforts to enlist the help of Western organizations in their struggle to advance democracy, all of which had gone unanswered. The general view is that the West's only interest in Belarus is nuclear weapons, and that so long as the government cooperates on nuclear matters, it has a free hand to govern as it chooses. Indeed, several opposition leaders pointed to a number of statements by Western leaders supportive of the government that had been widely publicized in the government-controlled media and used to fend off domestic critics.

From its visits with U.S. officials both in Washington and Minsk, the delegation knows that the current view in Belarus about American interest in and support for a democratic Belarus is simply wrong, and the United States should take immediate steps to reverse this erroneous perception. President Clinton's January 15th visit to Minsk offers an excellent opportunity to begin this process, and from then on at every chance American officials should stress to government officials, the democratic opposition and the public at-large that the United States government and the American people want a democratic Belarus and will not be satisfied until democracy is fully and firmly in place. The effect of diplomatic pressure on the government should not be underestimated, nor should the moral support this pressure provides for democratic reformers within the country be discounted.

B. Financial Support and Technical Assistance

> *The United States should provide financial aid and technical assistance to Belarus both to ensure that the forthcoming elections are free and fair and to speed progress towards democracy.*

The delegation believes there are a number of ways in which a modest amount of U.S. aid could further the development of democracy in Belarus by assisting in the creation of a democratic infrastructure. An independent media is a crucial part of any democratic state, and although the National Endowment for Democracy does support one paper, in a country of 6.5 million voters this is simply not enough. NED and other public and private organizations should do more, and they should do it in cooperation with the Minsk office of the Soros Foundation. Soros is supplying programming and technical support for both print and broadcast media, and the delegation was impressed with the quality of its work and the seriousness of its purpose.

A component of a democratic infrastructure consists of nonpartisan civic and voter education groups. Besides purely educational activities, such groups can serve as watchdogs during the upcoming campaign and election, monitoring state-run media for bias and organizing independent poll watchers. NED, IFES and others should seek out those in Belarus who have begun such groups and provide them with both technical and financial assistance. One organization the delegation met with has already begun an ambitious effort to reform local governments, and a second has started gathering the kind of information on public opinion essential to any civic or voter education program. Those in Belarus committed to a democratic nation are not waiting for Western help before trying to change society, but Western aid could hasten their efforts.

Political parties are new in Belarus, and thus party activists have little idea about how to communicate their ideas for change to the electorate or how to organize and campaign. The National Democratic Institute and the International Republican Institute have trained party leaders in a number of emerging democracies in basic political skills, and such training should be provided here. As in other nations, of course, the training would have to be open to all parties to ensure that it did not favor one side or the other.

Moreover, there may be opportunities for IFES or similar organizations to offer technical assistance to the Central Election Commission (CEC) in developing guidelines or training manuals to help in administering the upcoming election. Officials of the CEC believe that a new election law may well include provisions related to campaign finance and ethics. Policing compliance would be a new task for the CEC, and officials expressed interest in receiving assistance in drawing up procedures for enforcing these provisions. In a similar fashion, the CEC could be provided help in developing procedural guidelines and training materials to ensure that local election officials conform to uniform standards in responding to allegations of election violations and in adjudicating grievances.

Finally, the prospects for a successful transition to a democratic government and market economy in Belarus are dependent upon the education of the Belarusan people, few of whom have experienced or exercised most of the liberties which characterize a free political system.

The 1989 elections in Belarus, though more liberal that earlier elections, were conducted according to the Soviet model. Voters have not yet experienced true multi-party elections. Belarusan voters may view the new election with cynicism unless it is explained that the new elections will be conducted in an entirely different way than those of the past. Apathy toward the Belarusan political process may grow as the population's attention turns toward basic economic needs.

Although the nascent political parties and movements may be able to play a role in civic and voter education, an effort should also be made by Belarusan Government entities, nonpartisan organizations, and international organizations cooperating with Belarusan groups. Within the government, the Central Election Commission could play a significant role in education about democratic elections, both by acting as an independent and nonpartisan commission and, by sponsoring educational programs on the elections throughout the country. Voter education may also be undertaken by civic groups that teach large segments of the population, including women and young people, in both urban and rural areas.

In conclusion, the prospects for democracy in Belarus are not entirely bleak, but there is a strong and important role for Western assistance in this democratic transition.

IX. The International Foundation for Electoral Systems Background

A. Organizational Overview

The International Foundation for Electoral Systems (IFES) has been a leader in the field of international democratic initiatives for the last six years. With nonpartisan programs ranging from election law analysis and election implementation, to supporting organizations dedicated to education of the electorate and the building of civil society, IFES has a proven record of success working in a variety of fast-paced transitional environments.

B. IFES Projects in the former Soviet Union

1. Election Law Analysis and Election Implementation.

All countries emerging from the former Soviet Union are faced with the problems accompanying the transition from closed one-party, multi-candidate election systems to open, stable and competitive multi-party systems. In many counties of the former Soviet Union, IFES provides technical and material support to ministries, election commissions, legislatures, and non-governmental organizations in the planning and implementation of training programs and the actual conduct of elections. To date, IFES has conducted pre-election assessments in six of the eleven New Independent States (NIS) of the former Soviet Union.

IFES has built strong partnerships with election commissions throughout the former Soviet Union. IFES technical election assistance and training was first provided in the NIS to the Central Election Commission of Georgia prior to that country's first post-Soviet Parliamentary elections in 1992. IFES is currently cooperating with the Central Election Commission of the Russian Federation and has maintained an IFES technical support office within the Central Election Commission offices since November 1993.

Full-time on-site IFES advisors are providing comprehensive assistance to the Central Election Commission of Ukraine in the areas of election commodities, poll worker training and voter education prior to the March 1994 Parliamentary elections in that country.

2. Voter and Civic Education

IFES complements its election-related assistance with high-impact voter education outreach projects. Building on IFES education projects around the world, IFES is already implementing voter education training projects in Ukraine and Moldova and planning initiatives for Russia.

In past projects, IFES has provided assistance to both governmental and private voter education efforts. Non-governmental organizations assisted by IFES such as Via Civica in Nicaragua, the Jaan Tonisson Institute in Estonia, and dozens in Romania through its network "Civic Voice" have helped to stimulate interest in elections and participation in democratic transition.

IFES voter education seminars motivate discussants and encourage citizen participation in elections and their country's public life. IFES seminars have been open to civic leaders, including women and members of minority groups, on a nonpartisan basis. Political party activists, government officials, and journalists are also encouraged to attend, space permitting.

3. Framing Legislation

IFES is dedicated to supporting the creation of stable legal and political environments that facilitate the transition to democratic, market-based societies in the former Soviet Union.

In its past work, especially in the NIS, IFES has recognized that election law and procedural reform is often even more important than, for example, constitutional reform initiatives, at least in the short term. In many countries, the body to be elected through the next elections will be charged with the drafting of the constitution. The legitimacy of the drafters' mandate and the resulting constitution will depend on the confidence the people place in the election system that brought their representatives to power.

IFES provides key players in the election and legislative process with the necessary legal, technical and material resources needed to make informed systemic and administrative choices for their country. As a nonpartisan organization with an international board, access to top international consultants and a diversified funding base, IFES is regarded as an "honest broker" by officials in the countries where it has provided election and civic/voter education assistance. It is this perception of IFES by officials and NGO representatives that enables IFES to implement truly collaborative democratic initiatives with host-country partners.

In the NIS, IFES has provided copies of election laws from around the world and has conducted analysis of the draft election laws and election systems of Belarus, Georgia, Kyrgyzstan, Moldova, Russia and Ukraine.

4. Strengthening Legal Institutions

IFES believes that a sound election system may allow for the election of a good or a bad government, but an election system that suffers from incompetence and malfeasance will always result in the creation of a government prone to corruption and instability.

Since 1989, with both private and public funding, IFES has collaborated with Soviet or former Soviet election authorities and other officials in exchanges of expertise in order to encourage the independence and professionalization of election administration. Today, IFES is collaborating with NIS election commissions to strengthen reforms and train reformers within these bodies. For example, the acting Chairman of the Ukrainian election commission spent two months at IFES in the summer of 1993. In Russia, IFES is currently providing support to the Central Election Commission and plans to provide on-going assistance through June of 1996.

IFES was also requested by the Vice Chairman of the Parliament of Moldova to conduct both election assistance and civic/voter education initiatives in that country. IFES has established a presence in Moldova to provide full-time support to the Central Election Commission of Moldova prior to that country's first post-Soviet Parliamentary elections on February 27, 1994.

IFES uses international election experts and regional specialists to support the work of election commissions, legislative committees and ministries responsible for elections. IFES on-site assistance packages include the following elements:

- Commodity assistance
- Communications assistance
- Data-processing assistance
- Logistical planning
- Statutory and procedural drafting
- Poll worker and election administrator training
- Voter education
- Observation
- Donor coordination and solicitation

THE WHITE HOUSE
WASHINGTON

DATE: Jan 8, 1994

TO: George S., Leon Panetta

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

The attached has been forwarded to the President.

U?

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

January 8, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: **LLOYD BENTSEN**

SUBJECT: **FY 1995 BUDGET PROPOSALS -- EXPIRING TAX PROVISIONS**

SUMMARY: The targeted jobs tax credit (TJTC), exclusion for employer-provided educational assistance, and orphan drug tax credit will expire on December 31, 1994. The R&E tax credit and R&E 50-percent allocation rule expire mid-year in 1995. If you wish to propose the extension of some or all of these provisions, such proposals should be included in the FY 1995 budget submission to the Congress. The NEC has considered whether these provisions should be extended in the budget, and if so, for how long.[1] Bob Rubin asked me to provide this memorandum to you setting forth the NEC's recommendation and the major reasons for and against this approach. Some background information is attached.

RECOMMENDATION: The NEC considered four options for the treatment of expiring provisions in the budget: (1) do nothing (i.e., do not extend any of the expiring provisions); (2) propose a one-year extension of the exclusion for employer-provided educational assistance and the orphan drug credit (at a revenue cost of **$491 million** over 5 years) and make a commitment to include an extension of the R&E credit, 50-percent R&E allocation, and TJTC in the FY 1996 budget; (3) extend all of the expiring provisions for one year **($3.2 billion)**; or (4) extend all of the provisions permanently **($14.4 billion)**.

The discussion at the NEC meeting focused on options 1, 2 and 3. The consensus of the group was to recommend option 1, (i.e., not extending any of the expiring provisions in the FY 1995 budget). However, we also recommend privately contacting both the Members of Congress and key persons within the groups who support the provisions to advise them that we would expect to extend the provisions no later than in the FY 1996 budget. Also, in some cases the credits might be modified (e.g., the TJTC might be replaced with a different training or work incentive).

---

[1] The NEC meeting was attended by Bob Rubin and representatives from the Vice President's office, Legislative Affairs, Treasury, OMB, and Labor. This memo was circulated to George Stephanopoulos and David Gergen.

RATIONALE:

The NEC recommends option 1 for the following reasons:

- All of the expiring provisions are in effect for all of 1994, and the R&E provisions do not expire until mid-1995. Therefore, it is not necessary to extend them at this time.

- Extending the expiring provisions will require revenue offsets. We are going to have a very difficult time financing Administration initiatives, even without the expiring provisions. We will have to propose ways to finance the GATT (approximately $11 billion over 5 years), Generalized System of Preferences ($2.7 billion), unemployment insurance extended benefits program, the dislocated workers program, and possibly welfare reform. During an election year, both Democrats and Republicans would oppose another round of tax increases, particularly after the enactment of the 1993 Budget Act.

- Tax bills during the Bush Administration (the "no new taxes" era) and last year's budget bill have depleted the inventory of "less controversial" revenue raising proposals. Moreover, there is a kind of "Catch 22" about revenue raisers. To the extent that we can develop "relatively easy" revenue raisers, presenting them in the budget would make them available to Members of Congress to pay for their own initiatives, which could include deficit reduction or miscellaneous member items. Any controversial items, however, will be criticized and rejected.

- Proposing both extension of the expiring provisions and the offsets would tend to result in criticism (e.g., from Republicans) of the offsets. By contrast, if the budget does not propose extension of the expiring provisions, it will include no tax provisions (other than those in the health care reform proposal). This puts you in an attractive position politically and will give Republicans and others (e.g., business groups) who want to extend the R&E and other provisions an incentive to work with the Administration and Democrats in Congress to develop acceptable revenue offsets. In essence, this could encourage them to become constructively engaged in the budget process and perhaps even come forward with revenue of their own to pay for extension of the expiring provisions.

- If we include these provisions in the budget, we would in effect be asking Congress to initiate a tax bill. This could result in amendments to lower the capital gains tax rate and add numerous miscellaneous member-sponsored proposals.

- The TJTC has been heavily criticized as an inefficient incentive, and supporters of the R&E credit have suggested changes (which would make the R&E credit more generous). The budget document should include language indicating that we are studying whether changes to these incentives should be proposed.

You should be aware, however, that there are disadvantages with our recommended approach.

- The budget serves as a statement of the Administration's priorities. Thus, failure to extend the R&E provisions will result in questions about our commitment to research and development by Senators Feinstein, Baucus, Danforth, Rep. Pickle and other proponents of the credit. Senator Feinstein is up for re-election this year so we can anticipate a particularly negative reaction from her. Similarly, proponents of the other provisions will also complain (e.g., Congressman Rangel about the TJTC). To forestall this criticism, as noted above, we believe that Congressional proponents and interest groups that support these provisions should be contacted before the budget is announced and reassured that we support these provisions. We would also explain to business groups that the provisions were excluded because we do not want a tax bill this year and would point out (in appropriate cases) that GATT, which will cost approximately $11 billion, will provide significant benefits to the business community.

- Similarly, education and training are key Administration priorities. The failure to extend the exclusion for educational assistance and the TJTC -- which are the only tax provisions directly encouraging investment in human capital -- could generate an impression that contradicts our commitment to spurring increased private sector investment in education and training.

- The TJTC, exclusion for educational assistance, and orphan drug credit expire at the end of this year, while the R&E provisions expire next year. As a result, if Congress agreed with our recommendation we would probably have to extend these provisions retroactively next year (i.e., in all likelihood a bill would not be enacted until after they expired, even if they were included in the FY 1996 budget). These provisions, however, have been extended retroactively on several occasions.[2] Also note that there are alternative vehicles for the three provisions that expire this year (i.e., the orphan drug credit could be included in the Health Security Act, while the TJTC and the exclusion for educational assistance could be included in the dislocated workers legislation).

As noted above, the NEC also gave serious consideration to the second and third options. The second option, which would extend only the exclusion for educational assistance and the orphan drug credit, was rejected because we would appear to be favoring some provisions over others. It would evoke criticism from interest groups and Congressional proponents because it excludes the R&E credit, 50-percent R&E allocation rule and TJTC.

---

[2] The R&E credit, for example, was extended retroactively in the 1986 Tax Reform Act, the Budget Act of 1990, and last year's Budget Act.

The third option would extend all five of the expiring provisions for one year and would cost **$3.2 billion** over 5 years. This package would provide for the minimal possible extension of the expiring provisions in 1994 so as to ensure that the provisions would not have to be extended retroactively at some point in 1995. This option was rejected in favor of the "no revenues" option for the reasons discussed above.

I should note that I have discussed the issue of the expiring provisions with Chairmen Rostenkowski and Moynihan. Chairman Rostenkowski indicated that he would be willing to go along with whatever we proposed (including, I believe doing nothing, i.e., the recommended option). Chairman Moynihan would prefer that we extend the educational assistance program. However, he will recognize the benefits of not being forced to deal with a tax bill this year, and I do not believe that he will object strenuously to the recommended option.

Attachment

BACKGROUND INFORMATION

1. In General. The provisions expiring before the end of FY 1995 are as follows:

December 31, 1993	•	Health insurance deduction for self-employed individuals
December 31, 1994	•	Targeted jobs tax credit
	•	Exclusion for employer-provided educational assistance
	•	Orphan drug tax credit
June 30, 1995	•	R&E tax credit
July 30, 1995	•	R&E 50-percent allocation rule

The Administration's FY 1994 budget proposed permanent extensions of all of these provisions but the support from interest groups for permanent extension was tepid at best. The final 1993 Budget Act included permanent extension of the low-income housing credit, the mortgage revenue bond program, small-issue industrial development bonds, and alternative minimum tax (AMT) relief for charitable contributions of appreciated property. All of these provisions expired in July of 1992 and were extended retroactively in the 1993 Budget Act.

2. Specific Provisions

Health insurance deduction for self-employed individuals. The extension of this provision is included in the health care proposal. The proposal in the health care bill permanently extends and increases the deduction from 25 percent to 100 percent. This proposal loses **$9.8 billion** over 5 years.

Targeted jobs tax credit (TJTC). The TJTC provides a maximum credit of $2,400 per employee to employers that hire individuals who are recipients of payments under means-tested transfer programs, economically disadvantaged or disabled. The Labor Department is responsible for overseeing state programs to certify eligible recipients.

A recent study by Labor's Inspector General analyzed the effectiveness of the TJTC in Alabama. This study found that most of the workers hired by companies would have been hired without the credit. Many employers taking the credit do not know at the time a job offer is extended if the individual will qualify for the credit. In addition, some employers are reluctant to ask the questions necessary to determine eligibility because of privacy concerns and a fear of discrimination suits by applicants who do not receive job offers. Thus most of the work is delegated to TJTC consultants. The Inspector General is currently conducting a nationwide study, which is expected later this year.

Despite these problems the TJTC has strong support on Capitol Hill (i.e., from Senators Boren and Baucus and Rep. Rangel). Not including an extension of the credit in the FY 1995 budget would allow a study of the TJTC to be undertaken during 1994. In addition, Secretary Reich is interested in developing tax incentives to encourage worker training, youth apprenticeships, etc. There is insufficient time to develop (and estimate) such proposals for inclusion in the FY 1995 budget and to determine whether they should supplement or replace the TJTC.

A permanent extension of the TJTC loses **$1.3 billion** in revenues over 5 years and a one-year extension loses **$307 million** over 5 years.

Employer-provided educational assistance. An employee may exclude the first $5,250 of educational assistance paid for or provided by the employer during the taxable year pursuant to an educational assistance program. The exclusion is not limited to job-related educational assistance, but does not apply to any education involving sports, games, or hobbies. A permanent extension loses **$2.5 billion** over 5 years and a one year extension loses **$467 million** over 5 years. Senator Moynihan is a strong supporter of this provision.

Orphan drug credit. The orphan drug credit is a 50% nonrefundable tax credit for expenses incurred in the testing of drugs for certain rare diseases. A rare disease is a disease that (1) affects less than 200,000 persons in the U.S. or (2) affects more than 200,000 persons but for which there is no reasonable expectation that businesses could recoup the costs of developing a drug for it from U.S. sales of the drug (e.g., Lou Gehrig's disease, Tourette's syndrome, etc.). Last year's budget did not include a proposal to extend this credit because this was considered a health care issue. The credit, however, was included in the final 1993 budget bill. The Administration's health care proposal does not currently propose to extend the credit, but it could be added to the bill. A permanent extension loses **$124 million** over 5 years and a one year extension loses **$24 million** over 5 years.

R&E credit. The R&E credit expires on June 30, 1995 (i.e., several months after the presentation of the FY 1996 budget). Supporters of the credit have raised a number of issues regarding the structure and efficacy of the credit. For example, many argue that the current method of computing the credit denies the credit to deserving businesses. The credit is available only for incremental research expenses in excess of a base amount. The base amount is determined based on data from the 1983-1988 period, and thus may not reflect the current circumstances of many businesses. Other issues have been raised by recent proposals involving enhanced incentives for collaborative research, and use of the credit to ease defense conversion by making the credit available to companies converting from high technology defense businesses to civilian businesses that may be relatively less research-intensive. These and other proposals were included in a bill introduced last year by Senator Danforth. The budget could indicate that the Administration plans to study these issues in 1994.

Senators Feinstein, Baucus, Danforth, and Rep. Pickle are strong proponents of the credit, and would criticize a failure to extend the credit in this year's budget. However, this should not be a decisive consideration. Whatever the budget includes, R&E proponents in Congress will always want us do more. If we propose a 1 year extension they will want a permanent extension. If we propose a permanent extension they want an enhanced credit for small businesses. So completely satisfying the R&E proponents should not be our goal.

In contrast to those who would enhance the credit and improve its incentive effects, others question whether any research credit is justifiable. In particular, Chairman Rostenkowski has long been skeptical of the efficacy of the credit and supported the reduction in the credit from 25 to 20 percent of incremental research expenditures as part of the Tax Reform Act of 1986.

Permanent extension of the R&E credit would lose **$7.6 billion** over 5 years. Thus, a permanent extension would require us to propose a package of significant revenue raisers. A one year extension would lose **$1.8 billion** over 5 years.

R&E allocation. In 1977, Treasury regulations were issued that required U.S. multinationals to allocate between foreign and domestic source income the amount of their research and experimentation expenses (the apportionment in general was according to the proportion of foreign and domestic sales or gross income). The effect of requiring U.S. multinationals to allocate some of their R&E deductions to foreign income, even though the R&E may have been entirely performed in the U.S., was to cause some U.S. multinationals to lose foreign tax credits. Viewing this result as undercutting the tax incentive for R&E, the Congress imposed a moratorium on the 1977 regulations, and has extended this moratorium nine times since 1977, the last time in the 1993 Budget Act. The moratorium provision in the 1993 Budget Act provided that 50 percent of R&E expense could be allocated to U.S. income before apportionment. It expires July 31, 1995. A permanent extension of the OBRA '93 moratorium would lose **$2.8 billion** over 5 years and a one-year extension would lose **$568 million** over 5 years.

Despite urging from the Congress to provide a 50 percent or better R&E allocation rule **by regulations** (which would spare the Congress the necessity of paying for an extension), the Treasury's judgment (and that of the Treasury in the previous Administration) is that the Treasury lacks the statutory authority to provide a tax **incentive** for R&E by regulations. The Treasury's authority is limited to an allocation rule that matches R&E expenses with the income produced by those expenses. We therefore believe that a 50-percent (or higher percentage) rule must be accomplished by legislation. If the R&E credit is extended, we believe that the R&E allocation rule should also be extended. On the other hand, if the R&E credit extension is deferred to the FY 1996 budget we suggest that the R&E allocation rule also be deferred and studied during 1994.

Onron

THE WHITE HOUSE
WASHINGTON

DATE: Jan 8, 1994

TO: George S., Rahm, David Gergen, Todd Stern

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

FYI

CC George
Rahm
Gergen
Todd

94 JAN 7 A11 : 24

OFFICE OF DOMESTIC POLICY

THE WHITE HOUSE

JAN 5

FROM THE OFFICE OF: **CAROL H. RASCO**
ASSISTANT TO THE PRESIDENT
FOR DOMESTIC POLICY

XTO: Podesta

DRAFT RESPONSE FOR CHR BY:

PLEASE REPLY (COPY TO CHR):

PLEASE ADVISE BY:

LET'S DISCUSS:

FOR YOUR INFORMATION:

REPLY USING FORM CODE:

FILE:

Roz: RETURN ORIGINAL TO CHR: ✓

SCHEDULE:

REMARKS:
John: If you feel there are others in White House who should see this please distribute.

U.S. Department of Justice

Office of the Deputy Attorney General

The Deputy Attorney General

Washington, D.C. 20530

MEMORANDUM

January 4, 1994

TO: Lloyd Bentsen
Secretary of the Treasury

Carol H. Rasco
Assistant to the President for Domestic Policy

Bruce Reed
Deputy Assistant to the President for Domestic Policy

Ronald K. Noble
Assistant Secretary for Enforcement
Department of the Treasury

John W. Magaw
Director
Bureau of Alcohol, Tobacco and Firearms
Department of the Treasury

Rebecca Hedlund
Legislative Policy Advisor to the Assistant Secretary for Enforcement
Department of the Treasury

FROM: Philip B. Heymann
Deputy Attorney General

SUBJECT: Kent Markus -- Brady Bill Liaison

Attached is a copy of a memorandum from Attorney General Reno advising that Kent Markus has been appointed to coordinate all Department of Justice activity to implement the Brady Bill and to act as the primary Department of Justice liaison with other agencies with respect to Brady Bill implementation issues.

Kent may be reached at 202-307-0770.

Attachment

Office of the Attorney General
Washington, D.C. 20530

January 4, 1994

MEMORANDUM FROM THE ATTORNEY GENERAL

TO: Addressees

SUBJECT: Brady Bill Implementation/Kent Markus

As of today, I have appointed Kent Markus, working out of both the Deputy Attorney General's Office and the Office of Justice Programs, to coordinate all Justice Department activity to implement the Brady Bill. Kent will also act as the primary liaison with other agencies with respect to implementation issues. As you know, this is a matter of substantial importance to the Department, and I encourage your maximum cooperation with Kent in this effort.

Kent comes to us with a background in a wide range of issues relevant to this assignment. As the Chief of Staff in the Ohio Attorney General's Office, he had responsibility for the operations of all of its divisions, including the Ohio Bureau of Criminal Identification and Investigation. He was also keenly involved in efforts to bring an AFIS system to Ohio. As a principal drafter of the "Ohio Brady Bill," Kent became familiar with many of the issues now faced in this implementation effort.

Please feel free to contact Kent with suggestions or concerns about Brady Bill implementation. Kent may be reached at 307-0770.

THE WHITE HOUSE
WASHINGTON

DATE: Jan 8, 1994

TO: Bruce Lindsey/Jan Piercy

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

[redacted]

[redacted]

THE WHITE HOUSE

WASHINGTON

January 8, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN PODESTA

SUBJECT: JOHN C. TRUESDALE
NATIONAL LABOR RELATIONS BOARD
MEMBER -- RECESS APPOINTMENT --PA
(DEMOCRATIC SEAT FOR A TERM TO EXPIRE UPON THE CONFIRMATION OF MARGARET BROWNING)

Attached to this memorandum is a decision memorandum recommending that you appoint John C. Truesdale of Maryland as a recess appointment to the National Labor Relations Board (NLRB) for a term to expire upon the confirmation of Margaret Browning. Since the adjournment of Congress in November, the Board has operated without a quorum, although many of the Board's powers have been delegated to the Acting General Counsel. Given the Senate's general antipathy to recess appointments, you should only make this appointment if it becomes necessary for the Board to consider matters that require a quorum.

I spoke with Senator Kassebaum and Pat Griffin spoke with John Hilley on Senator Mitchell's staff concerning Truesdale's possible appointment. Both agreed that if a recess appointment becomes necessary, making a caretaker appointment like Truesdale's, would be acceptable. They did ask for a heads-up before the official appointment was made. Secretary Reich and other senior officials at the Department of Labor agree that Truesdale would be a suitable candidate if it becomes necessary to make a recess appointment so that the Board can resume full functioning.

The Board's Acting General Counsel will provide us with 48 hours' notice of any NLRB business requiring Board action, and if required, we can then set the Truesdale appointment process in motion.

THE WHITE HOUSE

WASHINGTON

94 JAN 7 P5:52

December 30, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: JAN PIERCY, DEPUTY DIRECTOR OF PRESIDENTIAL PERSONNEL

RE: John C. Truesdale
National Labor Relations Board
Member -- Recess Appointment -- PA
(Democratic seat for a term to expire upon the confirmation of Margaret Browning)

I. Background.

The National Labor Relations Board is an independent agency created by the National Labor Relations Act of 1935 (the "Act"). The Board administers the Act, the Nation's principal labor law, and is vested with the power to prevent and remedy unfair labor practices alleged to have been committed by private sector employers or unions and to safeguard employees' rights to organize and determine whether and under what circumstances to have unions as their bargaining representative.

The five-member Board is currently comprised of two sitting members. They are Chairman James Stephens, a Republican whose term expires August 27, 1995 (upon the confirmation of a new chairman, Stephens will continue to hold his seat as a member of the Board) and Dennis Devaney, a Democrat whose term expires December 16, 1994.

The term of the Board's former third member, John Raudabaugh, a Bush recess appointment, expired when Congress adjourned for the year in late November. Since that time the board has been functioning without a quorum and while it has continued to operate -- due to the fact that many of its powers have been delegated to its Acting General Counsel -- in our opinion it is now necessary and appropriate to make a recess appointment and return the Board to full functioning, pending confirmation of the appointees discussed below.

The following other nominations for seats on the Board are now pending:

1. On June 28, 1993, William Gould, a Democrat from California, was nominated to serve as Chairman of the Board. After a hearing on October 1, 1993, his nomination was reported favorably out of the Senate Labor Committee on October 20, 1993. He is now awaiting a vote of the full Senate.

2. On November 1, 1993, Margaret Browning, a Democrat of Pennsylvania, was nominated for a seat on the Board. Hearings on her nomination are not yet scheduled.

3. We are in the final stages of the search process for the remaining non-Democratic seat on the Board.

II. Discussion.

John C. Truesdale, Democrat of Maryland, has had a distinguished and life long career of service to the Board. He currently serves as the Board's Executive Secretary, its chief clerk. Commencing in 1948 and interrupted only during the years 1957 to 1963 (during which time he worked for the National Academy of Science), Truesdale has served in a wide variety of positions at the NLRB, including as a Field Examiner, Administrative Analyst, Deputy Director and Director of Information, and Associate and Deputy Executive Secretary.

In 1977 President Carter appointed Truesdale to a seat on the Board, he has confirmed by the Senate and took office on October 25, 1977. When his term expired in August of 1980, President Carter re-appointed him but his re-confirmation was the victim of a Republican led effort to delay pending the outcome of the 1980 Presidential election. In October, 1980 President Carter gave Truesdale a recess appointment and he served until January 26, 1981, at which time he became Executive Secretary.

Truesdale is admired and respected by persons in both organized labor and management. There is perhaps no person who has a longer history and better understanding of the Board and its functions, which would enable Truesdale to participate as a full and active Board member from the first day of his appointment. Having said that, he is also acutely aware of the caretaker role he is being asked to play and offered his view that a recess appointee should not, in the ordinary circumstance, break any new ground.

III. Recommendation.

I recommend that you recess appoint **John C. Truesdale, Democrat of Maryland,** to a Democratic seat on the National Labor Relations Board.

John C. Truesdale, Democrat of Maryland

Approve ________ Disapprove ________

United Technologies Building
Hartford, Connecticut 06101
203/728-7000

UNITED TECHNOLOGIES

INCLUDING LEAD SHEET, YOU WILL RECEIVE 2 PAGES

TO: The Honorable Bruce R. Lindsey
Executive Office of the President

DATE: 1-7-94

FAX NO: (202) 456-2259

FROM: James F. Perretta
Phone Number: (203) 728-7807

TRANSMITTING FROM: (203) 728-6551 or Technet 439-6551

If all pages are not received, please call Linda Caron at (203) 728-7853 or Technet 439-7853.

UNITED TECHNOLOGIES

United Technologies Building
Hartford, Connecticut 06101
203/728-7807

James F. Perretta
Vice President
Industrial Relations

January 7, 1994

The Honorable Bruce R. Lindsey
Assistant to the President and Sr. Advisor and Director
Office of Personnel
Executive Office of the President
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. Lindsey:

I am writing to inform you I support the nomination of Mary J. Harrington to the National Labor Relations Board.

Sincerely,

James F. Perretta

James F. Perretta
Vice President - Industrial Relations

ljc

BRIDGESTONE/FIRESTONE, INC.

50 Century Boulevard
P.O. Box 140890C
Nashville, TN 37214-8900
Phone: 615-872-5000
Fax: 615-872-1599

January 7, 1994

The Honorable Bruce R. Lindsey
Assistant to the President and
Senior Advisor and Director
Office of Personnel
Executive Office of the President
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. Lindsey:

I strongly support the nomination of Mary J. Harrington to the National Labor Relations Board.

I have known Mary for a number of years and believe her education and background will be of great benefit to the Board.

Sincerely,

Peter L. Schofield
Director, Industrial Relations

PLS:sh

MOTOROLA

Government Relations Office
1350 I Street, N.W. - Suite 400
Washington, D.C. 20005

ADDRESSEE/COMPANY	**FAX. NO.**
Hon. Bruce Lindsey Executive Office of the President	**202 456 2259**

From: **James D. Burge, Corporate Vice President & Director of Government Affairs/Human Resources**
Phone: **(202) 371 6920** Fax: **(202) 842 3578**

Number of pages: **1** (including cover page) Date: **1-7-94**

Bruce,

Mary Harrington has the full endorsement of Motorola as a candidate for the Republican seat on the National Labor Relations Board.

Mary has listed me as a reference because of my high regard for her as a human resource executive and a very competent labor attorney.

If there are any problems with this transmission, please call **Regina Martin** at (202) 37[illegible]

THE WHITE HOUSE

WASHINGTON

January 7, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN PODESTA

SUBJECT: CHARLES I. COHEN
NATIONAL LABOR RELATIONS BOARD
MEMBER (NON-DEMOCRATIC SEAT EXPIRING 8-27-96) PAS

Attached to this memorandum is a decision memorandum recommending that you appoint Charles Cohen to a non-Democratic seat on the National Labor Relations Board.

As you know, the nominations of William Gould and Margaret Browning for Democratic seats on the NLRB are pending before the Senate. Howard Paster had lengthy discussions with the AFL-CIO and Senator Kassebaum, the ranking minority member on the Senate Labor Committee, about the names of persons to fill the third, non-Democratic seat on the Board, with Senator Kassebaum insisting that we announce your choice for the third seat prior to her agreeing to permit the Senate to proceed on the Gould and Browning nominations without a filibuster. After Howard's departure, I continued those discussions.

After considering approximately a dozen candidates, only two were acceptable to both Senator Kassebaum and organized labor: Charles I. Cohen of the Washington D.C. law firm of Ogletree, Deakins, Nash, Smoak & Stewart (originally referred by Senator Kassebaum) and Mary Harrington of Eastman Kodak Company of Rochester, New York (originally referred by Senator Dole).

Lane Kirkland, Tom Donohue and Larry Gold, General Counsel of the AFL-CIO, are urging you to support Cohen's candidacy. Although Harrington was initially acceptable to the AFL-CIO, the campaign mounted on her behalf by the same organizations that are leading the campaign against Bill Gould's confirmation, especially the Right-to-Work Committee of the Labor Policy Alliance, have convinced Kirkland et al that Cohen is the better choice. Based on personal interviews with both candidates and labor's strong support of Cohen, Secretary Reich and Deputy Secretary Glynn urge you to nominate Cohen.

I spoke with Senator Kassebaum this week and she is agreeable to Cohen's nomination for the non-Democratic seat. She has indicated that with Cohen's nomination, she will support a time agreement and vote for cloture on all four of your NLRB nominations, including Gould, Browning, Cohen for the Board, and Feinstein for General Counsel.

THE WHITE HOUSE

WASHINGTON

January 7, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE LINDSEY

SUBJECT: CHARLES I. COHEN
NATIONAL LABOR RELATIONS BOARD
MEMBER (NON-DEMOCRATIC SEAT EXPIRING 8-27-96) PAS

I. Background.

The National Labor Relations Board is an independent agency created by the National Labor Relations Act of 1935 (the "Act"). The Board administers the Act, the Nation's principal labor law, and is vested with the power to prevent and remedy unfair labor practices alleged to have been committed by private sector employers or unions and to safeguard employees' rights to organize and determine whether and under what circumstances to have unions as their bargaining representative.

The five-member Board is currently comprised of two sitting members. They are Chairman James Stephens, a Republican whose term expires August 27, 1995 (upon the confirmation of a new chairman, Stephens will continue to hold his seat as a member of the Board) and Dennis Devaney, a Democrat whose term expires December 16, 1994.

On June 28, 1993, William Gould, a Democrat from California, was nominated to serve as Chairman of the Board. After a hearing on October 1, 1993, his nomination was reported favorably out of the Senate Labor Committee on October 20, 1993. He is now awaiting a vote of the full Senate.

On November 1, 1993, Margaret Browning, a Democrat of Pennsylvania, was nominated for a seat on the Board. Hearings on her nomination are not yet scheduled.

II. Discussion.

Charles I. Cohen, Republican of Maryland, is at present a partner in the Washington, D.C. based law firm of Ogletree, Deakins, Nash, Smoak & Stewart, where his practice primarily involves representing management clients in labor related matters and disputes. Mr. Cohen gets high marks from those in both labor and management for his fairness and ability to bring parties together through compromise and coalition building.

From 1971 to 1979 Mr. Cohen served at the NLRB, first in the General Counsel's Office as a Attorney and Supervising Attorney and then as a Deputy Regional Attorney, Supervising Attorney and Senior Attorney in the Philadelphia Regional Office.

Mr. Cohen was educated at Tulane University and the University of Pittsburgh Law School, from which he graduated in 1970. Originally recommended by Senator Kassebaum, he has received support from both management and organized labor.

III. Recommendation.

I recommend that you appoint **Charles I. Cohen, Republican of Maryland,** to a non-Democratic seat on the National Labor Relations Board.

Charles I. Cohen, Republican of Maryland

Approve ________ Disapprove ________

RESUME OF
CHARLES I. COHEN

Fifth Floor
2400 N Street, N.W.
Washington, D.C. 20037
Office: (202) 887-0855

3705 Blackthorn Court
Chevy Chase, Maryland 20815
Home: (301) 951-9272

EMPLOYMENT EXPERIENCE:

February, 1990 to Present:	Ogletree, Deakins, Nash, Smoak & Stewart Fifth Floor 2400 N Street, N.W. Washington, D.C. 20037 (Partner)
August, 1979 to February, 1990:	Vedder, Price, Kaufman, Kammholz & Day 1919 Pennsylvania Ave., N.W. Washington, D.C. 20006 (Partner since 1981)
January, 1982 to May, 1985:	Adjunct Faculty Member Columbus School of Law The Catholic University of America Washington, D.C. 20064 Course taught: Practice and Procedure Before the National Labor Relations Board
February, 1971 to July, 1979:	National Labor Relations Board

Positions within the National Labor Relations Board:

May, 1975 to July, 1979:	Deputy Regional Attorney, Supervisory Attorney, and Senior Attorney Region Four Philadelphia, Pennsylvania
April, 1974 to May, 1975 and February, 1971 to March, 1973:	Supervisory Attorney and Attorney Office of the General Counsel Division of Advice Washington, D.C.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. resume	[Personally Identifiable Information] [partial] (1 page)	12/00/1993	b(6)

COLLECTION:

Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 2244

FOLDER TITLE:

January 1-8, 1994 [1]

2018-0662-S
rs3083

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

b(1) National security classified information [(b)(1) of the FOIA]
b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

RESUME OF
CHARLES I. COHEN
PAGE 2

April, 1973 to April, 1974:	Attorney Office of the General Counsel Division of Enforcement Litigation Washington, D.C.
EDUCATION:	University of Pittsburgh Pittsburgh, Pennsylvania School of Law Juris Doctor, 1970 Tulane University New Orleans, Louisiana Bachelor of Arts, 1967
ADMITTED TO PRACTICE LAW:	District of Columbia Pennsylvania Texas Supreme Court of the United States
PROFESSIONAL AFFILIATIONS:	American Bar Association Section of Labor and Employment Law, Committee on Development of the Law Under the National Labor Relations Act (Subcommittee Chairman and Assistant Editor of The Developing Labor Law, Third Edition) U.S. Chamber of Commerce Labor Relations Committee
PERSONAL:	Birth Date: (b)(6) Citizenship: U.S. Citizen Marital Status: Married (two children)

THE WHITE HOUSE

WASHINGTON

January 7, 1994

LORRAINE MILLER:

NSC has modified the talking points. Can you please conform? Thanks.

Todd Stern

TOPICS OF DISCUSSION FOR
THE TELEPHONE CALL TO REPRESENTATIVE CONYERS

1. The United States and the other three Friends (Canada, France and Venezuela) have actively backed the UN/OAS-led effort to achieve a peaceful, negotiated settlement. The Governor's Island process was the fruit of that effort and remains the framework for a settlement of the crisis.

2. Our strong sanctions aim to encourage military compliance with their Governor's Island obligations. They have stopped nearly all non-food commerce; fuel is nearly exhausted; and the pressure on the military and its supporters is evident.

3. We and the other Friends continue to believe that a national conference can broaden the center in Haiti and create the conditions for the restoration of democracy and return of President Aristide. We have conveyed this conviction to President Aristide and the military. Several ideas for a conference are in circulation; we hope momentum will build among the Haitians to resolve the crisis.

4. The Crisis in Haiti is political. The Haitians need to concentrate on developing a political settlement of it. Only they can take the necessary actions to do so. Our focus continues to be on the diplomatic effort to facilitate such a settlement.

THE WHITE HOUSE

WASHINGTON

94 JAN 5 P3:58

January 5, 1994

RECOMMENDED TELEPHONE CALL

TO: Representative John Conyers
313/861-9380

DATE: 1/5/94 during your office phone time

RECOMMENDED BY: Lorraine Miller

PURPOSE: Rep. Conyers wants to personally discuss with you some recommendations his has about what needs to be done in Haiti. Conyers feels that Haiti is quickly slipping through our fingers as a democracy and the Administration must take some assertive steps to save the country.

BACKGROUND: You have met and spoken with Rep. Conyers on several occasions regarding Haiti.

TOPICS OF DISCUSSION:

1. The United States and the other three friends, Canada, France and Venezuela, have been engaged in a process to achieve a negotiated settlement. The Governors island agreement was the fruit of that effort and remains the framework which the Haitian leaders should pursue.

2. There are also several different ideas in circulation for some type of conference which could focus on a political settlement. We are hopeful that momentum will build for a resolution to the Haitian political crisis.

3. The crisis in Haiti is political. The Haitians need to concentrate on developing a political settlement of it. Only they can take the necessary actions to do so. Our focus continues to be on the diplomatic effort to facilitate such a settlement.

CONTACT PERSON AND TELEPHONE NUMBER(S): Staff contact: Michelle White
313/961-5670

Page 2, Recommended Telephone Call

DATE OF SUBMISSION: **January 5, 1993**

ACTION:____

dist'd FW

Document No.____________

WHITE HOUSE STAFFING MEMORANDUM

DATE: 1/5/94 ACTION/CONCURRENCE/COMMENT DUE BY: ____________

SUBJECT: TALKING POINTS HEALTH CARE AND WELFARE REFORM

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	✓	~~PASTER~~ GRIFFIN	☐	✓
McLARTY	☐	✓	QUINN	☐	✓
~~NEEL~~ LADER	☐	✓	RASCO	☐	✓
PANETTA ICKES	☐	✓	RUBIN	☐	✓
BAGGETT	☐	✓	SEGAL	☐	✓
EMANUEL	☐	✓	SEIDMAN	☐	✓
GEARAN	☐	✓	STEPHANOPOULOS	☐	✓
GERGEN	☐	✓	TYSON	☐	✓
GIBBONS	☐	✓	VARNEY	☐	✓
HALE	☐	✓	WATKINS	☐	✓
HERMAN	☐	✓	WILLIAMS	☐	✓
LAKE	☐	✓	________	☐	☐
LINDSEY	☐	✓	________	☐	☐
McGINTY	☐	✓	________	☐	☐
MYERS	☐	✓	________	☐	☐
NUSSBAUM	☐	✓	________	☐	☐

REMARKS:

RESPONSE:

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
Ext. 2702

TALKING POINTS
HEALTH CARE AND WELFARE REFORM

We must have comprehensive health care reform in order to move forward on the rest of the President's domestic agenda. Without reform, health care costs will continue to explode and eat up our investment dollars. Without reform, people will continue to be locked in current jobs or on welfare.

The bottom line: we cannot end welfare unless we also have comprehensive health care reform.

THE PROGRAM

From the outset of this Administration, the President has been working to make good on his pledge to end welfare as we know it. This initiative has four major parts: the Earned Income Tax Credit; health care reform; personal responsibility and work.

The Earned Income Tax Credit (EITC). We ought to reward work over welfare. Enacted in last year's budget, the expanded EITC will ensure that any family that has a full-time worker will no longer live in poverty. Expanding the EITC represents a giant step forward in reducing those dependent on welfare.

Comprehensive health care reform. Today, millions of welfare recipients stay on Medicaid or return to welfare -- the Federal government's health care program for the poor -- because taking a job means they will lose health benefits for themselves and their children. Comprehensive health reform will eliminate so-called "Medicaid lock" and enable people to seek jobs, secure in the knowledge that they and their children will be covered. By ensuring universal coverage, the Health Security Act provides the necessary foundation for welfare reform. The proposals being drafted by the President's working group on welfare are specifically designed to complement health reform.

Personal responsibility. The President's welfare reform plan will include initiatives to prevent teen pregnancy, ensure that parents fulfill their child support obligations, dramatically increase paternity establishment, and try to keep people from going on welfare in the first place. The message is clear: Governments don't raise children, parents do.

Work, not welfare. The final part of the President's welfare plan will build on the Family Support Act by requiring people who can work to do so within two years, either in the private sector or community service. This includes expanding child care for working families; providing education, training, and job search and placement for those who need it; and restoring the basic social contract of providing opportunity and demanding responsibility in return.

TIMING

Q: When will welfare reform legislation be introduced?

A: We expect to introduce welfare reform legislation this year and want Congress to pass it.

[if pressed on specific timing]

No decisions have been made. We think it's premature to make decisions on timing before you make decisions on policy.

Q: What comes first? Health reform or welfare reform?

A: The President has made clear that health reform is his number one domestic priority for 1994. The Administration and Congress want to enact both health and welfare as quickly as possible -- and consultations are continuing on the exact sequencing.

Q: The Republicans say you're dragging your feet on welfare reform. What's taking so long?

A: No President -- Democrat or Republican -- has done more than Bill Clinton to "end welfare as we know it."

Look at the record. President Clinton has been at the forefront of welfare reform in this country since he led the nation's governors in writing and worked with Congress to pass the Family Support Act of 1988. And when the House Republicans introduced their bill last November, they pointed out that it is based on proposals put forth by President Clinton in the 1992 campaign.

In addition, the Administration has been working closely with states and local officials to reward innovative welfare reform programs. In 1993, the Department of HHS granted a number of waivers for innovative state programs.

President Clinton's four-step welfare reform package makes economic and common sense, and will attract bipartisan support.

[if pressed]

Those who are criticizing us now are the same people who voted against the first part of the President's welfare reform package -- the EITC.

hd del'd

FROM
THE WHITE HOUSE
WASHINGTON, D.C.

Mr. Gary Ginsberg
Antitrust Division
Department of Justice
Washington, D.C. 20530

THE WHITE HOUSE

WASHINGTON

January 6, 1994

Greetings to everyone gathered in our nation's capital to celebrate the sixtieth anniversary of the establishment of the Antitrust Division in the Department of Justice.

Our nation's antitrust laws were crafted to preserve and protect the economic health of our nation. The vigorous enforcement of these principles is vital to ensuring that our economy continues to be innovative and productive, that consumers have their choice of a wide variety of products at fair prices, and that America's business community is well prepared to face the challenges of an increasingly competitive global marketplace.

Under the guidance of Assistant Attorney General for Antitrust Thurmond Arnold during Franklin Roosevelt's Administration, the Antitrust Division developed a proud tradition of excellence and efficiency -- a tradition that Mr. Arnold's successors have nurtured and enhanced. Today fine men and women of the Antitrust Division continue to perform their invaluable work under the steady leadership of Attorney General Janet Reno and Assistant Attorney General for Antitrust Anne Bingaman. Every American can take comfort in knowing that because of the tireless efforts of these public servants, our nation's financial infrastructure is being safely maintained.

As you rededicate yourselves to fulfilling the legacy of President Franklin Roosevelt and Thurmond Arnold, I am pleased to extend my best wishes for a wonderful celebration and every future success.

Bill Clinton

THE WHITE HOUSE
WASHINGTON

DATE: 1/6/94

NOTE FOR: Sylvia Mathews

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

Information ☑

Action ☐

This is the note I mentioned.

John

Thank you.

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

cc:

THE PRESIDENT HAS SEEN
12-22-93

THE WHITE HOUSE

WASHINGTON

December 21, 1993 93 DEC 21 P2:35

MEMORANDUM FOR SECRETARY BENTSEN
SECRETARY BROWN
SECRETARY REICH
LEON PANETTA
LAURA TYSON
CAROL RASCO
TONY LAKE

Bob — Good but should include Cisneros

FROM: ROBERT E. RUBIN

SUBJECT: **1994 Agenda**

The President, a couple of weeks ago, returned the attached summary memo on our low-budget impact economic ideas, with a note that he wanted a meeting on this. In view of his December schedule, that meeting won't be held until January.

Meanwhile, it seemed like a good idea to meet to see which of those initiatives had enough support to begin work now, and to decide who should do what.

In addition, we could talk about our agenda for 1994 -- what we think the economic team should be focusing on. Some items would be determined by events already scheduled or likely to happen, e.g., the March G-7 jobs conference, the need to combat the balanced budget amendment, the economic component of the Western Hemisphere Conference, the automobile initiative, and the 1996 budget process. Others would be ideas for initiatives by us, e.g., an analysis of the concept of regional economic strategies, for which CEA is already preparing a framing discussion document, or a more fully developed inner-city strategy. Obviously, many of the things on our agenda will be handled jointly with an appropriate other policy council.

Finally, we could review the list of existing working groups, and see if any should be deleted.

Sylvia Mathews will prepare an agenda for this meeting. You might refer thoughts for that agenda to me or to her, and she also will be in touch with your chief of staff on this.

I would guess that this undertaking will require several meetings, but we'll know better after our first meeting. Hopefully, this process will help us plan better for what we know is coming, continue coordinating effectively, and stimulate creativity.

This memo is also being given to the President and Vice President, to see if they have any items they would like to put on our agenda.

Attachment

cc: Mack McLarty, David Gergen & George Stephanopoulos

THE WHITE HOUSE

WASHINGTON

October 21, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD BENTSEN, RON BROWN, BOB REICH, LEON PANETTA, LAURA TYSON AND BOB RUBIN

SUBJECT: **Possible Economic Initiatives with Little or No Budgetary Impact**

This memorandum briefly summarizes several budget-neutral or low-cost measures which might be taken to improve the performance of the economy in the short- to medium-term (these are in addition to the components of your investment program, which all have substantial budgetary impact). None of this reflects any particular view of the economy, but is simply consistent with our effort to do everything sensible to promote economic growth.

We all felt that this carefully culled list was worth bringing to your attention, as providing the potential for contributing usefully to increasing economic growth and creating jobs. However, we differ as to our recommendations on the effectiveness of each of these measures. Thus, the memo notes briefly the pros and cons of each measure, and seeks your guidance as to which options, if any, you would like us to pursue further.

We could schedule a meeting with you to discuss these options, or you might just indicate on this memo which options you think merit further consideration.

The various measures we have reviewed are grouped into six categories.

I. PURSUE REGIONAL ECONOMIC STRATEGIES

Need: Certain regions lag behind the national economy and continue to suffer from relatively high unemployment, particularly the Northeast and California. Changes in federal policy (particularly base closings and defense downsizing) have contributed to this situation.

Options & Analysis: The Administration might propose a package of policies aimed at encouraging economic recovery in high-unemployment regions. "High-unemployment regions" could be defined as Standard Metropolitan Statistical Areas (SMSAs) with an average 1993 unemployment rate in excess of 125% of the national average. Such a definition would include roughly 50 SMSAs, including 11 in California; 6 total in New York, New Jersey, and Connecticut; 5 total in Michigan and Illinois; 5 each in West Virginia and

Texas; and 3 each in Pennsylvania and Massachusetts. Such a regional economic package might include:

- **Option I-A: Incentives for commercial lending in distressed regions.** FDIC premium relief could be linked to increased lending in distressed regions through amendment of the Bank Enterprise Act.

- **Option I-B: Limited preferences for distressed regions within certain discretionary economic development and investment programs.** The various departments could provide expedited treatment and a limited priority to areas with unemployment rates in excess of 125% of the national average.

- **Option I-C: Reinforcement or expansion of existing federal procurement preferences for distressed areas.** Existing procurement regulations provide a preference for bidders operating in high-unemployment areas. Through an Executive Order, this regulation could be enforced more systematically or expanded to include an additional preference for firms in **severely** distressed regions (a definition for **severely** would need to be developed).

General Budgetary Analysis: Option I-A would require legislation and a modest pay-as-you-go (PAYGO) offset. Option I-B and Option I-C could be executed without legislation and would be budget-neutral.

Other Considerations: A converse consideration is that relative regional performance varies over time, and perhaps we should rely on regional evening out over time rather than trying to compensate for these disparities. Moreover, compensating might detract from maximizing economic performance for the whole country; even this type of compensatory program can create all kinds of controversy, and the time lag and other problems on compensatory programs may make them relatively ineffective. It is worth noting that the concentration of spending in some regions unavoidably entails reduced spending in others, although that problem is lessened where the program is "place-neutral".

II. EXPAND HOUSING AND HOMEOWNERSHIP

Need: The most recent monthly numbers on housing starts and permits were encouraging, but there is considerable unmet demand for affordable multi-unit rental housing in some markets.

Options & Analysis: The Administration might propose a package of policies aimed at expanding housing and homeownership opportunities. Such a package might include:

- **Option II-A: Elimination of penalties on IRA withdrawals for investments in housing.** Under this option, the IRS would waive penalties (but not taxes) on IRA withdrawals that are directed into housing investments. This option is likely to increase net savings, but may, in the long run, reduce revenues and the liquidity of retirees.

- **Option II-B: Temporary relaxation of FHA lending requirements.** Home purchases could be stimulated by a temporary easing of FHA requirements, such as by deepening subsidy rates or by relaxing underwriting criteria. Such a program could be targeted toward first-time and middle-class homebuyers.

- **Option II-C: Provide direct, non-subsidy government lending for low-income housing construction.** The slow rise in housing starts, despite historically low interest rates, highlights a weakness in capital markets: the speculative nature of housing construction fits poorly with the current risk aversion of lenders. The government could address this by creating an unsubsidized, direct-lending program for low-income housing construction. The government's cost of capital is lower than the private sector's and the government can, through its public housing programs, control some of the risk in low-income housing construction. Such a program would lend at the government's cost of capital (currently about 4%) plus an economically appropriate risk premium -- for a total rate lower than the current private rates of prime-plus-4%.

- **Option II-D: Encourage Fannie Mae and Freddie Mac to accelerate their efforts in underserved areas and sectors.** Fannie Mae and Freddie Mac are required, within three years, to devote 30% of their annual purchases to low- and moderate-income mortgages, and (a non-exclusive) 30% to mortgages from central cities. The Administration could encourage the GSEs to meet those obligations more rapidly (e.g., within two years).

General Budgetary Analysis: Option II-A and Option II-C would require legislation and very small PAYGO offsets. Option II-B and Option II-D could be executed without legislation and would be budget-neutral.

Other Considerations: Housing incentives are generally well received, although some may feel that the tax code currently provides more than adequate subsidies for housing. The primary resistance will likely be to Option II-C, with lenders resisting the expansion of direct lending into an area of their traditional business. Others may see direct lending as a competitive threat to the existing low-income housing tax credit programs.

III. IMPROVE THE EFFICIENCY OF CAPITAL MARKETS

Need: In general, our capital markets work well, but there remain significant inefficiencies by regulatory measures, by tax requirements, and by market failures.

Options & Analysis: The Administration might propose a package of policies aimed at improving the functioning of capital markets (this is in addition to the matters discussed in your recent meeting on banking). Such a package might include:

- **Option III-A: Encouragement for pension funds to invest in "economically targeted investments" (ETIs).** Pension funds, which control a large portion of US assets, remain conservative in their investment patterns. Non-statutory changes in ERISA practices -- revisions to regulations and PBGC guidance -- could encourage limited investment in more aggressive and job-creating activities.

  The successful experience of state-employee pension funds with ETIs is encouraging, but some economists believe that there is no market failure and so no need for this measure. In addition, even with the proper information and regulation, expanded investment in ETIs places the pension system at greater risk.

- **Option III-B: Revisions to the "step up in basis at death" in order to free up low-basis, "frozen" assets.** The "step up in basis at death" creates inefficiencies by encouraging taxpayers to retain less productive, but highly appreciated, assets in order to take advantage of the step up in basis. About $100 billion in capital gains escape taxation each year because of this provision. The existing program could stay in place, but with the addition of preferential capital gains treatment for long-held, low-basis assets that are reinvested for a minimum period into specified job-creating investments. This would free up these assets for more efficient investment.

  Some economists believe that the problem of "locked-in" assets is overstated and are skeptical about claims of efforts to identify "qualified" investments. Others emphasize that requiring that assets be held for a certain period will encourage taxpayers who would otherwise sell, to retain their assets so they can qualify for preferential treatment.

General Budgetary Analysis: Option III-A would be budget-neutral and would not require legislation; Option III-B would raise modest amounts of revenues and would require legislation.

Other Considerations: There is **very strong** sentiment in Congress against new tax legislation this year. The step up in basis has historically proven to be a very difficult political issue (the provision was repealed in 1976, only to be reinstated retroactively), and thus elimination, even if desirable, would seem unachievable.

IV. ENCOURAGE BUSINESS EXPANSION AND NEW BUSINESS FORMATION

Options & Analysis: Policies aimed at small business encouraging "business starts" and business investment might include (all of this could be limited to some definition of small business):

- **Option IV-A: Intergovernmental New Business Incubators (INBIs).** INBIs encourage "business starts" by establishing agreements among federal, state and local governments to waive or defer for two years specified regulatory and tax requirements for **new** businesses in specified geographic areas. This regulatory relief would be combined with a restructuring and enhancement of SBA services in the area.

  Proponents argue that regulating costs that are reasonable for **existing** businesses are too great for **new** businesses, and so should be deferred, selectively. While federal regulations are, at times, burdensome, a majority of the requirements imposed on new businesses are imposed by **state and local** governments. Thus, a regulation-reforming, job-creating effort must be intergovernmental.

  Opponents say that such deferral, even though selective, sacrifices non-economic purposes (such as consumer protection and environmental protection) for economic growth.

- **Option IV-B: Partial expensing of depreciation deductions**. One way to encourage short-term private investment and consumption is to allow partial expensing of depreciation deductions -- that is, to allow businesses to choose between, say, 50% of the cost of new equipment as an expense and 100% of the cost of the equipment at the standard depreciation schedule. This would effectively allow businesses to borrow (at no cost to the government) against their future deductions.

- **Option IV-C: Expanded SBA lending.** Particularly after the latest program reforms, the SBA 7(a) program is one of the most budget-cost-effective methods for accelerating economic growth. The "credit subsidy" rate for 7(a) loans is less than 6%; thus $1 billion in loans is scored as costing less than $60 million. In the past few years, demand for SBA loans has far outstripped supply; some estimate that excess demand may be as great as $4 billion per year.

General Budgetary Analysis: All three options would require legislation. Options IV-A and IV-C would require small funding offsets; properly crafted, partial expensing would be budget-neutral.

Other Considerations: Expanded SBA lending would probably be politically popular. Partial expensing could be politically difficult. The Bush Administration was unsuccessful with a partial expensing proposal, and there is Congressional resistance to additional tax legislation.

Regulatory deferrals for new businesses are likely to be politically controversial, given the effect on non-economic purposes, and these "incubators" would involve complex multiple committee jurisdictions. One-hundred INBIs, each with deferral authority for 500 new businesses, would allow the Administration to claim credit for encouraging 50,000 new businesses.

V. REMOVE IMPEDIMENTS TO ECONOMIC ACTIVITY, WHERE APPROPRIATE

Need: There are an enormous number of federal governmental impediments to economic activity, including regulations, export controls, trade embargos and other similar measures, which should be reevaluated, because circumstances have changed or there is duplication or conflict, or economic impact was given inadequate weight in the initial decision or is now greater than was initially projected._

Options & Analysis: Proponents of such reevaluation argue that an effective effort to reduce impediments could have an enormous economic impact, with no budgetary cost and without inappropriately affecting non-economic purposes. Every recent Administration has tried to come to grips with this question (President Carter's notion of sunsetting, President Reagan's deregulation rhetoric and efforts, President Bush's Vice Presidential Competitiveness Council). Reducing impediments is tremendously important; the question is how to do this in a way that is both substantively and politically effective and sensible.

Also, accomplishing the reduction of impediments generally requires overruling an entrenched and/or static mind-set someplace in the federal government. For example, the recent removal of export controls on many classes of computers, and the Executive Order directing cost-benefit analysis in a look back at existing regulation, have large potential economic impact, but required overriding some contrary views.

Also, opponents might argue that this effort could spark all kinds of controversies with supporters of these non-economic purposes. Also, there is the most sophisticated question of when are some seemingly non-economic purposes, in the long run, also good economics.

- **Option V-A: Requirements for an "economic impact analysis" of every significant governmental action -- regulation, Executive Order or legislation.** There is almost always a tendency to inadequately consider economic effects, when pursuing other purposes. Recognizing this, you might require the Administration to complete an economic impact analysis for every significant Administration policy action, and propose the same for legislation. The analysis would include an evaluation of the impact of the action on markets, productivity, and competitiveness, and would send a strong signal that the Administration recognizes the significance of regulatory and other, similar burdens.

However, such a requirement could be criticized as redundant with the regulatory review required under the new Executive Order, or as simply creating a new, and vast, bureaucratic exercise.

- **Option V-B: Presidential Directive for reducing impediments and for quarterly Presidential review.** The same purposes as Option V-A could be pursued less systematically, but with vastly less effort, by a Presidential directive to vigorously re-examine economically significant regulations, export controls, trade embargos, and the like, and to minimize them to the extent appropriate, in view of the non-economic purposes involved. This could be combined with a quarterly report to the POTUS from some appropriate body (perhaps an OMB-led standing NEC group) on the status of this effort. (In a sense, this takes the recently signed Executive Order on Regulatory Review and carries it one step further.)

- **Option V-C: Independently of the above, or in conjunction with the above, Presidential Directives to expedite review of all remaining export controls, trade embargos, and regulations having major economic impact.** Proponents would allow that this is consistent with the view that there is enormous economic potential in facing these issues. Opponents would argue that this would create political and substantial controversies. If this were to be pursued, the definition of which regulations would be looked at would need to be clarified.

General Budgetary Analysis: There are no budgetary impacts.

VI. <u>OTHER</u>

- **Option VI-A: Jawboning for jobs creation**. Some of the sluggishness in job creation (as seen in the increase in overtime and part-time employment) stems from business' reluctance to create new full-time, full-wage jobs. You might challenge American business to utilize part of its refinanced debt to create more jobs. The Administration, proponents of this measure argue, is working to create a favorable economic climate -- a deficit under control, low interest rates, international macroeconomic coordination -- and business must now do its share.

  Opponents of this measure argue that such jawboning would have little effect and could be viewed as an act of frustration, or of shallow thinking, like President Ford's famous WIN buttons. Jawboning could also create expectation of more dramatic policy changes, thereby freezing business investment and hiring decisions.

- **Option VI-B: Improved labor market information for displaced workers.** The current structural changes in the American economy have resulted in great uncertainty for the individual worker about "where the jobs are." You might direct the Labor Department to analyze which occupations and skills are in short supply, and to issue a report on the matter within 60 days. This would provide some guidance for workers facing training and retraining decisions.

General Budgetary Analysis: Neither of these options would require legislation; all would be budget-neutral.

Overall Conclusion: As noted in the introduction, we have tried to give you a brief sketch of the pros and cons of a number of possible initiatives, and the signatories of this memo are not unanimous on any of them.

Please let us know which of these possible initiatives, if any, you would like us to pursue, and whether, prior to making that judgment, you would like to meet for further discussion.

RETURN TO
JOCK GILL
THANKS
JOHN Podesta
1-6-98

JOCK Gill
Elyabeth Cohen

Remarks
by
Vice President Al Gore
to
Telecommunications Conference
Los Angeles, CA
January 11, 1993

We meet today to talk of a revolution about to happen, but in many places -- like California -- it's already here.

place inner city? county? district.

Certainly it's here for students at Birmingham High School, where students and a teacher raised their own money to place a phone line into the classroom in order to telecompute. Certainly it's here for a group of fourth graders in California who became the first group to take part in Academy One. They thought computers were only useful for games -- but discovered in a few months they couldn't wait to get online for learning.

define freenet educational effort.

Certainly it's here for people on the Santa Monica Network, who use it to find homeless people help and jobs -- or for the people of Cupertino who use their City Net to learn about what their government is doing -- and to make their views known to city officials.

Certainly it was here for a Los Angeles woman with multiple myeloma who located a doctor through the Free-Net 13 years ago who could do a pioneering marrow transplant. She's alive today because of it.

Change has a way of sneaking up on you.

But what has happened in the last decade is nothing compared to what will happen in the decade ahead.

That's why I'm so happy about joining you today to discuss and detail this Administration's vision of the National Information Infrastructure. Last month, in Washington, I set forth some of the principles behind that vision.

Today I'll talk about the legislative package necessary to nourish that highway of highways which will connect and empower the citizens of this country through broadband, inter-active communication.

I call what is happening a revolution. But of course this revolution is based on traditions as old as our history.

ALL negative examples will perpetuate stereotypes OF EVILS OF technology.

From the transcontinental telegraph that helped to win the West, to the radio broadcasts of the attack on Pearl Harbor, to the television coverage of the Kennedy assassination and, in a later time, of the Persian Gulf War; our ability to communicate electronically ~~has~~ is inform~~ed~~ing and shap~~ed~~ing our nation.

In fact, today technology ~~has now made~~ is makin possible a global community united by instantaneous information and analysis. Protesters at the Berlin Wall communicated with their followers through CNN news broadcasts. ~~Battery-powered VCRs provide video news and entertainment to nomads in the deserts of~~ LOW ORBIT SATTELITES providin health network to 16 AfricaN Nations.

- Telegraph used to save lives or create business
- RADIO USED to bring world closer together
- Satellite transmission OF MAN ON MOON + image OF EARTH from space which has transformed OUR VIEW OF THE WORLD-

Communication entertains as well as informs -- and new applications will include new entertainment possibilities. ~~Anyone~~ EVERYONE who reads a newspaper (or watches TV) knows the ~~can read starry eyed~~ predictions about people sitting at home ~~able to~~ calling up any movie they wish ~~in the world~~ without leaving their couch; In the future we will be able to visit extraordinary virtual worlds which will show the dynamic imagination of the American entertainment industry. ~~to shop at the supermarket through their tv; able to play not just the games they have in the house but any game, inter-active or not -- and even buy lottery tickets without standing on line at the Seven-Eleven.~~

But the National Information Infrastructure will provide more than entertainment. Information technology has already begun to promote, in innovative ways, social applications that benefit education, health care, and democracy -- and not just in California.

In Montana, rural residents who in an earlier time had to travel all day to reach a library use The Montana Big Sky Telegraph -- a two-way, network delivering educational instruction.

In Chicago, an expectant mother in Chicago use a monitoring device at home and, over the phone line, send information to a local hospital that regularly monitors high risk pregnancies, improving the quality of care and lowering costs.

~~Re Seattle, A~~

USE EXAMPLE of enabling the handicapped HERE. The NII has the possibility of being the GREAT SOCIAL EQUALIZER. See "DO IT", use STEVEN HAWKIN example in p. 6. HERE!!!

New applications will create new markets, ~~for~~ new products, and new ~~and~~ services -- and all will create new jobs ~~as well~~. ~~That is~~ Because of the real value of these applications ~~these new applications are valuable --~~ ~~and~~ the demand for them ~~that value~~ will be the economic force that drives ~~builds~~ the National Information Infrastructure and Renews ~~the~~ the American Dream.

~~But~~ The impact on America's businesses will not be limited just to those who are in the information business. Firms throughout the economy will be able to use the National Information Infrastructure as a tool for increased competitiveness. Manufacturers will be able to link their design and production teams -- no matter how far apart they are located. Small businesses will work more closely and more effectively with their customers and suppliers. As information technology becomes less expensive and more ubiquitous, the competitive capabilities of <u>all</u> U.S. businesses steadily grows.

Indeed, today's changing world-wide marketplace <u>requires</u> that information technology be employed effectively. Global markets bring competition ever closer and advancing technology puts a growing premium on sustained, and constant, innovation. Manufacturers face ever-shortening product cycles; they must bring their products to market more and more quickly; and they need strong teamwork to design, build and market overlapping generations of advancing products.

Growth in information products and services at home ~~will~~ ARE the foundation for growth ~~accompany growth~~ in foreign markets. Because of our leadership in information products and services, because of our skilled workforce, and because of governmental actions that will encourage innovation and competition, those foreign markets will offer U.S. businesses and U.S. workers important competitive opportunities in the years ahead.

Have their been failures? Of course.

I'm disappointed that the recent GATT negotiations failed to achieve an acceptable resolution of U.S. access to European markets for television programs and film productions.

But this isn't the end of the game. It's still early in the first quarter. We will continue to push for increasingly effective world-wide enforcement of intellectual property rights.

People all over the world love the creativity that has characterized American culture, whether ~~John Grisham or~~ JAZZ OR ~~John Updike~~ Speilbergs E.T. We must work towards a time when consumers are free to receive the information that they want -- and when the creators of that information get the rewards they deserve.

The importance to the nation of increased economic opportunity and social applications is obvious. What may be less obvious is that the current swirl of corporate mix and match foreshadows a dramatic change in the information marketplace.

Note: USE Accessibility to tie in Steven Hawking. He serves as a Mentor to "DO IT", a NSF Sponsored project using Internet to train disabled high school students to become engineers + scientists.

Stephen Hawkings speculates about a distant future when the universe stops expanding and begins to contract. Eventually, all matter comes colliding together in a "Big Crunch," which could, Hawking speculates, be followed by a new, again expanding, universe.

See pp 8 for problems with negative image.

Our current information industries -- cable, local telephone, long distance telephone, television, film, computers, and others -- are headed for a Big Crunch of their own. The space between these diverse functions is rapidly shrinking. Computers and televisions look, more and more to be the same. Companies are combining inter-active communication and video programming. The different wires and wireless paths running into our homes and offices now look to be alternative paths to the same end. Meanwhile, the enormous "gravitational" forces generated by converging industries, markets, goods and services are crunching together the various forms of market structure: monopoly, franchise, competition.

After the Big Crunch, the new information marketplace will no longer be divided along current sectoral lines. There will not be cable companies, phone companies or broadcasters. They will be BIT Companies. ~~Rather, the information marketplace that exists in 10 or 15 years will include four basic components: information highways, information appliances, information providers, and information customers.~~

But enormous questions remain to be solved.

We will all be ~~consumers~~ receivers + broadcasters who will utilize information hyhways and appliances. We will all be information providers + customers!

After all, it is not enough for the future of our children that a global information infrastructure exist. ~~We don't~~ want to be like that ~~French~~ ~~revolutionary~~ who said "There go the people. I must ~~follow~~ them for I am ~~their~~ leader."

We want the United States to lead ~~this revolution~~ this transformation. Really lead.

How do we compete with Japan and the countries of the Pacific Rim? How do we compete with a Europe that has dismantled barriers that once stifled trade?

There are those who think that American ingenuity and hard work will be enough to win. They should be sobered by the products of American ingenuity that now ~~benefit~~ manufactured by others. After all, if we want examples of American inventions now produced and marketed only abroad, we just have to look around our homes and offices.

The microwave oven, invented at Raytheon; now nine out of ten are made abroad. Color TV, dreamed up by RCA; now 97% are made in Europe or East Asia. The VCR or the fax machine. Both were invented here -- and made exclusively overseas.

We have to make sure that, consistent with our belief in free trade, we can compete in the global economy.

Big Crunch is negative, threatening, violent
Don't we want a positive, constructive metaphor
suggesting cooperation + collaboration - the essence of community.

To do that, America must manage the transitional period that we have already entered. Government must ensure that the information marketplace emrging on the other side of the ~~Big~~ Digital ~~Crunch~~ Convergence permits everyone to be able to compete with everyone else for the opportunity to provide any service to all willing customers. We must ensure that this new marketplace reaches the entire nation. And we must ensure that it fulfills the enormous promise of economic growth and job creation.

The challenge, in other words, is to ensure that our principles and our values shape the transition to and creation of the new information marketplace.

That is why, as I announced in December, we will support removal, over time, under appropriate conditions, of judicial and legislative restrictions on all types of telecommunications companies: cable, telephone, utilities, television and satellite. In other words, outdated restrictions will be discarded.

At the same time, this time of change and creation must itself guided by overriding principles and values. This Administration will:

-- Encourage Private Investment

-- Protect Competition

-- Provide Open Access to the Network

-- Take Action To Avoid Creating a Society of Information "Haves" and "Have Nots"

-- Encourage Flexible and Responsive Governmental Action

The United States is fully capable of producing the technology needed to fulfill these aims. There are obstacles, though. Legal obstacles. Regulatory obstacles. Financial obstacles.

How do we overcome them? Even the most cursory look at these obstacles makes it plain that in order to clear them government and business must create a partnership. And the glue holding that partnership together must be a legislative package that addresses not just the problems of the next few years but which can stand the test of time.

Let me explain how our legislative package, **which will be introduced as the "National Information Infrastructure Act of 1994,"** will do just that, while conforming to the basic principles I mentioned a minute ago.

The Legislative Package

A. To Promote Investment

Investors risk their money when they see the prospect of financial reward. Financial reward results from competitive opportunity. This Administration views competition as the single most critical means of encouraging the private investment that will build the National Information Infrastructure.

We have just marked the tenth anniversary of the break-up of AT&T. There couldn't be a more relevant example of the benefits that arise from investment and competition.

As recently as 1987, AT&T was still projecting that it would take until the year 2010 to convert 95% of its long distance network to digital technology. Then it became pressed by the competition. The result? AT&T made the investment needed to make its network virtually 100% digital by the end of 1991.

Did that drive prices up? No. It actually made services more affordable. The price of long distance service for the average residential customer has declined nearly 60% in constant dollars in the last decade. Meanwhile, the volume of minutes of long distance calls has increased by about 140%.

Now, a decade removed from the break-up of AT&T, it is time to take the next step. We propose that Congress replace judicial supervision of the Regional Bell Operating Companies with legislative guidelines and regulatory oversight. Accordingly, RBOCs will have the opportunity -- with important safeguards -- to engage in all information activities, including long-distance telephony, manufacturing, information services, and video programming.

Of course, competition flows in every direction. The home of the RBOCs -- the local telephone exchanges -- must themselves be open to competition.

That means, for example, that cable companies must be free to offer two-way communications and local telephone service. And other potential competitors, such as electric utilities and long distance companies, should be able to enter these markets as well.

To accomplish this goal, our legislative package will end state regulation that bars entry to new markets. Moreover, the FCC would be authorized to exempt common carriers lacking market power from certain provisions of the Communications Act and to tailor other regulations to reflect a carrier's market power. These measure will enhance competition and spur investment.

B. To Protect Competition

All of these steps will ensure that the information marketplace that exists after the D.C. ~~Big Crunch~~ operates with maximum efficiency. But, both in the time leading to the new marketplace and thereafter, the government must vigilantly prosecute the second of our key principles: the protection of competition.

That principle focuses our attention particularly on the ownership and control of the information highways themselves -- especially those roads, usually referred to as the local loop, that provide the last connection to homes and offices.

If you've ever watched a Little League team learning to throw, you'll see that when they throw for distance, their form is usually pretty good. Good step. Good whipping motion. Good follow through.

Do you mean in the local loop, he throws like a girl?

It's when they have to make the short throw that they become stiff, uncertain -- and less accurate.

It's somewhat the same with telecommunications. We know how to send a message around the world in seconds. We are frankly uncertain what's going to happen with that final short hop to the house.

The local loop now can conceivably be seen as TV, telephone, computer + utilities - all have wires into the hom[e] now

The local loop in the near-term may consist of only one or two broadband, interactive wires, perhaps owned by cable or telephone companies. In the longer range the local loop may contain a wider set of competitors offering a broad range of interactive services, including cellular, wireless and direct satellite. But, for the next few years, we cannot assume that competition in the local loop will end all of the accrued market power of past regulatory advantage.

diff is "broadband" (confusing).

We must ensure, therefore, that the new freedom to invest and enter markets does not itself stifle competition. We cannot permit the creation of information bottlenecks that adversely affect information providers, who use the highways as a means of supplying their customers. We cannot permit bottlenecks for information consumers, who desire programming that may not be available through the wires that enter their homes or offices.

We must remain aware of the real market power that some entities may possess, particularly during the transitional period. This Administration will not permit monopoly or regulated profits produced by one endeavor to result in unfair advantage when entry is made into other endeavors, either as a result of cross-subsidization of new activities or because of artificially low prices that damage competitors.

We will, therefore, institute immediate changes to current regulatory mechanisms and plan the implementation of a longer-term, more permanent, solution.

The immediate changes are illustrated by our proposal for the treatment of the RBOCs.

As I have previously stated, the RBOCs should be able to enter new fields. The basic protection for fair competition in those new arenas will be concomitant competition in the local loop. That will prevent RBOCs from using a protected monopoly as unfair leverage into new lines of business. But more competition, in the short term especially, will not be enough. Our legislative package will ensure that neither cross-subsidization nor predatory pricing accompanies expansion by the RBOCs into new areas. **We will, for example, require that separate subsidiaries be used for certain activities.**

And other structural safeguards will be necessary as well. For example, our legislation will not permit RBOCs to acquire existing cable companies operating within their telephone service areas. That limitation is needed to ensure that the local loop is not controlled by a single, giant entity. **RBOCs will be permitted, however, to provide video programming in their service areas over a so-called "video platform" -- an open access mechanism that will increase the diversity of available programming.** In this way, we will enjoy the benefits of new competitive entry while avoiding danger to competition itself.

At the same time, we must be preparing to implement the approach necessary to promote fair competition in the long run: Regulatory Symmetry.

That concept is simple: Similar entities must get equal treatment.

This idea always reminds me of the story my colleague Senator Bond, tells, about the man who went into a restaurant and ordered the rabbit stew. Vegetarian(?) Audience in LA!!

It came, he took a few bites, then called the manager over. "This doesn't taste like rabbit stew!" he said."It tastes ... well, it tastes like <u>horsemeat!"</u>

The manager was embarrassed. "I actually ran out of rabbit this morning and I -- well, I put some horsemeat in."

"How much horsemeat?"

"Well -- it's equally divided.

"What's that mean?

"One horse, one rabbit."

In our bill, equal means really equal. Genuine symmetry. Regulation must be based on the services that are offered, and not on corporate identity, regulatory history or technological process.

The increasing convergence of telephone and cable provides the best illustration. These services are moving together even though the regulatory systems are based on historical differences. Telephone companies have traditionally been regulated as common carriers, with the requirement of carrying all traffic. Under current law, cable systems are not common carriers.

But, as cable and telephone service become harder and harder to distinguish, it is important that the vestiges of past regulatory differences not be translated into inadvertent competitive advantages. It is important, as well, that new, combined entities do not get caught in a cross-fire of conflicting and duplicative regulatory burdens and standards.

Accordingly, our legislative package will grant the Federal Communications Commission the future authority to impose non-discriminatory access requirements and to regularize regulatory burdens on all companies that offer broadband, inter-active communications, including video programming.

We will thus prepare for the eventual implementation of a single, unified theory of regulation that will protect competition along the nation's information highways.

C. To Provide Open Access

Even these structural protections will not, however, be sufficient by themselves.

Open access is our third principle -- and it is just as important to our vision as investment or fair competition. Who knows that better than the people in this room? The distribution of content -- the ability to reach customers who want your product -- is necessary to the competitive success of the new information marketplace. A simple point. But one critical to ~~often overlooked~~ our discussion. ~~in discussion~~ of the National Information Infrastructure.

Content + community ~~is~~ are the reasons that people will use the information highways. But the marketplace of ideas cannot thrive if only some ideas or some people are granted entry to the marketplace. How can you sell your ideas, your programs, to customers if an intermediary unfairly blocks your access to customers? Or blocks your customers access to you? We can't subject the free flow of content to artificial constraints or to unreasonable technical obstacles.

? Why put us down build us up!

The owners of the information highway stand between information providers, like you, and information consumers. In the Cable Act of 1992, Congress expressed concern that cable companies, by virtue of their local monopolies, might be able to favor the distribution of content in which they have an ownership interest, thus depriving the rest of information providers a fair chance to compete.

In the time since enactment of that law, we have seen a trend towards the concentration of information power -- a series of large mergers and acquisitions that presage the Big Crunch. During the next few years, the commingling of content and conduits may limit competition <u>before</u> safeguards can be made effective and the new system of regulatory symmetry is established. That is why a special measure is needed to ensure that information providers will not be unfairly blocked from offering their services to information customers.

Accordingly, our legislative package will bar cable operators that serve more than 20% of customers nationwide from owning a video programming service. This special provision will go out of existence, however, when alternative distribution outlets are so widely available that the control of information highways no longer offers the prospect of unfair advantage over the control of content.

This provision is carefully tailored. Many cable companies across the nation are, and will be for the foreseeable future, local monopolies. But not every cable company will be affected, because not every cable company, acting alone, has the power to shape the national market for programming. A cable company that controls access to one-fifth of the nation's customers, however, has the power to deny programmers access to a critical mass of consumer demand.

Even so, we offer any affected cable company an opportunity to choose -- **because we will not count towards our application of the 20% standard those systems owned by a cable company that offer nondiscriminatory access to programmers.** By definition, a cable system that offers nondiscriminatory access has surrendered control over content. Thus, we offer an additional incentive for free and open distribution of information products.

The benefits of this approach -- diversity of programming and the push to nondiscriminatory access -- will play an important role during the transition. It's need will end in the era of a single, competitive information marketplace. But, in the interim, we will ensure that unchecked market power cannot stifle innovation and creativity.

Control can, of course, be manifested in many ways. The ownership of competing programming is one. But the control of technical standards can frustrate competition just as easily. The history of our steel highways -- the railroads -- demonstrates the importance of common standards. When tracks were different sizes, a passenger could not travel easily from a town served by one railroad to a town served by another. But the use of standardized tracks permitted the creation of a national system of rail transport.

So too, the promulgation of so-called "open architecture" boosted the market for personal computers in the last decade by permitting many different manufacturers and designers to add unique value to a common foundation.

Accordingly, our legislative package will contain provisions designed to ensure that each carrier's networks will be readily accessible to other users. In general, we are proposing the creation of an affirmative obligation to interconnect and to afford nondiscriminatory access to network facilities, services, functions and information. The networks would thus be "unbundled" and, once unbundled, available to all users.

Moreover, we will ensure that customers are permitted to take full advantage of the competition that is thus created. **For example, our legislative package will endorse the concept of "number portability,"** a phrase that simply means that I can sign up with a different local telephone company without changing my home telephone number.

D. To Avoid a Society of Information "Haves" and "Have Nots"

The three principles that I have described thus far -- private investment, fair competition, open access -- will build an open and free information marketplace. They will lower prices, stimulate demand and expend access to the National Information Infrastructure.

They will, in other words, help to avoid a society of information "haves" separate from a society of information "have nots".

Here was a Washington Post headline last month: "Will the 'Information Superhighway' Detour the Poor?"

Not if I have anything to do about it.

After all, we have, in this nation, a 200 year ~~strong~~ history of ~~self-~~ governmental action to ensure universal service.

One of our government's first roles was to provide for a secure and dependable means for its citizens to communicate with one another. From Ben Franklin's post office to the Pony Express, our government has always valued universal access to inform ~~this most basic form of~~ as the most basic form of Univ. Service. ~~universal service.~~ Public education is another form of universal service -- the creation of schools available to every American. So too, free radio and broadcast television and the importance of providing telephone service to all Americans, have followed in this tradition.

We have become an information-rich society. Virtually 100% of households have radio and television, and about 94% have telephone service. Two-thirds of households contain a VCR, about 60% have cable, and there are roughly 26 computers for every 100 people in the United States.

But though we are information-rich, we have not yet completed the universal service obligations that we have already undertaken.

We must, for example, finish the task of providing "plain, old telephone service" to the nation as a whole. Only 6% of Americans lack basic telephone service, but that 6% is disproportionately poor and disproportionately African Native American. We can do better.

And here's a concrete way this Administration means to do better. **By the year 2000, all of the schools, libraries and hospitals in the United States must be connected to the National Information Infrastructure.** We cannot tolerate -- nor in the long run can this nation afford -- a society in which some children become fully educated and others do not; in which some adults have access to training and lifetime education, and others do not; in which some hospitals have access to advanced medical processes, and others do not.

Nor can we permit geographic location to determine whether the information highway passes by your door. **We must work to ensure that no geographic region of the United States, rural or urban, is left without access to broadband, interactive service.**

To accomplish these ends, especially in the midst of rapid technological and economic change, will not be easy. **It is critically important, therefore, that all carriers must be obliged to contribute, on an equitable and competitively neutral basis, to the preservation and advancement of universal service.**

The responsibility to design specific measures to achieve these aims will be delegated to the Federal Communications Commission. **But the endorsement of these broad goals will be an integral part of our legislative package.**

E. To Encourage Flexibility in Government

If we are to accomplish these four substantive goals, government must manage its own work effectively. And that is our final principle: that government must remain flexible and adaptable in its own actions.

Let me give two examples. **Our legislative package will propose a system of "regulatory evolution," governmental action that furthers our substantive principles but that adapts, and disappears, as the need for government intervention changes or ends.** That system of "sunsets" and "snap-back" provisions will respond to evolving market conditions and unanticipated market distortions or failures.

We will also propose a particular means of measuring the effect of technological change on legal structures. **Through "Technology Progress Reports," the Department of Commerce will report semi-annually to the President, the Congress and the FCC on the impact of technological advance on the current system of** legislation and regulation and will recommend changes.

That will make sure that we are not just measuring the forward progress of buggy carts in an era of interstellar travel.

***

These then, are the major contours of the legislative package that the Administration will introduce. I have not, of course, described all that touches upon the National Information Infrastructure. There is separate work to be done on other issues, such as privacy, and the reliability of networks, and issues of concern to broadcasters.

But the measures that I have outlined constitute our legislative agenda for 1994. We look forward to working with members of Congress from both parties towards its successful enactment. We recognize, and salute, the efforts that have already gone into the drafting of bills already introduced in both the Senate and House. In many, if not most, respects, our legislative goals reflect or complement that work. We expect to introduce our legislative package shortly, and to work with Congress to ensure its speedy passage, and a bill that will stand the test of time.

VIP

Our efforts are not, of course, confined only to government. The people in this room, and the private sector in general, symbolize private community enterprise. Many of you will supply the content that flies across the information highways. Others will manufacture its appliances or own the highways themselves. All of us will learn to incorporate information technology in our own businesses + neighborhoods.

Our economic future will depend, in a real sense, on your ability to grasp opportunity and turn it into ~~concrete~~ tangible achievement.

no more parking lots!

The Roman historian, Pliny the Elder, has a famous description of how glass was invented. According to him, it was discovered by Phoenecian sailors, on a beach preparing to cook their food. Usually they put stones under their pots to lift them off the firer. But this time they couldn't find any stones. So they used lumps of natron -- an alkali used in embalming bodies.

The natron melted, mixed with the sand. Pliny writes, "And this ... was the origin of glass."

Most historians don't believe this. But you <u>can</u> make glass in just that way. And it's interesting to think about how discoveries were made in Pliny's day -- accidentally, and from substances that already existed.

Keep the threats away

less threatening

transformation

This new ~~revolution~~ transformation will build on much that already exists. In fact, much of it will be built on glass -- pure, flexible, incredibly thin, but with the same atomic structure of the glass in Pliny's time. Xtals, Shirly McClaine!!

As we move into the new age, we must never lose sight of how much we build on our past. frontier(?)

In some ways, we appreciate things more when we note their absence. Last month, in Russia, I had a chance to see close up a country that tried to hold back the information age. In a way we should be grateful they did; it helped bring about the Soviet collapse.

But the consequences to them were devastating.

By contrast, we Americans, whose heritage is ~~revolution~~ innovation, can lead the way. ~~in this new, peaceful revolution.~~

Let's work together on it.

A few months ago, when Toni Morrison accepted her Nobel Prize for Literature, she used one version of an old story -- a parable, really -- to make an interesting point.

It's of a blind, old woman reknowned for her wisdom, and a boy who decides to play a trick on her. He captures a bird, brings it to her cupped in his hands, and says "Old woman, is this bird alive or dead?"

If she says "Dead," he can set it free. If she says "Alive," he can crush it.

She thinks. And says, "The answer is in your hands."

Toni Morrison's point is that the future of language is in our hands.

As we enter this new millenium, we ~~are learning~~ a new language. ~~It is~~ made up of ones and zeros and bits and bytes. But if we master it we will be able to communicate ideas, and information -- in fact, an entire Toni Morrison novel -- with an ease never before thought possible.

We meet today on common ground, not to predict the future but to make firm the arrangements for its arrival. ~~Let us master~~ Let us explore and develop this new ~~language~~ opportunity for community together. The future really is in our hands.

Thank you.

Americans have great difficulty + negative association with learning new or 2nd languages. How many Americans are bilingual? You will ~~[illegible]~~ diminish the impact of your conclusion + scare the already technophobic audience!

THE WHITE HOUSE
WASHINGTON

DATE: 01/06/94

NOTE FOR: 1.CAROL RASCO
2.BRUCE REED

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

Information ☒X

Action ☐

CAROL:

Please pass these two newspaper sections on to Bruce Reed when you are done.

Thank you.

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

cc:

C Rasco
B Reed

THE PRESIDENT HAS SEEN 1/6/94

~~[illegible]~~ - Pres. - see articles in both sections

VIA SATELLITE

THE NATION'S NEWSPAPER

USA TODAY

NO. 1 IN THE USA . . . FIRST IN DAILY READERS

Robert Deutsch, USA TODAY

JERRY RICE: Tied for league lead in TDs, 1C

TOP-RANKED ARKANSAS ROLLS 129-63

CLINTON CHEERS RAZORBACKS
▶ No. 16 MINN. UPSET BY UVA
▶ COLLEGE RESULTS, 1,4C

JERRY RICE AND DEION SANDERS ONLY UNANIMOUS PRO BOWL PICKS 1C

▶ AFC STATS BY TEAM, 7C
▶ NFL REPORT, 1,8C

BES
WOR
FIL
STAG
RUNW

'SCHINDLE
INNOCENC
THE TEST
▶ BROADW
A FEW B
▶ FASHION:

WEDNESDAY, DECEMBER 29, 1993

NEWSLINE

A QUICK READ ON THE NEWS

SPECIAL REPORT

USA's GUN CRISIS: USA TODAY, in all four sections today, examines the explosion of gun violence in the 1990s.

SECOND AMENDMENT: Is the right to bear arms as fundamental as free speech or as outdated as banning the quartering of troops in private homes? 2A.

'BARBER SHOP MURDERS': On Nov. 28, 1992, in Catonsville, Md., three lives came together — and two ended: anatomy of murder. 3A. Weapons of crime. 5A.

DYING YOUNG: Aisha Hoard, 12, was walk...

GUNS

CHANGING OUR LIVES

Ho
rec
in 2

By Tom Squitie
USA TODAY

The USA app
track for a reco
homicides in 19
the brief lull of 1

A USA TODAY
lice department
jor cities already
micide records i

VIA SATELLITE

THE NATION'S NEWSPAPER

USA TODAY

Money

WEDNESDAY, DECEMBER 29, 1993

✓ TIP-OFF

IRS rings in new tax year

The Postal Service will begin delivering 1993 federal tax forms next week to 86 million households, the IRS says.

INFLATION WATCH

S&P ECONOMIST DAVID BLITZER SAYS PRICES WILL RISE 2.8% IN '94.

STREET TALK AND MARKET SCOREBOARD PAGE, 4B

MONEYLINE

A QUICK READ ON THE TOP MONEY NEWS OF THE DAY

RECORD DOW: The Dow Jones industrial average edged up 0.84 points Tuesday to a record 3793.77. The Nasdaq composite index rose 3.50 points to 764.56. The yield on 30-year Treasury bonds remained at 6.23%. The discount rate on three-month Treasury bills held at 3.06%. Comex gold fell 50 cents to $387.40 an ounce. Light sweet crude oil sank 2 cents to $14.11 a barrel on the N.Y. Merc. *(Market Scoreboard, 4B.)*

BLOCKBUSTER CREDIT: Blockbuster Entertainment's lenders agreed to triple its line of credit to $1 billion. The boost comes after Blockbuster pledged to invest $600 million in stock of Viacom, which is under pressure to raise cash to sweeten its bid for Paramount Communications. Viacom has until Jan. 7 to counter a bid by QVC Network, which won endorsement from Paramount's board of directors. Meanwhile, the value of QVC's bid has fallen to $9.47 billion, vs. $9.5 billion for Viacom's. Both bids are partly in stock, so their values change daily. Tuesday, QVC shares fell $1\frac{5}{8}$ to $$37\frac{7}{8}$ on a *Wall Street Journal* story that said whoever buys Paramount will be burdened for decades by having paid far more than Paramount's book value. Viacom Class A shares fell $\frac{7}{8}$ to $50; Class B shares fell $\frac{1}{8}$ to $$46\frac{1}{2}$.

SPECIAL REPORT

THE GUN BUSINESS

The gun industry is a multibillion-dollar powerhouse. The past six years, revenue has increased – and so has controversy. This Special Report examines the gun business and how it affects our lives.

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 01/06/93

NOTE FOR: PHIL LADER
DAVID WATKINS

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

[redacted]

Information ☒ x

Action ☐

[redacted]

Thank you.

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

cc:

send ~~this~~ NYT piece to Phil Lader
+ David Watkins

Washington's Taxers Find They've Taxed Themselves

By DAVID E. ROSENBAUM A1

Special to The New York Times

WASHINGTON, Jan. 5 — When the time comes for Senators and Representatives to pay their income taxes this April, they will probably find they owe several hundred dollars more than they might have expected.

They will have no one to blame but themselves.

An obscure provision of an energy policy law they passed in 1992 requires workers who receive free or subsidized parking from their employers to pay income taxes on the value that is worth more than $155 a month, beginning with their 1993 returns. The expectation was that a relatively small number of affluent executives who work in the central business districts of a few large cities would be affected.

Coming Home to Roost

Apparently no one ever dreamed this would apply to lawmakers.

But regulations published last week by the Internal Revenue Service made it clear that the free, reserved, underground parking spaces given all senators and representatives and many of their top assistants were worth much more than $155 a month.

The new rules specified that the val-

The Fine Print

A periodic look behind the law.

ue of parking must be determined by the price a taxpayer would have paid for the space in an arms-length commercial transaction at the same location or one nearby. And they said the monthly rate had to be applied if the space was available all month even if, as is the case with most lawmakers, it is used only part of the time.

The commercial indoor parking closest to the Capitol is at least four blocks away, at Union Station and beneath office buildings on New Jersey Avenue Northwest, North Capitol Street and Virginia Avenue Southwest. The cost

Continued on Page D20, Column 1

Continued From Page A1

for a reserved space in those lots is more than $300 a month.

If the value of the Congressional spaces is placed at $305 a month, lawmakers and their assistants with reserved, indoor parking spaces would have to pay taxes on an additional $1,800 a year ($305 minus $155, or $150, times 12 months). Those in the 36 percent tax bracket would owe an additional $648 in taxes on April 15.

Outdoor parking in Washington generally costs less than $155 a month. So the thousands of Congressional staff members and White House aides who have permits to park for free on the street or in outdoor lots will not be affected by the new law.

The I.R.S. said it was up to each Federal department and agency to calculate the value of the parking space it provides. Those like the Treasury Department that are in especially high-rent areas will probably have to see that officials who get free parking have it included as additional income.

Limited National Effect

Across the Potomac at the Pentagon, where there are 67 acres of free parking spaces, the value is almost certainly below $155 a month.

Beyond Washington, the application of the new law appears to be limited. William J. Dunn, a manager in the national tax office of Coopers & Lybrand, the accounting firm, said that as a rule, monthly parking rates were over $155 only in the central business districts of a few other large cities: New York, Chicago, Los Angeles, San Francisco, Boston and perhaps Philadelphia.

Unlike the situation in Washington, free parking in those cities is the exception rather than the rule, said Peter Ross, a lawyer at Hewitt Associates, a benefits consulting concern with offices nationwide. In midtown Manhattan, where parking can cost many hundreds of dollars a month, very few companies offer free parking and those that do give it only to their most senior executives, Mr. Ross said.

The biggest blow could come to people in partnerships and owners if businesses. The new I.R.S. rules stipulate that they must pay taxes on the full value of their parking if the partnership or business picks up the tab and are not entitled to the $155 monthly exclusion. Many doctors and lawyers have incorporated this year simply to become eligible for the exclusion.

Loophole With Heat

Still, it is in Congress where the parking law is likely to create the biggest stir. Mary B. Hevener, a Washington lawyer who is an authority on the taxation of fringe benefits, suggested that the tax regulations were written in such a way that the legislators could probably find a way to weasel out of the additional taxes this year if they were willing to take the political heat.

The regulations stated that for 1993 taxes only, the value of parking spaces could be calculated by any reasonable good-faith method and not necessarily according to the rules issued last week. Presumably, Ms. Hevener said, lawmakers could provide a calculation that showed their parking was not worth more than $155 a month.

But Representative Robert T. Matsui, a California Democrat who sponsored the amendment for the tax on parking, said he did not anticipate any attempt in Congress to escape the law. "There's a strong feeling we should be subject to the same rules as everybody else," he said in an interview.

No Debate, No Vote

Mr. Matsui said he had the parking tax provision put into the Energy Policy Act of 1992 because the budget rules required him to find a way to offset the revenue that would be lost from a tax break he proposed for mass transit users. His proposal increased to $60 from $21 the amount employers could spend for their workers' mass transit passes without the workers incurring taxes. Both the mass transit and parking provisions, he said, were meant to conserve energy and reduce pollution.

The $155 figure was set, staff officials said, because that is what the Congressional Budget Office estimated would raise the same amount of money the mass transit measure would lose.

The parking measure was never debated or voted on separately, and few lawmakers were aware of it. Mr. Matsui said he remembered no consideration of whether Congress would be affected. A staff assistant said he had a vague recollection of a discussion as the 1992 law was being drafted that ended with the off-the-cuff conclusion that parking on Capitol Hill was not worth $155 a month.

Congress is in recess, and few lawmakers are in their Washington offices this week. A half-dozen who were buttonholed in the corridors said they had never heard of the parking tax.

The I.R.S. rules require employers to determine how much parking is worth and to include the amount that exceeds $155 a month in the total income listed on the W-2 forms they send employees showing how much money was earned the previous year and how much tax was withheld.

In Congress, it is not clear who will make that determination. The matter seems to fall under the jurisdiction of the Senate Rules Committee and the House Administration Committee, but the staff directors of those committees said they had never heard of the new parking rules.

Officials in charge of payrolls in the Senate and House said they did not know about the new parking rules and had no idea they ought to put something on lawmakers' W-2 forms.

Under the law, W-2 forms are supposed to be mailed out by Jan. 31.

THE PRESIDENT HAS SEEN 1/6/94

Mack
This could be a problem for us — should be checked out
B.

THE NEW YORK TIMES, THURSDAY, JANUARY 6, 1994

2

THE WHITE HOUSE
WASHINGTON

DATE: 01/06/94

NOTE FOR: MARK GEARAN

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

Information ☐ XXX

Action ☐

Thank you.

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

cc:

Send McGrory piece
to M. Gearan

THE PRESIDENT HAS SEEN 1/6/94

GS FYI B

mary mcgrory

January 5, 1994

Dear Mr President and Hillary -

Happy New Year.

I am writing to thank you for your holiday hospitality, which was so generous and extensive. I thank you for the lunch at Blair House. I want to thank you most particularly for the message you sent by George - "Thank her for her grace." I want it engraved on my tombstone

[redacted]

I thank you for the Christmas party and the dazzling decorations and the kindness and the warmth.

You were also my hosts in absentia. While you were down South, thanks to Paul Carey, Marc Haberman and Officer Price, we took a party from St. Ann's Infant Home, fifteen children from three to eight. They adored the tree and meeting Socks. Willie, 3, asked me at the outset if it was McDonald's, but others knew where they were and were glad to be there. Thank you for all.

Mary McGrory

THE WHITE HOUSE
WASHINGTON

DATE: 01/06/93

TO: RICKI SEIDMAN

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

There is a fair amount of press interest in the Archives' move (JFK's windshield, etc.).

This could be a good setting for a speech with historical themes. Not pushing it.

Schedule Proposal

December 13, 1993

93 DEC 14 P 1:57

_____Accept _____Regret _____Pending

TO: Ricki Seidman, Director of Scheduling and Presidential Advance

FROM: Marc H. Monheimer, Senior Advisor to the Archivist of the United States MHM

REQUEST: The National Archives and Records Administration requests the President's participation as keynote speaker at the official dedication of the National Archives at College Park, "Archives II," the new $250 million state-of-the-art archive facility of the National Archives.

PURPOSE: The dedication will inaugurate the National Archives' new facility, designed to meet the document and information storage and preservation requirements of the federal government for the next 100 years. The occasion, setting and attendance will create an ideal opportunity for the President to speak to the enduring legacy of good government and to reaffirm the Administration's commitment to openness and accountability in government.

BACKGROUND: Archives II is among the first federal structures to bear the President's name on its cornerstone. It was built on schedule, under budget, and free of litigation on land donated by the University of Maryland -- a model government endeavor. Nearly complete, the complex houses the world's largest and most sophisticated archival storage system and will be the largest of the more than 35 facilities operated by the agency. The project was made possible by strong support from the Maryland Congressional delegation.

Celebrating its 60th anniversary next June, the National Archives will mark the occasion with a month-long program of activities beginning with the dedication of Archives II. The National Archives is entrusted with preserving the documents and information which recall the history of the nation and coordinates records management government-wide. Its activities include the publication of the Presidential Papers and administration of the presidential libraries.

PREVIOUS PARTICIPATION:	Past presidents have celebrated milestones in the history of this national institution. President Herbert Hoover layed the cornerstone for the National Archives building in the Federal Triangle in 1933; President Franklin Roosevelt signed the agency into law in 1934 with the National Archives Act.
DATE AND TIME:	Dates available for the dedication ceremony are May 10, 11, 12, 17, and 18. A morning event is recommended.
DURATION:	1 to 1-1/2 hours.
LOCATION:	The National Archives at College Park on the campus of the University of Maryland.
PARTICIPANTS:	The former Presidents of the United States, the Congressional leadership and the Maryland Congressional delegation, and Justices of the Supreme Court will be invited to attend the ceremony.
OUTLINE OF EVENTS:	The program would feature remarks by the President and a ribbon cutting ceremony.
REMARKS REQUIRED:	15- to 20-minute keynote remarks. The National Archives will provide talking points and background material.
MEDIA COVERAGE:	National broadcast and print media, trade, scholarly and foreign press to be invited.
FIRST LADY'S ATTENDANCE:	The First Lady is invited to participate in the dedication, particularly in light of her interest in the development of a Clinton Presidential Library which will be part of the National Archives.
CONTACT:	Shirley Clarkson, Director of Public Affairs, National Archives and Records Administration, (202) 501-5525.

cc: John Podesta
Margaret A. Williams

x- pea er of ouse ip . Neill, 81, Dies

Massachusetts Democrat Served in Elective Office for 50 Years

THE PRESIDENT HAS SEEN

By Bart Barnes
Washington Post Staff Writer

Thomas P. "Tip" O'Neill Jr., a Massachusetts Democrat who during his 10 years as speaker of the House of Representatives became one of the nation's best-liked, widely known and most influential leaders, died last night in Boston.

Mr. O'Neill, 81, died at 9:43 p.m. at Brigham and Women's Hospital of cardiac arrest, his family said in a statement from the hospital.

Mr. O'Neill was the quintessential urban ethnic politician. He held elective office for 50 years, including 16 years in the Massachusetts legislature and 34 years in the House. He based his career on the maxim, "all politics is local," and his rise to power rested primarily on personal relationships, party loyalty and favors that he did for constituents and colleagues.

When he retired as speaker in 1986, he had held that office for a longer continuous period than any other.

"Mr. O'Neill was a great American who served his country with distinction for many decades. He leaves behind a grand legacy of public service," the White House said in a statement last night.

Mr. O'Neill's last six years as speaker coincided with the presidency of Ronald Reagan, and they came at a time when the Republicans also controlled the Senate. Thus, Mr. O'Neill was the highest-ranking Democrat to hold national office during that period.

He was sometimes called the core of the Democratic Party, and he drew wide media exposure as his party's most vocal spokesman and the president's most effective and formidable opponent. Mr. O'Neill, with his shock of white hair, his perpetually rumpled shirt, bulbous

O'NEILL, From A1

nose and generous waistline, was a familiar figure to millions of Americans.

It was once said that he "wears the speakership like a glove." His reputation was that of a brilliant and cunning political strategist with an uncanny sense of timing who always seemed to know when to compromise and when to hold out for more. He was most effective away from the limelight in the back rooms and corridors where the horse trading and arm twisting that determine the fate and form of legislation take place.

He was perhaps the most dominant figure in the House since the death of former speaker Sam Rayburn (D-Tex.) in 1961 but, because of changes in various House procedures and rules, he was unable to exercise the kind of absolute power that Rayburn did.

What Mr. O'Neill did have was a warm and outgoing personality. He was a superb story-teller who loved to sit in the back of his office and spin yarns. In the early 1980s, the Republicans tried to make him the butt of a series of television advertisements featuring an actor look-alike, but the strategy backfired, and instead he became a symbol of national affection. Many representatives voted with Mr. O'Neill simply because they liked him.

As speaker, he presided over a fractious and diverse body of men and women, including many new members who came to Congress in the reform-minded post-Watergate era. They tended to have a low regard for party discipline and the traditions of the House, and they were not easily manipulated.

Nevertheless, under Mr. O'Neill's leadership, the House passed landmark legislation such as a wide-ranging ethics code governing the behavior of its members, Reagan's comprehensive tax reform package and President Jimmy Carter's omnibus energy bill. It restored proposed cuts in Social Security benefits and passed other social welfare programs, and it voted to terminate covert aid to rebel forces in Nicaragua.

Some in the House criticized Mr. O'Neill for being often unfamiliar with the details of legislation, but no one ever suggested he was less than a master of legislative mechanics.

House Republicans had this quickly demonstrated in January 1977, during the first hour of Mr. O'Neill's speakership. In less than 60 minutes, Mr. O'Neill pushed through more than two dozen rules changes aimed at weakening the power of the 143-member Republican minority. Those changes restricted the use of quorum calls and other delaying tactics that historically have been the minority's primary legislative weapons.

In his personal life, Mr. O'Neill liked baseball, beer, cigars and card playing. He always seemed to be trying to lose weight, and he once remarked that over the years he had probably lost—and regained—more than 1,000 pounds. He often was described as looking like the man next door in the working-class neighborhood of his native North Cambridge, Mass., where he lived most of his life. The Boston Globe observed that a primary reason for his political success was that he "kept the same wife, the same friends, the same lifestyle, the same values and the same philosophy that he began with in the '30s."

He believed deeply that it was the government's responsibility to improve quality of life for the ordinary person, and he kept a framed copy in his office of the Hubert H. Humphrey quotation, "The moral test of government is how it treats those who are in the dawn of life, the children; those who are in the twilight of life, the aged; and those who are in the shadows of life, the sick, the needy and the handicapped."

Those beliefs evolved from his early life experiences as the child of Irish parents in Boston at a time when the barons of commerce and industry accompanied their help-wanted notices with signs advising that "No Irish Need Apply."

Mr. O'Neill's mother died of tuberculosis when he was 9 months old, and during his early childhood the nuns from the Roman Catholic parish in his neighborhood helped to look after him. He was nicknamed "Tip" after St. Louis Browns baseball player Edward O'Neill, who became so adept at hitting foul tips that opposing pitchers ended up walking him.

His father was a union bricklayer who later became a Cambridge city councilman and superintendent of sewers.

Mr. O'Neill lost the first election he entered—a bid for a seat on the Cambridge City Council, while he was still a Boston College student. But he learned something in the process from a friend and former teacher named Mrs. O'Brien, whose vote he had not bothered to solicit because he assumed he would get it.

"People like to be asked," she told him.

"She gave me the lesson of my life," Mr. O'Neill observed more than 50 years later in his autobiography, "Man of the House." In subsequent elections he always asked his wife to vote for him just as they left home for the polls. Her answer was always the same. "I'll give it every consideration."

In 1936, at age 24, Mr. O'Neill won a seat in the Massachusetts legislature, the first of 25 consecutive biennial elections he would win before his 1986 retirement.

In 1948, he helped orchestrate a statewide campaign that produced the first Democratic majority ever in the state's House of Representatives. Mr. O'Neill subsequently became that body's first Democratic speaker.

He held that job for four years, until 1952, when he was elected to the seat in the U.S. House of Representatives that was vacated by John F. Kennedy to run for the Senate against Henry Cabot Lodge.

As a first-term representative, Mr. O'Neill came under the tutelage of the Democratic majority leader in the House, fellow Bostonian John W. McCormack, who saw to it that he got to know Speaker Rayburn. Rayburn later assigned him a seat on the Rules Committee that controls the flow of legislation to the House floor. In that assignment Mr. O'Neill acquired a detailed and intimate knowledge of how the House operated, and he got to know more of its members than most of his colleagues.

Until he became speaker in 1977, his wife and family remained in Massachusetts, and Mr. O'Neill commuted home on weekends.

As a staunch party loyalist, he voted with the Democratic leadership most of the time, but on occasion he did break rank. He came out against Lyndon B. Johnson's conduct of the war in Vietnam in 1967, one of the first of the Establishment Democrats to do so.

In 1970, he replaced Ohio's Mike Kirwan as chairman of the Democratic Congressional Campaign Committee, which raises and distributes campaign funds for House Democrats, and became Democratic Party whip in 1971, when Carl Albert succeeded McCormack as speaker and Hale Boggs of Louisiana became majority leader.

On a flight to Alaska in October 1972, Boggs's plane was lost in a rainstorm between Juneau and Anchorage. The following January, Mr. O'Neill became majority leader.

He was elected speaker without Democratic opposition after Albert retired in 1976.

His first four years as speaker coincided with the presidency of Carter. But Carter's staff, in Mr. O'Neill's view, gave short shrift to its relations with Congress and the relationship between the president and the speaker was never close.

The nadir of his speakership came during the first year of the Reagan presidency, when the White House pushed through some of the largest increases in defense spending in the nation's history, while sharply curtailing domestic programs and cutting taxes, all over Mr. O'Neill's opposition.

"For a while, I was a solitary voice crying in the wilderness," Mr. O'Neill recalled in his autobiography. At one point he faced a rebellion in his own ranks, but events began to turn in Mr. O'Neill's favor in mid-1982. The Democrats gained 26 House seats in congressional elections that fall, partly by attacking the Republicans for Reagan's cuts in antipoverty and education programs and in Social Security benefits. When the House reconvened in January 1983, the rebellion against Mr. O'Neill had dissipated.

During the remaining years of his speakership, Mr. O'Neill clashed repeatedly with Reagan, referring to his presidency as being "of the rich, by the rich and for the rich." But the two men remained on good terms personally, and the president had warm praise for Mr. O'Neill at a 1986 dinner saluting the speaker on his 50th anniversary in politics.

On June 17, 1941, Mr. O'Neill married the former Mildred Ann Miller. They had five children, Thomas P. III, Christopher, Michael Tolan, Susan and Rosemary.

THE WASHINGTON POST
THURSDAY, JANUARY 6, 1994

Shld call wife - write all kids - need rep at funeral

THE PRESIDENT HAS SEEN
1/6/94

Copied
Griffin
Dorskind
McCarty

FW 24

THE PRESIDENT HAS SEEN 1/6/94

GS FYI B

MARY McGRORY

January 5, 1994

Dear Mr President and Hillary -

Happy New Year.

I am writing to thank you for your holiday hospitality, which was so generous and extensive. I thank you for the lunch at Blair House. I want to thank you most particularly for the message you sent by George - "I thank her for her grace." I want it engraved on my

~~tombstone~~

I thank you for the Christmas party and the dazzling decorations and the kindness and the warmth.

You were also my hosts in absentia. While you were down South, thanks to Paul Carey, Marc Hoberman and Officer Price, we took a party from St. Ann's Infant Home, fifteen children from three to eight. They adored the tree and meeting Santa. Willie, 3, asked me at the outset if it was McDonald's, but others knew where they were and were glad to be there. Thank you for all.

Mary McGrory

Washington's Taxers Find They've Taxed Themselves

By DAVID E. ROSENBAUM A1

Special to The New York Times

WASHINGTON, Jan. 5 — When the time comes for Senators and Representatives to pay their income taxes this April, they will probably find they owe several hundred dollars more than they might have expected.

They will have no one to blame but themselves.

An obscure provision of an energy policy law they passed in 1992 requires workers who receive free or subsidized parking from their employers to pay income taxes on the value that is worth more than $155 a month, beginning with their 1993 returns. The expectation was that a relatively small number of affluent executives who work in the central business districts of a few large cities would be affected.

Coming Home to Roost

Apparently no one ever dreamed this would apply to lawmakers.

But regulations published last week by the Internal Revenue Service made it clear that the free, reserved, underground parking spaces given all senators and representatives and many of their top assistants were worth much more than $155 a month.

The new rules specified that the value of parking must be determined by the price a taxpayer would have paid for the space in an arms-length commercial transaction at the same location or one nearby. And they said the monthly rate had to be applied if the space was available all month even if, as is the case with most lawmakers, it is used only part of the time.

The Fine Print

A periodic look behind the law.

The commercial indoor parking closest to the Capitol is at least four blocks away, at Union Station and beneath office buildings on New Jersey Avenue Northwest, North Capitol Street and Virginia Avenue Southwest. The cost

Continued on Page D20, Column 1

Continued From Page A1

for a reserved space in those lots is more than $300 a month.

If the value of the Congressional spaces is placed at $305 a month, lawmakers and their assistants with reserved, indoor parking spaces would have to pay taxes on an additional $1,800 a year ($305 minus $155, or $150, times 12 months). Those in the 36 percent tax bracket would owe an additional $648 in taxes on April 15.

Outdoor parking in Washington generally costs less than $155 a month. So the thousands of Congressional staff members and White House aides who have permits to park for free on the street or in outdoor lots will not be affected by the new law.

The I.R.S. said it was up to each Federal department and agency to calculate the value of the parking space it provides. Those like the Treasury Department that are in especially high-rent areas will probably have to see that officials who get free parking have it included as additional income.

Limited National Effect

Across the Potomac at the Pentagon, where there are 67 acres of free parking spaces, the value is almost certainly below $155 a month.

Beyond Washington, the application of the new law appears to be limited. William J. Dunn, a manager in the national tax office of Coopers & Lybrand, the accounting firm, said that as a rule, monthly parking rates were over $155 only in the central business districts of a few other large cities: New York, Chicago, Los Angeles, San Francisco, Boston and perhaps Philadelphia.

Unlike the situation in Washington, free parking in those cities is the exception rather than the rule, said Peter Ross, a lawyer at Hewitt Associates, a benefits consulting concern with offices nationwide. In midtown Manhattan, where parking can cost many hundreds of dollars a month, very few companies offer free parking and those that do give it only to their most senior executives, Mr. Ross said.

The biggest blow could come to people in partnerships and owners if businesses. The new I.R.S. rules stipulate that they must pay taxes on the full value of their parking if the partnership or business picks up the tab and are not entitled to the $155 monthly exclusion. Many doctors and lawyers have incorporated this year simply to become eligible for the exclusion.

Loophole With Heat

Still, it is in Congress where the parking law is likely to create the biggest stir. Mary B. Hevener, a Washington lawyer who is an authority on the taxation of fringe benefits, suggested that the tax regulations were written in such a way that the legislators could probably find a way to weasel out of the additional taxes this year if they were willing to take the political heat.

The regulations stated that for 1993 taxes only, the value of parking spaces could be calculated by any reasonable good-faith method and not necessarily according to the rules issued last week. Presumably, Ms. Hevener said, lawmakers could provide a calculation that showed their parking was not worth more than $155 a month.

But Representative Robert T. Matsui, a California Democrat who sponsored the amendment for the tax on parking, said he did not anticipate any attempt in Congress to escape the law. "There's a strong feeling we should be subject to the same rules as everybody else," he said in an interview.

No Debate, No Vote

Mr. Matsui said he had the parking tax provision put into the Energy Policy Act of 1992 because the budget rules required him to find a way to offset the revenue that would be lost from a tax break he proposed for mass transit users. His proposal increased to $60 from $21 the amount employers could spend for their workers' mass transit passes without the workers incurring taxes. Both the mass transit and parking provisions, he said, were meant to conserve energy and reduce pollution.

The $155 figure was set, staff officials said, because that is what the Congressional Budget Office estimated would raise the same amount of money the mass transit measure would lose.

The parking measure was never debated or voted on separately, and few lawmakers were aware of it. Mr. Matsui said he remembered no consideration of whether Congress would be affected. A staff assistant said he had a vague recollection of a discussion as the 1992 law was being drafted that ended with the off-the-cuff conclusion that parking on Capitol Hill was not worth $155 a month.

Congress is in recess, and few lawmakers are in their Washington offices this week. A half-dozen who were buttonholed in the corridors said they had never heard of the parking tax.

The I.R.S. rules require employers to determine how much parking is worth and to include the amount that exceeds $155 a month in the total income listed on the W-2 forms they send employees showing how much money was earned the previous year and how much tax was withheld.

In Congress, it is not clear who will make that determination. The matter seems to fall under the jurisdiction of the Senate Rules Committee and the House Administration Committee, but the staff directors of those committees said they had never heard of the new parking rules.

Officials in charge of payrolls in the Senate and House said they did not know about the new parking rules and had no idea they ought to put something on lawmakers' W-2 forms.

Under the law, W-2 forms are supposed to be mailed out by Jan. 31.

THE PRESIDENT HAS SEEN 1/6/94

Mack
This could be a problem for us - should be checked out
B.

THE NEW YORK TIMES, THURSDAY, JANUARY 6, 1994

2

Faxed 1/6

Document No.____________

WHITE HOUSE STAFFING MEMORANDUM

DATE: 1/5/94 ACTION/CONCURRENCE/COMMENT DUE BY: ____________

SUBJECT: TALKING POINTS HEALTH CARE AND WELFARE REFORM

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	✓	[redacted] GRIFFIN	☐	✓
McLARTY	☐	✓	QUINN	☐	✓
[redacted] LADER	☐	✓	RASCO	☐	✓
ICKES		✓			
PANETTA	☐	✓	RUBIN	☐	✓
BAGGETT	☐	✓	SEGAL	☐	✓
EMANUEL	☐	✓	SEIDMAN	☐	✓
GEARAN	☐	✓	STEPHANOPOULOS	☐	✓
GERGEN	☐	✓	TYSON	☐	✓
GIBBONS	☐	✓	VARNEY	☐	✓
HALE	☐	✓	WATKINS	☐	✓
HERMAN	☐	✓	WILLIAMS	☐	✓
LAKE	☐	✓	______	☐	☐
LINDSEY	☐	✓	______	☐	☐
McGINTY	☐	✓	______	☐	☐
MYERS	☐	✓	______	☐	☐
NUSSBAUM	☐	✓	______	☐	☐

REMARKS:

RESPONSE:

JOHN D. PODESTA
Assistant to the President
and Staff Secretary
Ext. 2702

TALKING POINTS
HEALTH CARE AND WELFARE REFORM

We must have comprehensive health care reform in order to move forward on the rest of the President's domestic agenda. Without reform, health care costs will continue to explode and eat up our investment dollars. Without reform, people will continue to be locked in current jobs or on welfare.

The bottom line: we cannot end welfare unless we also have comprehensive health care reform.

THE PROGRAM

From the outset of this Administration, the President has been working to make good on his pledge to end welfare as we know it. This initiative has four major parts: the Earned Income Tax Credit; health care reform; personal responsibility and work.

The Earned Income Tax Credit (EITC). We ought to reward work over welfare. Enacted in last year's budget, the expanded EITC will ensure that any family that has a full-time worker will no longer live in poverty. Expanding the EITC represents a giant step forward in reducing those dependent on welfare.

Comprehensive health care reform. Today, millions of welfare recipients stay on Medicaid or return to welfare -- the Federal government's health care program for the poor -- because taking a job means they will lose health benefits for themselves and their children. Comprehensive health reform will eliminate so-called "Medicaid lock" and enable people to seek jobs, secure in the knowledge that they and their children will be covered. By ensuring universal coverage, the Health Security Act provides the necessary foundation for welfare reform. The proposals being drafted by the President's working group on welfare are specifically designed to complement health reform.

Personal responsibility. The President's welfare reform plan will include initiatives to prevent teen pregnancy, ensure that parents fulfill their child support obligations, dramatically increase paternity establishment, and try to keep people from going on welfare in the first place. The message is clear: Governments don't raise children, parents do.

Work, not welfare. The final part of the President's welfare plan will build on the Family Support Act by requiring people who can work to do so within two years, either in the private sector or community service. This includes expanding child care for working families; providing education, training, and job search and placement for those who need it; and restoring the basic social contract of providing opportunity and demanding responsibility in return.

TIMING

Q: When will welfare reform legislation be introduced?

A: We expect to introduce welfare reform legislation this year and want Congress to pass it.

[if pressed on specific timing]

No decisions have been made. We think it's premature to make decisions on timing before you make decisions on policy.

Q: What comes first? Health reform or welfare reform?

A: The President has made clear that health reform is his number one domestic priority for 1994. The Administration and Congress want to enact both health and welfare as quickly as possible -- and consultations are continuing on the exact sequencing.

Q: The Republicans say you're dragging your feet on welfare reform. What's taking so long?

A: No President -- Democrat or Republican -- has done more than Bill Clinton to "end welfare as we know it."

Look at the record. President Clinton has been at the forefront of welfare reform in this country since he led the nation's governors in writing and worked with Congress to pass the Family Support Act of 1988. And when the House Republicans introduced their bill last November, they pointed out that it is based on proposals put forth by President Clinton in the 1992 campaign.

In addition, the Administration has been working closely with states and local officials to reward innovative welfare reform programs. In 1993, the Department of HHS granted a number of waivers for innovative state programs.

President Clinton's four-step welfare reform package makes economic and common sense, and will attract bipartisan support.

[if pressed]

Those who are criticizing us now are the same people who voted against the first part of the President's welfare reform package -- the EITC.

THE PRESIDENT HAS SEEN
1-5-94

THE VICE PRESIDENT
WASHINGTON 94 JAN 4 P1:52

January 4, 1994

OK w/me

cc: VP
Lake
Jack Quinn
Bo Cutter

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT AG

SUBJECT: INTERNATIONAL TELECOMMUNICATIONS UNION

SUMMARY

I highly recommend that you invite the International Telecommunications Union to hold its 1998 Plenipotentiary Conference in the United States.

DISCUSSION

In October you received a letter from Representative Lee Hamilton urging you to extend an invitation on behalf of the U.S. Government to the ITU, an organ of the United Nations, to hold its Plenipotentiary Conference in this country in 1998. In September of 1992 the House of Representatives passed a resolution calling for the U.S. to host the conference in 1998. I would strongly support your issuing such an invitation.

The ITU plays an important role in global telecommunications through setting standards, frequency allocation and regulation of satellite orbit slots. The United States has not hosted an ITU Plenipotentiary Conference since 1947. The next scheduled conference will be held in 1994 in Japan, one of our strongest international competitors in the telecommunications arena.

Inviting the ITU to hold its next conference in this country would send a strong signal that this Administration is taking a leadership role in using information technology and resources to promote economic growth. It would also signal the importance we place on coordinating with other levels of government and with other nations. Because information crosses state, regional and national boundaries, coordination is important to avoid unnecessary obstacles and to prevent unfair policies that handicap U.S. industry.

THE PRESIDENT HAS SEEN 1/6/94

To John Podesta

SHEINGOLD ASSOCIATES
501 SANTA YNEZ WAY
SACRAMENTO, CA 95816
916.452.9704 FAX 452.9861

94 JAN 3 P4:47

FYI

Tom

DATE: December 29, 1993
MEMO TO: Tom Epstein
FROM: Larry Sheingold
RE: CA State Senate District 40

Steve Peace won by a little more than 2,000 votes.

The President's letter* made a big difference. Tell everybody back there "thanks for the help."

* get out the vote to registered Dems

JDP

Hooray

copy Epstein

Foreign Policy Nears a Peril Point

By Brent Scowcroft and Richard Haass

WASHINGTON

The foreign policy debate during the Clinton Administration's first year focused almost totally on secondary issues. The country can ill afford such a luxury this year.

The only first-magnitude issue to get large-scale public attention and sustained Presidential focus (at the eleventh hour) was the North American Free Trade Agreement. Other such issues — Russia, the Middle East, North Korea, China, Japan, the General Agreement on Tariffs and Trade — drew episodic high-level attention from an Administration preoccupied with domestic concerns.

Three of the four most debated policies were Bosnia, Somalia and Haiti — all areas of actual or potential military intervention where American interests were less than vital.

Despite progress on trade and in the Middle East, the lack of focus on the big issues has led to weakened relationships with our allies and a loss of support at home for continued U.S. leadership in the world.

The outlook is approaching a point of peril for shaping a coherent foreign policy. To reverse this trend, President Clinton needs to choose a few priority issues for 1994 and act on them. Here are five candidates — all matters where important U.S. interests are at stake and where our actions can make a difference.

Dealing with Russia, Ukraine and the rest of the former Soviet Union.

The Administration has established American support for Boris Yeltsin as a leading force for political and economic reform. With the parliamentary elections over and the new Constitution approved, we have to broaden U.S.-Russian relations.

Press for full inspection in North Korea.

Besides expanding our contacts with all responsible elements of the political spectrum and emphasizing support not for individuals but for democratic institutions and market reforms, we should spend more time on such emerging features of Russia's foreign policy as its more menacing positions on nuclear weapons and the former Soviet empire.

If Russia can object to the expansion of NATO, the West should be able to make the expansion of Russian influence no less an issue. We have to make clear that our long-term support is not unconditional and will depend on Russia's adherence to political and economic reforms and restraint toward its neighbors.

U.S. relations with Russia cannot be the sole avenue through which U.S. relations with Ukraine are conducted. Our policy toward Ukraine has been confrontational and one-dimensional, linking our willingness to provide assistance and normalize relations to Ukraine's willingness to give up its nuclear weapons. But the more we push this approach, the more the Ukrainians conclude that the weapons are valuable.

Given Ukraine's collapsing economy and Russia's uncertain intentions toward an independent Ukraine, we could end up with the worst of all worlds: an unstable and isolated Ukraine with nuclear weapons. We should seek to promote Ukrainian stability, with support tied only to needed economic and political reforms; with this approach, the nuclear question can be addressed more productively.

Brent Scowcroft, president of the Forum for International Policy, a foreign affairs foundation, was national security adviser under George Bush and Gerald R. Ford. Richard Haass, a National Security Council staff member in the Bush Administration, is a senior associate at the Carnegie Endowment for International Peace.

Consolidating European security.

Too much of the U.S.-European dialogue has been consumed by squabbles over trade, finger-pointing over Bosnia and counterproductive suggestions that Asia is more important to us than Europe, as if the two regions were mutually exclusive. We need to resume a serious dialogue on possible external threats to European stability.

The issue of expanding NATO will top the agenda at the NATO summit meeting next week. But it does not need formal expansion to deal with former Warsaw Pact countries. Our goal in Eastern Europe should be to provide security and to consolidate political and economic progress (on which our help has been stingy), not to encourage governments to devote scarce resources to defense in order to earn admission to NATO.

Nor should our goal be to make NATO so large that it becomes unwieldy. We can promote European stability by developing less formal military ties to Eastern Europe and making it clear that we will extend security guarantees if Moscow threatens its neighbors' security. This approach should reassure Eastern Europe, avoid unduly provoking Moscow and give us leverage over Russia's external behavior.

Pacifying North Korea.

We have a clear interest in avoiding conflict on the Korean peninsula. We have an equally clear interest in making sure North Korea does not provoke an Asian arms race and does not add a nuclear dimension to the threat it poses to regional stability.

The Administration said yesterday it was close to a compromise with Pyongyang. It is making a crucial error. Any arrangements for inspections must provide for not onetime but regular and full access to all sites — not merely the seven apparently agreed upon — that are known or suspected of having nuclear-weapons activities. If the North takes concrete steps to reduce the threat to the peninsula and the region, we should open meaningful political and economic relations. But whatever happens, the U.S. and South Korea should continue joint military exercises and strengthen the defenses of the South against attack from the North, whether nuclear or conventional.

Fostering strategic dialogue with the Asia-Pacific powers.

The North Korean issue demonstrates how important political-military relations remain in the Pacific.

China's negative attitude on sanctions against North Korea, its aggressive and dangerous policy on arms exports, Japan's hints about rethinking its non-nuclear-weapons policy, the conventional military buildup among members of the Association of Southeast Asian states — all suggest strongly that we cannot allow our diplomacy with the world's most vibrant economies to be dominated by trade disputes.

Instead, we need broader consultations on national priorities and changing national relationships in a dynamic Asia.

Strengthening the sinews of foreign policy.

Chief among the requisites for successful foreign policy is a credible military able to give weight and support to policy. The Administration has cut the already much reduced defense budget it inherited from George Bush. The cuts are even larger than often realized, considering that the defense budget includes a range of international activities that do not contribute directly to U.S. forces.

We cannot allow the U.S. military to become a hollow instrument in which the sizes and composition of our forces and their readiness are not supported by necessary training, maintenance, personnel and spare parts. The Defense Secretary-designate, Bobby Ray Inman, faces a tough job. He must convince President Clinton to finance the Pentagon's possible budget request of $255 billion for the 1995 fiscal year and fight for it on Capitol Hill.

President Clinton, who has shown his ability to exploit the power of his office to shape the nation's political agenda — on the budget, health care, crime — must do no less on issues of foreign and defense policy.

There are, of course, other national security matters deserving high-level attention. A short list includes consolidating and where possible expanding gains in trade liberalization, continuing Iraq's isolation, maintaining vigilance toward Iran, promoting democratic change in Cuba, normalizing ties with Vietnam, coping with continuing instability in the former Yugoslavia and rethinking our relationship to peacekeeping, peacemaking and the United Nations.

These or other issues may turn out to require sustained, high-level involvement — say, if the Middle East peace process falters of if the war in Bosnia spreads. But what is certain is that the big issues require special attention in the Oval Office. They offer the areas of greatest opportunity if the U.S. takes the lead — and the greatest risk if we do not. □

THE PRESIDENT HAS SEEN 1/6/94

THE NEW YORK TIMES, WEDNESDAY, JANUARY 5, 1994

14

THE PRESIDENT HAS SEEN 1/6/94

Ron

don't forget

on our discussion

B

Fed Assails President's Bank Plan

Uniting of Agencies Won't Work, It Says

By KEITH BRADSHER

Special to The New York Times

WASHINGTON, Jan. 4 — In an unusual public attack, the Federal Reserve today strongly criticized a Clinton Administration plan for the consolidation of bank regulatory agencies that would hand over much of the Fed's regulatory role over to the Treasury Department.

Saying that the Administration's plan would lead to neither an efficient regulatory system nor good government, the Fed proposed instead a new regulatory lineup that would preserve much of its own current role.

The Fed's criticisms prompted outspoken complaints this afternoon by Treasury officials that the Fed was simply seeking to protect its turf. But some banking industry officials praised the Fed's proposal as a way to limit possible abuses of power by the single agency sought by the Clinton Administration.

Break With Tradition

While the Fed's unhappiness with the Administration plan has been well known, the exchange today was a sharp departure from both the Fed's tradition of bland reticence and the Clinton Administration's desire to preserve good relations with the central bank. The Fed's current policy of holding interest rates low is generally regarded as crucial to the success of President Clinton's economic program. Fed and Treasury officials have so far taken pains not to drag interest rate policy into the regulatory brawl.

Treasury Secretary Lloyd Bentsen has been seeking to combine the Administration's two regulatory agencies for banks and savings and loans, the independent Federal Deposit Insurance Corporation and some of the Fed's regulatory functions, into an entity called the Federal Banking Commission, responsible for examining banks and savings and loan institutions.

The Fed proposed today that the Administration combine its two agencies while allowing the Fed to regulate the largest bank-holding companies plus allfinancial holding companies in which the largest entity is a state-chartered bank or savings and loan. The F.D.I.C. now regulates many state-chartered institutions but would be limited under the Fed plan to handling deposit insurance and some ailing banks and savings and loans.

John P. LaWare, one of the Federal Reserve Board's seven members, presented the proposal in a commentary published this morning in The American Banker, a daily newspaper widely read by bankers. The Federal Reserve has been trying to rally support among bankers for its position as it prepares to fight the Treasury Department plan in Congress this year.

Termed View of Fed

Mr. LaWare said in an interview that although his name appeared alone on the commentary, his column was a summary of current views at the Fed. "It's expressed as a particular view, but it represents the distillation of our thinking here at the Federal Reserve," he said.

Mr. LaWare, a former chairman of the Shawmut National Corporation, a bank holding company, tends to take the lead on bank regulatory issues.

Specifically, Mr. LaWare proposed today to combine the Office of Thrift Supervision, which regulates many savings and loans, with the Office of the Comptroller of the Currency, which regulates many banks. Both are part of the Treasury Department.

Richard Carnell, the Assistant Secretary of the Treasury for Financial Institutions, told reporters this afternoon that the Federal Reserve's proposal would give it direct regulatory authority over 40 percent of the nation's banking system, as measured by assets, compared with 18 percent now.

Mr. LaWare responded in an interview, "Contrast that with their proposal, which says they want 100 percent."

Mr. LaWare said that retaining two regulatory agencies would encourage competition between them, resulting in better ideas. But under the Fed plan, banks would retain some of their current freedom to choose which agency would regulate them.

Frank N. Newman, the Under Secretary of the Treasury for Domestic Finance, warned that this could prompt regulators to compete in leniency, and pointed out the lenient regulation that allowed the collapse of the savings and loan industry in the 1980's. Mr. LaWare responded that the savings and loan industry had been regulated by a single agency then.

Kenneth A. Guenther, the executive vice president of the Independent Bankers Association of America, a trade group that represents small- and medium-sized banks, said that his group preferred the Fed plan to the Treasury's because it would limit the concentration of regulatory power.

But Edward L. Yingling, the chief lobbyist for the broader American Bankers Association, said that his group had not yet taken a position and would continue to review both plans.

Economists Trade Barbs Over President's Policy

By SYLVIA NASAR

Special to The New York Times

BOSTON, Jan. 4 — No annual meeting of the American Economics Association would be complete without an assessment of current economic policy, but the one that took place today produced some unusual sparks.

Robert Barro, a Harvard professor and Reagan Republican, conceded that the Barro misery index had declined by half a percent during the first year of Bill Clinton's term. The index, which is occasionally featured in The Wall Street Journal, measures changes in joblessness, interest rates and such. "Less misery," he acknowledged.

Professor Barro, however, gave most of the credit for the improvement to a fellow Republican, Alan Greenspan, the chairman of the Federal Reserve Board, not the President.

That brought a sharp retort from Robert Solow, a Nobel Laureate from the Massachusetts Institute of Technology, a Democrat, who applauded the Administration's willingness to tax the rich and help the poor. His precise words, uttered with a glare at Professor Barro, and a flourish, were, "Stupidity is stupidity."

The Snow Factor

Another panelist, Allan Meltzer from Carnegie Mellon, blamed the snowstorm swirling outside for the fracas.

Today's deliberations were the second in two sessions on Clintonomics. The session on Monday was a somewhat lopsided duel between four Clinton supporters, including two Administration members, on one side, and a lone Clinton critic, Martin Feldstein, a Harvard economist who is the president of the National Bureau of Economics and was the chairman of the Council of Economic Advisers in President Ronald Reagan's first term.

"It's a pleasure to be on a panel when the plaintiff is so badly outnumbered," Alan Blinder said on Monday.

Both sessions were "ritual dances," in Professor Solow's words. "Any kids with a computer could have predicted what everybody would say a year ago," he said.

Some Common Ground

The least predictable thing about both panels was that the economists agreed about a few things.

Each agreed that the economy was doing fine — despite the fact that they all live somewhere between Washington and Boston, a part of the country that is still struggling.

It is hard, Professor Feldstein acknowledged on Monday, to complain too loudly about an economy that is growing at an annual rate of 2.5 percent or better, has a 6.4 percent unemployment rate and inflation of only about 3 percent.

He smiled when he, too, gave all the credit to Mr. Greenspan.

"Alan Greenspan deserves very high marks," he said. "As economists, we are all aware that the economy's performance is not a function of current Administration policy."

And all the economists, several of whom said they had feared the worst, sang hosannas about the passage of the North American Free Trade Agreement and the successful conclusion of the negotiations on the General Agreement on Tariffs and Trade.

'Very Good' Performance

"The Administration's performance was not only positive, surprisingly positive," said Rudiger Dornbusch, an M.I.T. professor and Clinton supporter on Monday's panel. "It was actually very good."

Lawrence H. Summers, the Under Treasury Secretary who is being awarded the John Bates Clark medal for the best young economist under age 40, recalled wondering a year ago whether it would be a good idea to accept the invitation to defend the Administration's economic policy. On Monday, he said he was glad he had made the right deceision.

After all, as he put it, "This has been the most successful year for American international economic policy than any year since World War II."

As the U.S. economy's misery index sinks, who gets the credit?

New Criteria For Earnings

Beginning today, the listing of corporate earnings in Business Day will cover only companies that have at least $50 million in quarterly revenues. Banking and insurance companies, which do not usually report revenues, will be covered in the listing if their total assets exceed $2 billion.

In addition, for any company reporting a loss, the listing of corporate earnings will now show the loss per share.

THE NEW YORK TIMES, WEDNESDAY, JANUARY 5, 1994

Rubin

[redacted]

Surely tongue in cheek

B

THE PRESIDENT HAS SEEN 1/6/94

8

THE WHITE HOUSE
WASHINGTON

DATE: 01/05/94

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

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

The attached has been forwarded to the President.

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL OF ECONOMIC ADVISERS

WASHINGTON, D.C. 20500

THE CHAIRMAN

94 JAN 5 P6:52

January 5, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: LAURA D. TYSON Laura D. Tyson

SUBJECT: Initial Claims for Unemployment Compensation, to be Released Thursday, 8:30 a.m.

Initial claims for unemployment insurance jumped from 291,000 during the week of December 25 to 363,000 during the week of January 1. We do not usually send a memo to you on these weekly numbers, but this jump is large enough to make headlines.

- The increase reflects a seasonal adjustment problem: Claims are artificially understated during the holiday season and then bounce back up at the start of the new year.
- In short, the good news last week (when claims dropped sharply) and the bad news this week are both overstated.
- The less volatile 4-week moving average of initial claims increased from 321,500 for the week of December 25, to 328,500 for the week of January 1. This series is now back to roughly its level of mid December.

THE WHITE HOUSE
WASHINGTON

DATE: 1/5/94

TO: DAVID WATKINS

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

Do you want John Gaughan commissioned or Al Maldon commissioned?

THE WHITE HOUSE

WASHINGTON

January 4, 1994

MEMORANDUM TO JOHN PODESTA

FROM: DAVID WATKINS D. Watkins

SUBJECT: PRESIDENTIAL COMMISSION FOR JOHN A. GAUGHAN

Following up on our conversation today, I am requesting that a Presidential Commission be prepared for John Gaughan. The certificate should read John A. Gaughan of Maryland with his title as Deputy Assistant to the President and Director, White House Military Office.

Thank you for your cooperation with this request.