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THE VICE PRESIDENT
WASHINGTON

January 4, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT *AG*

SUBJECT: OUTLINE OF ADMINISTRATION'S TELECOMMUNICATIONS POLICY

On January 11th, I will be giving a speech on the Administration's telecommunications policy. I have been meeting with officials from Commerce, Justice, NEC, OSTP, OMB and CEA to develop a consensus Administration position on these issues. I believe this is critical because telecommunications policy reform crucial to setting the "rules of the road" for the information highway is a key commitment of this Administration. Key members of Congress are also committed to passing legislation this session. Before proceeding further, I wanted to let you know where we are headed and to get your input.

As I stated in my speech at the National Press Club on December 21st, I believe that the Administration's policy in this area should be guided by five principles. We should:

1. Encourage private sector investment so that the information highway is built as rapidly as possible;
2. Promote and protect competition by encouraging entry into markets dominated by monopolies and preventing abuse of monopoly power;
3. Provide open access to this network so that entrepreneurs and individuals can easily provide content -- in the same way that anyone can write software for the personal computer;
4. Avoid creating a society of information "haves" and "have nots"; and
5. Encourage flexibility so that our policies can evolve over time as markets and technologies change.

Below, in outline form, are the positions that we believe best implement these principles. I have also attached summaries of major existing legislation.

1. **Telco/Cable Crossownership:**

- Currently, telephone companies ("telcos") are not permitted to own cable systems in the region that they serve. We believe that telcos should be permitted to provide video services in their local exchange areas, subject to certain conditions and safeguards. To prevent "multimedia monopolies", we would prevent telcos from buying existing cable systems in their service areas for at least five years.

2. **Local Competition:**

- We would promote the development of local telephone competition by requiring that phone companies (a) "unbundle" their services; and (b) provide interconnection with competing providers. This would require preempting state entry and rate regulation of new entrants into the local telephone service market.
- States will still have the authority to establish "price caps" to prevent sharp increases in residential rates that might occur as cross-subsidies from business to residential customers are eliminated.

3. **Universal Service:**

- We would make the preservation and advancement of "universal service" an explicit objective of the Communications Act, and oblige all carriers to contribute to the preservation and advancement of universal service. Carriers could provide "in-kind" contributions to universal service as well as contribute to a fund. A Federal/State Joint Board, with input from public interest groups, would make recommendations concerning the fundamental elements of universal service.
- We would also set a national goal to connect all classrooms, hospitals and libraries to the emerging information highway.

4. **Forbearance:**

- We would allow the FCC to reduce regulation of non-dominant carriers.

5. **Modified Final Judgment:**

- Under the consent decree which forced the break-up of AT&T, the Bell Operating Companies ("BOCs") were prevented from entering certain lines of business such as long-distance, manufacturing, and information services.
- Brooks and Dingell have introduced legislation, which we generally support, that would transfer jurisdiction over the decree and its restrictions to the DOJ and FCC, and gradually allow the BOCs into new markets, subject to certain conditions and safeguards.
- On long-distance, we have adopted a slightly different approach. We would encourage BOCs to establish a separate "local loop" affiliate to handle that portion of their business that would remain a regulated monopoly. This would minimize the potential for anti-competitive behavior. In exchange, a less stringent entry test for entry into long distance would be applied.
- Brooks and Dingell would allow BOC entry into two significant portions of the long distance market immediately, but force them to wait for at least five years before providing the full range of long-distance services.

6. **Open Access:**

- We are working to develop legislative provisions that will allow open and non-discriminatory access to the network, and prevent companies from abusing their control of the network.

7. **The Future of Telecommunications Regulation:**

- We want to produce legislation that will stand the test of time and address tomorrow's challenges as well as today's. To that end, we are working to develop a regulatory regime for the competitive provision of wide-band, interactive digital programming and services to home and office.

cc: Mack McLarty
David Gergen
George Stephanopoulos
John Podesta
Pat Griffin
Mark Gearan

DANFORTH-INOUE -- S. 1086

LOCAL COMPETITION

- Telecommunications carriers would be required under the FCC rules (and certain consistent State rules) to provide others with interconnection and nondiscriminatory access to certain facilities and services. Industry (and if it fails, the FCC) would develop the necessary standards and planning. Carriers without market power would have pricing flexibility.

CABLE-TELEPHONE COMPANY CROSSOWNERSHIP

- Local exchange carriers (LECs), currently restricted from providing video programming directly to subscribers, could provide programming through a separate subsidiary. These LECs would also be restricted from buying cable systems in their telephone service areas (except where now permitted, in rural areas). Also, any cable operator (not just a LEC) could only provide telecommunications services directly to subscribers in its cable service area through a separate subsidiary, and would be prohibited from subsidizing video programming operations its telecommunications services.

EXCEPTIONS TO BELL COMPANY LONG DISTANCE REQUIREMENTS

- The current restriction on Bell Company provision of long distance services (established in the AT&T Consent Decree) would be modified to allow Bell Companies to provide some long distance services, solely to provide certain aspects of cellular mobile radio services, under various restrictions.

SAFEGUARDS ON BELL COMPANY PROVISION OF INFORMATION SERVICES

- Bell Companies could not use exchange revenues to cross-subsidize their provision of information services. A Bell Company could provide electronic publishing services only through a separate subsidiary and subject to various restrictions.

CUSTOMER INFORMATION

- Release and use of information about customers, such as names, addresses, and telephone usage data, would be restricted.

UNIVERSAL SERVICE

- All telecommunications carriers are to contribute to the preservation and advancement of "universal service" (a term not defined in the bill).

MARKEY-FIELDS BILL -- HR 3636

The Markey Fields bill is built on 3 key themes of local telephone competition, multichannel video competition, and universal service. Original cosponsors include Fields, Boucher and Oxley. While borrowing from legislation already introduced on cable-telco and infrastructure issues by Boucher and Oxley (HR 1504), the Subcommittee bill also puts more emphasis on the advanced services variation of Electronic Frontier Foundation's open platform philosophy.

LOCAL COMPETITION

Markey's bill takes much of the language on cable-telco from HR-1504 introduced by Boucher and Oxley. Under the Markey bill, cable companies, independent phone companies and information providers would be allowed to compete with the local telephone companies and to use its facilities. The FCC would establish rules for compensating local telephone companies for providing interconnection and equal access to competitors. State laws that prohibit local competition would be preempted.

VIDEO COMPETITION

The Markey bill would rescind the cross-ownership ban and permit telephone companies to compete in offering video programming. However, telephone companies would have to offer video under a separate subsidiary in its telephone service area. Telephone companies would be required to offer "video platform" service, and would be able to keep 25% of capacity for their own programming, offering the rest on a common carrier basis, as in the Boucher/Oxley bill. The Markey bill also would prohibit telephone companies from buying out existing cable systems in their service territory. Joint ventures would be allowed in certain circumstances, while cross-subsidy of programming by regulated services would be banned.

UNIVERSAL SERVICE

A Federal-State Joint Board would be created to draw up plans to require all service providers to contribute to support universal service. The board would define the nature and extent of the services in a telephone company's universal service obligation. The FCC would be required to review whether the concept of universal service should be expanded to include digital services, when technically and economically feasible. The bill also proposes protection for small telcos and rural areas, giving FCC the power to exempt them from interconnection requirements and ordering the Commission to study the effects of competition on rural carriers.

Open Platform Service -- The newest wrinkle contributed by the Markey bill is the concept of "Open Platform Service," which would provide digital services to residential subscribers at affordable rates through tariffs. By providing digital compression at reasonable rates, some say subscribers might see an economical way to increase by a factor of 10 to 15, the amount of data that can travel down a copper phone line.

BROOKS-DINGELL BILL -- HR 3626

Brooks - Dingell bill overhauls Judge Greene's consent decree on long distance services. The legislation is divided into two sections -- one dealing with Bell Company entry into long distance and the second dealing with post-entry behavior of the Bell Companies.

Long Distance

INTRASTATE

Until the breakup of AT&T, the provision of intrastate long distance service was regulated by the States. H.R. 3626 returns that authority to the States. To the extent that a State's laws and/or regulations permit a Bell Company to offer in-state long distance service, the MFJ restrictions will no longer interfere with the states' policies.

INTERSTATE, IN-REGION

Although the Bell Companies operate networks throughout their regions, they are restricted from using them for interstate long distance service. H.R. 3626 permits them to petition the Department of Justice and the Federal Communications Commission to utilize their own networks to provide interstate long distance service.

INTERSTATE RESALE

The legislation permits the Bell Companies to petition the Justice Department and the FCC to provide interstate resale services 18 months after the date of enactment.

NATIONWIDE NETWORKS

H.R. 3626 permits the Bell Companies to petition the Department of Justice and the FCC to build and operate interstate networks outside of their regions after five years.

The Attorney General will determine whether or not to grant the petitions filed by the Bell Companies based on a finding that there is no substantial possibility that the Bell Company or its affiliates could use monopoly power to impede competition in the market it seeks to enter.

MANUFACTURING

Within a year of enactment, a Bell Company can submit an application to the Justice Department to engage in manufacturing. A Bell Company can engage in manufacturing activities through a separate subsidiary.

BURGLAR ALARM SERVICES

The Bell Companies are precluded from applying to offer burglar alarm services for 5 1/2 years after the date of enactment.

Post -Entry Safeguards

The legislation also includes provisions that were developed in close collaboration with the disabled community. These provisions are designed to ensure that equipment -- and network services provided utilizing equipment -- and network services provided utilizing equipment -- is accessible and usable to disabled individuals.

ELECTRONIC PUBLISHING

H.R. 3626 provides that Bell Companies may only engage in electronic publishing through separate affiliates or electronic publishing joint ventures. The statutory restrictions contained in the legislation sunset in four years.

SPEECH REACTION

The reactions to the Vice President's speech have been favorable and include the following:

NYNEX VP THOMAS TAUKE

In reacting to the speech, Tuake said it generally reflected industry consensus that has emerged over the last 18 months on issues such as opening the local loop. Although some telcos still object, most believe that this path will have to be taken. Tauke said that beyond general principles Gore outlined, key issues yet to be decided are the timing of the transition from current regulatory structure, expansion of the universal service concept to include broadband technology and public interest considerations (and who will pay for it), and the move to regulatory parity.

AT&T

It supported principles outlined in his speech. In a statement, AT&T was pleased that the Administration sees private industry, and not the government, as the catalyst for ensuring that benefits of advanced services reach the public. The fact that the telecommunications industry is still operating under policies that in many ways look backward rather than forward must change according to AT&T. The Administration can ensure that the public gets the full benefit of advanced services by eliminating existing subsidies and directing explicit subsidies only to those who need them to gain access to new services, company said.

REP. BOUCHER

He praised the speech saying he was gratified that the Vice President was supportive of his legislation. Boucher added that the conduct of many cable companies has been outrageous and that cable companies have shamefully raised their rates, gouged customers by restructuring their service offerings and then blamed it all on the federal government which is clearly unacceptable, and our legislation is the proper response.

BELLSOUTH EXEC. VP R.L. (MICKEY) MCGUIRE, CHMN. OF MFJ TASK FORCE

He commented that the Vice President painted an accurate picture of how technology is changing and how business relationships are changing and maturing. BellSouth hopes Congress will not only change the rules but change them now, effective immediately, so BellSouth can start delivering advanced services to the public.

NCTA ACTING PRES. DECKER ANSTROM

He hailed the speech as solid, comprehensive principles that should help pave the way for a national information infrastructure. He said cable systems hope to be a major component of that infrastructure.

USTA VP-GOVT. & PUBLIC RELATIONS WARD WHITE

He commented that the Administration obviously understands the changing nature of the telecommunications marketplace. Any legislative or regulatory initiatives must take into account the impact of competition on universal service.

CATA PRES. STEPHEN EFFROS

Effros said CATA applauded the Administration's focus on telecommunications policy, but we would hope this could be achieved, as the Vice President suggested, with a minimum of official micromanagement.

THE PRESIDENT HAS SEEN
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DLC Says Cut and Invest

By ROBERT J. SHAPIRO

The impending federal budget debate will test Washington's true grasp of the world economy. The challenge for President Clinton and Congress is to figure out how to use fiscal policy to promote national growth in a global economy.

It won't be easy, because Washington debates over the budget are usually disengaged from the economics of growth. Both political parties have been consumed with questions of who will pay more taxes and who less, and who should gain new benefits and who should receive less. These opposing versions of a primitive tax-and-spend paradigm inform most economic thinking in political circles: Liberals simply focus on increasing spending and, when necessary, taxes too. Conservatives concentrate only on cutting tax rates and, when possible, spending as well.

The Strategy

For the new budget to be a genuine instrument of growth policy, it should be reorganized around a new strategy based on the real terms of competition in the global economy. This strategy, which I call "cut and invest," proposes that government use the budget both to promote higher levels of public and private investment and to actively encourage vigorous market competition to drive pri-

vate-sector innovation and productivity.

The strategy relies first on cutting federal spending and tax subsidies that insulate certain industries from competition. But it also requires us to define what truly are public investments—and then to direct public resources toward them. In effect, cut and invest is a way for the proponents of investment and the proponents of deficit reduction to put their money where their mouth is—and improve America's competitiveness.

To begin, global markets, as distinct from a national economy, require that companies match or surpass their foreign competitors in the quality and use of basic resources—principally, the skills of workers, technologies of production, and infrastructure systems. The budget can and should do more than simply promote capital formation by restraining spending—which, in any event, was substantially achieved in last year's budget battle. (Under current law, federal expenditures are projected to rise by 20% over five years, while over the same period the private economy is expected to expand by 28%.)

The new budget also should recognize, as Adam Smith did, that in certain areas of education and training, basic research, and economic infrastructure, markets normally generate less investment than the

economy could profitably use. Genuine public investment is different from other spending. It is called for only in those specific areas where markets invariably fail to generate appropriate levels of private investment, and its only purpose is to expand the private economy's capacity to create wealth.

A pro-growth budget also must actively strengthen domestic competition, because only competitive pressures will drive firms and workers to make the most of private and public investment. The task facing businesses in the global economy involves organizing productive factors from around the world—research and development, materials, labor, product and process design, financing, marketing, packaging and distribution—to produce the goods and services demanded by market segments around the world. Global competition, in short, requires that firms learn to innovate efficiently in every aspect of production.

To this end, the new budget should phase out many tens of billions of dollars of specific spending and tax subsidies that insulate particular American industries from healthy market pressures. (Trade protections and certain kinds of economic regulation have a similar effect on an industry's incentives to innovate and become more efficient.)

Sixty-Eight Ways to Cut the Budget

Cuts in Spending Subsidies: \$114.2 billion in savings over 5 years		(in billions)
Energy and Natural Resource Industry Subsidies		
Reduce Rural Electrification Administration (REA) subsidies	\$0.7	
Reduce Tennessee Valley Authority subsidies	0.6	
End Clean Coal Technology Program	0.3	
Cut energy supply R&D grants	6.9	
Reduce fusion research grants	1.0	
Recover costs for uranium enrichment services	1.6	
Suspend new purchases for Strategic Petroleum Reserve	1.1	
Suspend new purchases for the Naval Petroleum Reserve	1.3	
End federal subsidy for the Advanced Light-Water Reactor	0.3	
Raise rates on sales of hydroelectric power to private utilities	2.0	
Index nuclear waste disposal fees for inflation	0.3	
Increase royalties/extend holding fees for mining on public lands	1.2	
Raise prices on timber sales from national forests	0.2	
Agribusiness Subsidies		
Lower agricultural target prices by 3% a year	\$11.2	
Eliminate agricultural subsidies to wealthy farmers	1.0	
End export-enhancement agricultural subsidies	3.2	
Raise grazing fees on public lands	0.2	
Reform the dairy-support program	1.1	
Reform federal irrigation programs	4.3	
Require meat/poultry processors to pay for USDA inspections	0.5	
Transportation Industry Subsidies		
End the Airport Grants-in-Aid program	\$6.7	
Charge user fees for air-traffic-control services	6.8	
Rescind funding for highway demonstration projects	7.9	
Charge higher fees to inland-waterway users	2.2	
Enforce fee collection for harbor maintenance	0.2	
Phase out mass-transit operating subsidies	4.0	
Phase out Maritime Administration operating subsidies	1.3	
Reduce Amtrak operating subsidies	1.3	
Reduce funding for Essential Air Service program	0.7	
Aerospace and High-Tech Industry Subsidies		
Cut funding for the National Aerospace Plane	\$0.7	
Phase out funding for Sematech	0.1	
Cut funding for NASA's Advanced Solid Rocket Motor	1.7	
Cancel the NASA space station	10.4	
Miscellaneous Industry Subsidies		
Reform federal procurement practices	\$16.8	
Reduce overhead payments for university research	1.0	
Reform the Davis-Bacon act	0.2	
End the Market Promotion Program	0.9	
Require private contributions for Superfund cleanups	1.1	
Phase out grants for constructing wastewater-treatment plants	6.3	
Charge for FDIC exams of state-chartered banks	1.4	
Reform funding for public housing programs	0.9	
Impose user fees for the Commodities Futures Trading Commission	0.3	
Raise fees for FCC services	0.4	
Increase SEC charges	0.2	
Charge firms for using tourism and export promotion services	0.8	
Reform various Export-Import Bank programs	0.9	
Cuts in Tax Subsidies: \$111.1 billion in savings over 5 years		
Natural Resource Industry Tax Subsidies		
Phase out special tax credit for production of nonconventional fuels	\$5.7	
Phase out expensing of extractive firms' drilling, exploration, and development costs	5.9	
Repeal the percentage depletion cost-recovery for oil, gas and nonfuel mineral firms	4.1	
Phase out special tax credit for timber companies' reforestation costs	0.2	
Reduce the timber industry's exception from uniform capitalization rules	1.2	
Construction Industry Tax Subsidies		
End the use of tax-free municipal bonds for private purposes	\$5.3	
Lower the ceiling on the mortgage-interest deduction	12.5	
Cap the exclusion of capital gains on home sales	2.3	
Phase out the deductibility of interest paid on home equity loans	12.8	
Reduce tax credits for rehabilitating older or historic buildings	0.4	
Depreciate rental housing on same basis as others	6.1	
Agribusiness Tax Subsidies		
Phase out farmers' ability to exclude from income support payments used for conservation	\$0.1	
Reduce ability of farmers to exclude "cancellations of indebtedness" income	0.5	
Phase out farm firms' special right to defer tax on income from crops to be delivered the following year	1.2	
End special tax exclusion for costs of raising dairy and breeding cattle	0.6	
Financial Industry Tax Subsidies		
End the special exemption for credit union income	\$1.7	
Tax all property/casualty insurers on the same basis	0.2	
End the ability of small life insurers to be taxed on investment income rather than adjusted gross income	0.6	
End the special deduction for some health insurers	0.8	
Miscellaneous Industry Tax Subsidies		
Repeal special tax credit for firms operating on U.S. Possessions	\$21.5	
End firms' right to fully expense advertising costs	17.5	
End the special tax treatment of Foreign Sales Corporations	7.9	
Total Savings over 5 years (Spending and Tax):		\$225.3 billion

These domestic subsidies cost the U.S. jobs, business formation, and overall growth. Not only do they reduce normal competitive pressures to innovate for foreign competition, but they also place industries not receiving favored treatment at a disadvantage, by effectively raising their costs of capital and labor relative to subsidized sectors. The result: Industries receiving subsidies become less competitive, and those denied them have incentives to take advantage of globalization and move some of their operations abroad, where labor costs are lower or special subsidies are available.

Growth policy does not dictate, as orthodox conservatives often suggest, that the new budget should end every instance of special-sector spending and tax treatment. In some cases there are legitimate social purposes, such as health-care spending for the poor or incentives for middle-class home ownership. In addition, some subsidies offset genuine market failures, such as spending to protect bank depositors and tax incentives for R&D. Global markets require that the president and Congress cut those programs and tax provisions that artificially raise the rate of return for particular industries for no overriding social or economic purpose.

But as both Ronald Reagan and Bill Clinton quickly discovered, special interests usually can block serious congressional action to phase out their subsidies. A new way has to be found to unravel this web of political influence.

Base-Closing Model

Congress and the president should create a Commission on National Competitiveness and Industry Subsidies, modeled on the Base Closing Commission. This independent body would identify and evaluate spending programs and tax provisions that provide anticompetitive transfers to particular industries and recommend to the president an annual package of reforms. The president would submit the package to Congress, which would have to vote on the package without amendment.

This commission could start with the 68 specific spending and tax subsidies listed in the accompanying table, totaling \$225 billion over five years. These savings plainly could finance substantial new public investment and an added measure of deficit reduction—as well as pressing social reforms in welfare and law enforcement. In every way, a cut-and-invest strategy would leave the U.S. more productive and competitive in the world economy.

Mr. Shapiro is vice president of the Progressive Policy Institute, a think tank affiliated with the Democratic Leadership Council, and was a principal economic adviser to President Clinton in the 1992 campaign. This article is adapted from a report being issued this week by PPI.

2/2

February 11, 1994

MEMORANDUM TO THE PRESIDENT

FROM: George Stephanopoulos/Gene Sperling

SUBJECT: Balanced Budget Amendment Strategy

Can we get
But, our
Newt Gingrich
Senate committee
some calls
Chairman
Yours

This memo is designed to give you an overview of the wide-ranging efforts going on in preparation for the battle over the balanced budget Amendment -- which is scheduled to be raised in the Senate on February 22. We have already taken considerable number of steps to build support for defeating the Amendment.

1. CONGRESSIONAL: We have worked together -- along with Pat, Steve R. and Barbara Chow -- with Senior senate staff to coordinate strategy. We have had two meetings with them as well as a third with Senator Byrd. Pat and Leon have also had several other discussions with Byrd and Mitchell. Leon will now have more time to focus on this with the budget presented, and will be a strong force for us on the Hill -- and has beat this in the past.

We have targeted key Senators. Senator Mitchell's staff is more focused on coming up with alternative amendment strategies, while Senator Byrd has asked us to not discuss any such options, as he wants to take it on straight-up. He is interested in getting 41 votes against cloture and believes he can do it -- though that is not certain. Our strategy for now, is to launch a comprehensive effort to persuade the swing Senators how poor policy the balanced budget amendment is and to make sure that case is heard in their local papers and home state. Rahm made the good point that during Penny-Kasich, we were winning big with elite papers, but not doing well with local newspapers that really matter. Barbara Chow is working actively on key Senators and their staffs and has found Conrad open, and Johnston to be with us -- the latter is definitely good news. Three Republicans -- Stevens, Hatfield and Kassenbaum are opposed to the Amendment and we are working on several more.

- Byrd will be conducting hearings from 2/15-2/18. On 2/15 Panetta, Reno, Perry, Shalala and Charles Fried will testify -- along with former Secretary of Defense Schlesinger. On 2/16 they have constitutional scholars including Archibald Cox and Dellinger. On 2/17 they are going for economists and have Henry Aaron and Herb Stein among others lined up. On 2/18, Simon will have a few hours to have witnesses who support the balanced budget amendment.

2. OVERALL PUBLIC STRATEGY: We are trying to build off the line in the State of the Union: "We have proven that we can bring down the deficit without choking off the recovery, punishing middle class or senior Americans, or putting our national security at risk." We must stress that through leadership and tough choices we are bringing the deficit down without doing these other harms. From there, our goal must be to make the "how and what are the

consequences" questions the main issue. We have to create a context that puts the burden on them to explain how they can balanced the budget. We are using a couple of tactics to move the debate this way. One, is to get several studies out there with different scenarios -- preferably state-by-state -- that box people in to having to identify how they will balance the budget. This may turn some people and may make others stop considering this as a free vote.

~~Second, we are also stressing everyone to focus on the "right to know" issue.~~ We've asked AARP and other groups to stress that they have a right to know what the specific choices are -- whether and how much they will raise taxes and cut Social Security. Forcing the debate to focus on how they would balance the budget will leads some of them to play people off against each other. Simon has told the AARP that defense will need to get cut. Other supporters will say defense cannot be cut. Others will want to put Social Security off the table. As different people start taking different parts of the budget off the table, it could start to blow up.

~~The tax, social security and especially the defense argument seem the most potent.~~ Health care may help us pull a couple of senators, although the public message is somewhat harder to communicate.

A strong argument for us is the fact that Jack Kemp and Vin Weber have come out against it on the grounds that it will lead to tax increases. This allows us to say that both Jack Kemp and President Clinton believe that a balanced budget amendment will lead to higher taxes that will damage economic growth.

3. STATE-BY-STATE "CAN'T HIDE" BBA SCENARIOS -- Stress Tax, Seniors, Defense Impact: The key to making members of Congress understand the tough choices they will face is to lay out specific scenarios of what a balanced budget would mean. Leon did this effectively in 1992. Our key is to have several scenarios that do not allow supporters to hide from tough choices. Thus, we can start by detailing how many taxes would have to be raised. If supporters say they will not raise taxes, than we can show how draconian a no-tax scenario that will be toward Social Security and Defense. If they say no Social Security cuts, than we can move to show them a no-tax, no-Social Security cut scenario, which will show massive defense cuts.. and so on. With this strategy, they can run, but they cannot hide. The House Budget Committee will have specific line-by-line scenarios (hopefully) by February 22 hopefully. In the mean-time, we have asked Alicia Munnell to do a least basic state-by-state. We gave much of our information initially to Al Hunt for his column, but we will release this on Monday, February 14 -- with state specific press releases.

1. Families USA Social Security State-by-State released Friday, February 4.
2. Treasury Department State-by-State: released Wednesday February 14
3. Defense Department State-by-State: released TBA
4. WEFA State-by-State job loss study: Probably February 17, 1994

5. House Budget Committee specific scenarios (may not have state-by-state component, but will be highly specific)

[We can use Concord Coalition plan which uses 50 cent gas tax as well as sin taxes and dramatic entitlement cuts to get to balanced budget.]



4. SENATOR SPECIFIC STRATEGY: As this battle will have much to do with picking off a few Senators, we need to have specific, strategies for the targeted Senators. To facilitate such an effort, we have produced -- or arranged to have produced -- good state by state impacts, as well as comprehensive information on the key Senators. The DNC and Legislative (Eric Berman, Nester Davidson and particularly Tom Janenda) have done a great job in collecting basic information on each key Senator and we are putting together notebooks with a tab for each Senator. Likewise, Alicia Munnell has done another super job of doing a state-by-state impact of the balanced budget amendment. This information allows us to have a strategy for phone calls from cabinet members, as well as a strategy for reaching into their local newspapers and areas and making sure people there understand why this Amendment must fail. Rahm has agreed to coordinate the effort to appeal to local papers and local groups.

5. ECONOMIC STUDY: An economic analysis of the balanced budget amendment -- of taking out \$600 billion over the next five years -- is likely to show substantial job loss and reduction in economic growth forecasts. Last year, AFSCME hired Wharton to do study that included state by state analysis. It showed job loss of over 3 million jobs. AFSCME has hired Wharton (WEFA Group) again -- though the number will probably not be that high.

- At our suggestion, they will examine both two scenarios: one, being a one-third taxes/two-third cuts option and a 100% cuts option. This 100% cuts option will help us greatly because it will take away the ability of any opponents to say that the job loss comes from taxes. The WEFA Group study will also show state by state job impacts. The will release national job loss numbers and state- by-state job loss numbers on February 17 and we will have to. We have suggested that they try to coordinate this with Byrd Hearings that day.

- Jeff Faux is recirculating their letter from last year, so we should have a new letter with economists signed on in the near future. He will get back to me shortly.

- Op-eds on the strength of the economy and the danger of an BBA

6. DEFENSE: One of our most promising arguments is that a BBA would likely lead to major cuts in defense. We feel we are making real progress on this front, and DOD is being very supportive.

- At our suggestion, the Defense Budget Project has done a general scenario of what a BBA would mean for Defense

- Perry and Shalikashvili expressed their opposition to the Balanced Budget Scenarios during Budget Hearings before Senate Armed Forces hearing on February 8. It was reported in the New York Times and Al Hunt's column.

- Defense is preparing scenarios and is prepared to develop state-by-state defense cut scenarios.

- Perry, John Deutch and others top Pentagon officials are planning a breakfast to talk seriously with key Defense Senators.

7. HEALTH CARE: We have to lay out argument for why this kills health care. The challenge we face is that if health care is supposed to save costs, it seems counter-intuitive to some that cutting health care costs for deficit reduction is hostile to health care reform. We need to stress that alternative plans are even more dependent on savings from Medicare and Medicaid than ours and that it will be hard for any plan to be financed if the balanced budget amendment passes. *Indeed, Chaffee-Dole calls for over \$200 billion in such savings that they would have to find on top of \$600 billion needed for balancing the budget. Since neither would like to raise taxes, than means \$800 billion in spending cuts.*

- We will work with Senator Rockefeller on key health care Senators, and then with the information he gets, consider who would be best for Mrs. Clinton to call. Senators who support the balanced budget include Daschle, Harkin (Mrs. Clinton has talked with him), Durenberger, Chaffee, Jeffords, and we are hearing that Wofford may now support the balanced budget Amendment.

- Gene, Melanne and Marilyn Y. have been meeting with AARP and Families USA and we are working together. Rockefeller has been working on the Roosevelt Group.

8. CONSTITUTIONAL IMPACT: A strong point for some people is not only the danger of amending the Constitution, but the idea of how federal courts would be brought into the political budget making process. Our strategy is to make this as bipartisan as possible and to stress how much this would call for an incredibly activist and complex enforcement with the political budget process. Cliff and Melanne have worked on this issue and are taking positive steps.

- Through good work by Cliff Sloan in contacting constitutional scholars, there is now a bipartisan scholars letter, authored by Charles Fried (Harvard) and Burke Marshall (Yale) -- with some of the most prestigious constitutional scholars in the country including both Tribe and Bork. We will give it to the Ruth Marcus for the Sunday, Washington Post.

- Walter Dellinger is doing testimony describing the enforcement problems and how much courts would be driven into governance of the federal budget. Both Reno and

Dellinger are testifying before Byrd: Reno on the impact on crime funding and Dellinger on judicial entanglement.

9. STATE AND LOCAL GOVERNMENT/CRIME: State and local government will take a tremendous hit in terms of crime, unfunded mandates, and overall less federal help in the balanced budget passes. The mayors will grasp this more easily than the governors. We need to stress the crime point. Rubin addressed Mayors on BBA; Sperling addressed NACO and Jose is working on police organization: Elgie Holstein from NEC is working on "right to know campaign" with state legislatures and Marcia will coordinate with Mayors and Governors in states with key Senators.

10. PRESS STRATEGY: Much of the elite press is with us on the BBA. The New York Times and Washington Post editorial boards will be strongly opposed to the balanced budget Amendment. Yet, we need to make sure that all of the networks, Sunday show participants and major local papers are with us -- even besides the targeted Senators.

- Rubin, Tyson, Sperling met at ABC and went over BBA. Rubin and Sperling also met with CBS evening news producer and Erik Engberg on possible BBA story.
- We have worked Bart Rowan on last Thursday column and Al Hunt on his Thursday column and are trying to encourage a defense/BBA story.
- Sent President letter and had brief discussions with major White House correspondents on the fact that President was opposing BBA.
- We will work with Rahm, Kim Hopper and others to target papers in states of key Senators.

10. GROUPS: There are many groups who oppose this who are working under the coordination of AFSCME to defeat the balanced budget. We are proceeding as we did during Penny-Kasich. In Alexis' shop, Marilyn Yeager with help from Barbara Wooley has done an excellent job in getting the groups in. We have met already with agriculture groups, veterans groups and senior groups as well as AFSCME who have coordinated the outside effort. Gene has represented us at the AFSCME coalition meetings to stress White House commitment, and Barbara Chow has been also working closely with them. The groups were worried at first that we were not fully committed to it, and are very happy to see commitment among the entire NEC team and from you and the First Lady. Rahm is trying to get more active involvement from AIPAC. Marilyn will also begin having someone do a balanced budget presentation at state opinion leader meetings being set up for health care.

11. BUSINESS: This is one place, we need to do better. The activity over health care has made it difficult to spend time on this so far, but we doing outreach now. In 1992, the Chamber of Commerce opposed the Balanced Budget Amendment

BALANCED BUDGET AMENDMENT SCHEDULE

February 2: Wednesday: Perry Confirmation: Will Raise issue
Planning Meeting with AARP, Families USA, Committee to Preserve Social Security

February 4: Friday:

- 11:00 Families USA Release of State-by-State
-- We helped get Robert Bryd to appear with them
-- Statement of support by Secretary Shalala

February 8: Tuesday:

1. AFSCME Coalition vs. Balanced Budget Meeting (Gene will address)
2. Meeting with Byrd (Griffin, George, Gene)
3. Perry/Joint Chiefs Budget Hearings (They will be asked about BBA)

February 9: Wednesday

1. Constitutional Scholars Letter goes to Byrd (not to be released)
2. Merge Balanced Budget Arguments with Post Budget Outreach Meetings

February 10: Thursday:

- Al Hunt Column in the Wall Street Journal -- based on our scenarios.

February 11: Friday:

- Completion of Treasury State-by-state Materials
- Meeting to Plan Release of State-by-state
- Coordinate Cabinet Testimony

February 13: Sunday

- Sunday evening: 50 state-by-state releases go out

February 14: Monday

- State Impacts to Members of Congress
- Groups/Mayors to do releases reacting to our State impacts
- Conference Calls to Newspapers in 10 key states (Rubin, Munnell, Sperling, Stephanopoulos to participate --maybe Tyson, Panetta)

February 15: Tuesday

- Byrd Hearings: Panetta, Reno, Perry, Shalala and Charles Fried will testify.
- Coalition Press Conference on National Job Loss
- Cabinet Calls start to Key Senators
- Local Paper Editorial Board Calls (NEC team)

February 16: Wednesday

- Byrd Hearings: Constitutional scholars including Archibald Cox and Dellinger.
- Meeting with Senator Lieberman

February 17: Thursday:

- Byrd Hearings: Economists: Henry Aaron, Herb Stein, EPI among others.
- Coalition Press Conference on State-by-State Job Loss
- Network and Major Paper Small Briefings (NEC team)

February 18: Friday:

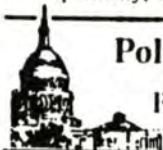
- Simon Hearings: Supporters of the Balanced Budget
- Network and Major Paper Small Briefings (NEC team)
- Calls and Faxes to Sunday Shows

The Balanced-Budget Hoax

Congress votes drastic reductions in Army and Marine force levels, raises corporate taxes by \$50 billion, slices Social Security benefits and cuts billions of crime fighting and highway funds earmarked for Texas.

It may sound like political suicide, but all would be distinct possibilities if the Senate later this month approves a proposed constitutional amendment mandating a balanced budget. Despite declining public fervor for deficit reduction, insiders say there's an even shot the amendment will pass Congress.

Every lawmaker who votes for it should have to answer one simple question: How, with specificity, would he or she balance



Politics & People

By Albert R. Hunt

the budget by the end of the decade? To reach a balanced budget by fiscal 2000, an additional \$600 billion in budget cuts or tax increases must be enacted over the next five years; by contrast, last year Congress—by the grand margin of one vote—reduced the deficit by \$433 billion. A politically realistic road map to balancing the budget in five years would have 25% come from cutting defense spending, another quarter from higher revenues and half from reducing spending, including entitlements.

On taxes, if a few more excise and energy levies are enacted, some loopholes are closed and the rates on upper-income taxpayers are boosted a little more, that still would raise less than \$100 billion over five years. Thus the most appetizing target: corporate taxes. Polls show most Americans still think corporations don't pay enough taxes and corporate taxes would be an inevitable target.

On the domestic spending side, assume Medicare and Medicaid are whacked \$100 billion, or almost double the politically agonizing cutbacks that Congress voted last year. Then start eliminating entire programs: Kill outright every highway demonstration project, the space station, Amtrak subsidies, aid to public broadcasting, legal services, funding for the 100,000 new cops, and all federal support for the arts. Likewise, do away with entire agencies: the Commerce Department, the Army Corps of Engineers, the General Services Administration, the Interstate Commerce Commission and the Small Business Administration. For good measure, cut Congress's budget by a third and eliminate half of the foreign aid to the two biggest recipients, Israel and Egypt.

Altogether, including health, those cutbacks still would total less than \$200 billion over five years. To get the \$100 billion-plus more, there's only one target big enough: Social Security. If these benefit increases are limited to the annual cost of living rise minus 2%—something politicians insist is politically perilous—we're still \$20 billion short of the goal.

The defense budget would have to be slashed an additional 15%. The Pentagon now is formulating what that would mean, and one top Defense department official laid out the likely consequences. The projected 500,000 Army force level would be cut to 400,000. Marines would drop from a projected 174,000 to about 145,000, and the reserves would be reduced by a third. Most modernization efforts would be abandoned, and the \$8 billion a year the Pentagon envisions spending on the new technologies would be scaled back to \$5 billion.

The bottom line: The strategy of the Joint Chiefs of Staff and President Clinton that the U.S. be prepared to fight in two simultaneous regional conflicts would have to be scrapped.

To battle the measure, the White House has devised a series of budget-balancing options and spelled out the specific policy implications, including the effects on each state. In Texas, for example, if the reductions came from an across-the-board spending cut, by 1999 the average Social Security recipient would get \$946 less a year; the state would lose \$1.8 billion in defense spending and almost \$4 billion in reduced federal aid for domestic projects.

Scare tactics, proponents will scream. Yeah, but it makes the point that this is

How to Balance the Budget by FY 2000 Zero deficit plan savings would include:

NATIONAL SECURITY	\$ billion
Increase current defense reduction	\$5
DOMESTIC SPENDING	
Fifty specific spending reductions	\$29
ENTITLEMENTS	
Comprehensive entitlement means test	\$68
Supplementary Medical Insurance reform	\$22
Accelerate rise in Social Security retirement age	\$16
REVENUES	
Gasoline tax increase	\$45
Alcohol and tobacco tax increase	\$19
Limit mortgage interest deduction	\$7
INTEREST	
Lower debt service	\$35

Source: The Concord Coalition

real stuff. Those who want to avoid higher taxes should say where they'd find an added \$150 billion in spending cuts, or those who want to exempt defense should specify similar savings in more taxes or domestic outlays.

To simplify matters, ask lawmakers to balance one budget, fiscal 2000. A good benchmark is the proposal by the Concord Coalition—the Paul Tsongas and Warren Rudman-led effort to impose fiscal discipline—that would lead to more than \$200 billion of deficit reduction that year. They would close underused Veterans Adminis-

tration hospitals, end Amtrak subsidies, eliminate the space station, reduce the legislative branch's budget by 15% and cut farm payments, among other cutbacks.

That's less than \$40 billion, however, so then the Concord Coalition gets pretty draconian: means testing all entitlements, including Social Security; raising the retirement age to 68; enacting a 50-cent-a-gallon gasoline tax, slapping added taxes on beer and booze, and sharply curtailing the home mortgage deduction. Ask those budget-balancing politicians if they support this agenda.

Supply-sider Jack Kemp opposes the amendment because he thinks it's "a trap" to raise taxes; the head of the Joint Chiefs of Staff, Gen. John Shalikashvili opposes it out of fear it would decimate national security, and Robert Greenstein of the Center on Budget and Policy Priorities worries it would unduly hurt poor people. They all could be right.

There's little doubt that in several years tougher deficit-reduction measures will be necessary, including cracking down on the growth of entitlement spending and getting more revenues. Health care legislation, the Republican proposals as well as the administration's, only adds to this inevitability. But those issues ought to be debated, not hidden under the cloak of an amendment that balances the budget but doesn't tell people how it will be done.

Two decades ago a veteran House member, James Burke, explained how he stayed in Congress by voting for every spending bill and against every tax hike and debt-ceiling increase. When a naive, young reporter suggested that this was a prescription for chaos, Jimmy Burke puffed on his cigar, smiled and said, "You think this place is on the level?"

In a couple of weeks those voting to amend the Constitution with this sham will, in the words of Jimmy Burke, show they too know the place isn't on the level.

growth of Federal spending. Another reason is to illustrate that without last year's budget, which cut this year's deficit, the burden on future generations would have been even greater.

Seeking Short-Term Sacrifice

The analysis builds its forecasts on the assumption that nothing is changed, in the hope of building support for policies of short-term sacrifice for long-term benefit.

"We were placing such a huge burden on future generations that we needed to ask today's generation, as well as those who benefit from Federal programs, to sacrifice a little bit," said Barry J. Toive, a spokesman for the Office of Management and Budget.

The budget estimates that as health care and Social Security costs continue to rise, young Americans in general will pay significantly more of their lifetime income as Federal, state and local taxes than their parents and grandparents did. These taxes are rising even if Government payments to individuals, like Social Security checks, are deducted.

"This is really a catastrophe that we're preparing for our kids," said Laurence J. Kotlikoff, a Boston University economics professor who helped the White House's Office of Management and Budget prepare the figures.

So-called net taxes, calculated by subtracting Government payments to individuals from taxes paid, will total 36.9 percent of lifetime income for today's teen-agers, according to the Clinton proposal. This compares with 33.2 percent for Americans born in 1950 and 23.6 percent for those born in 1900.

In its last two years, the Bush Administration began reckoning the lifetime tax burdens of the budget deficit, but buried the results even more deeply than the Clinton Administration, and the figures were little noticed.

In a more speculative calculation, the Administration forecast that the average net tax rate for future generations would eventually reach 82 percent of their lifetime earnings. Without last year's budget package, the burden would be 93.7 percent, the budget document said, while passage now of the President's health care plan would lower the burden to 66.5 percent.

These calculations of income distribution among generations, known as generational accounting, have become

policy-making, he said.

Alan J. Auerbach, a University of Pennsylvania economist who joined Mr. Kotlikoff and Jagadeesh Gokhale, an economist at the Cleveland Federal Reserve Bank, in helping the Office of

Mr. Kotlikoff said. So today's toddlers would be paying a lot of taxes but would eventually receive a large chunk of the money back from the Government as their medical bills in old age become enormous.

2 Pentagon Leaders Oppose Amendment To Balance Budget

Special to The New York Times

WASHINGTON, Feb. 8 — The Pentagon's two senior officials today took an unvarnished stance against the latest plan for a balanced-budget amendment to the Constitution.

Defense Secretary William J. Perry and Gen. John M. Shalikashvili, Chairman of the Joint Chiefs of Staff, told Congress that the amendment would probably force large and immediate cuts in the discretionary portion of the Federal budget, about half of which goes toward Pentagon programs.

"We are for, as I suppose most American citizens are for, a balanced budget," Mr. Perry said. But under the proposed amendment, which would mandate a balanced Federal budget as early as 2001, he added, "you can conclude that it would have a devastating effect on our ability to maintain an adequate defense structure."

General Shalikashvili said he was reluctant, as a nonpartisan military official, to enter into a "politically charged" debate, and then he did. "I fully align myself with Secretary Perry on this issue," he said.

Mr. Perry's assessment of the effect on military programs assumed that Congress would balance the budget by cutting discretionary Federal spending and leaving entitlement programs like Medicare and food stamps in place.

The last drive for a balanced-budget amendment, in 1992, came within nine votes of the needed two-thirds majority in the House; in the Senate, it died in a filibuster. But the latest version of the amendment, introduced last year by Senator Paul Simon, Democrat of Illinois, swept easily through the Judiciary Committee.

It would prohibit the Government from running a deficit except in time of war or imminent war, or unless three-fifths of the Senate and House voted to suspend the ban.

THE NEW YORK TIMES, WEDNESDAY, FEBRUARY 9, 1994

THE WHITE HOUSE
WASHINGTON

February 16, 1994 *2/22/94 05* THE PRESIDENT HAS SEEN

MR. PRESIDENT:

The attached was prepared by
Paul Begala for your 8:00 A.M.
Phone Interview with Don Imus.

If you would like Paul to come
in for this phone call, please
have someone let him know.

Mark
Steve
Cur
Bill
John Podesta

MEMORANDUM

TO: THE PRESIDENT
FROM: BEGALA
RE: SOME THOUGHTS ON IMUS
DATE: FEBRUARY 16, 1994

94 FEB 16 P8:33

First of all, thank you for going on. I first went on Imus a few weeks ago because Hillary suggested it when she saw the show on C-SPAN and Bob Dole was on beating your brains in. Ever since then I've been calling in, and he's been giving me grief about your not coming on. He calls me your "Butt-boy." I told him the correct job description is "Butt-Man."

Here's what he's been up to:

YOUR WEIGHT AND DIET

Imus was all over the story of you stopping the motorcade twice in 2 hours in Cleveland. He says we won't have to worry about impeaching you; you'll just have a heart attack if you keep eating bacon cheeseburgers and corned beef sandwiches.

I would definitely make fun of your eating habits. It's self-deprecating and most of us can relate to the Battle of the Bulge. You might want to say something like:

"THE PRESS IS SO UNFAIR. THEY REPORT I HAD A BACON-MUSHROOM-CHEESEBURGER AND AN APPLE FRITTER AND A CORNED BEEF SANDWICH AND A PLATE OF FRENCH FRIES. BUT NOT ONE REPORT EVER MENTIONS THAT I WAS DRINKING DIET COKE."

"ANYONE WHO SAYS I DON'T INHALE NEVER SAW ME AROUND ONE OF THOSE CLINTON BURGERS IN CLEVELAND."

THE OLYMPICS

Like all comics, he's been all over the Tonya Harding-Nancy Kerrigan thing. Imus says Tonya should be allowed to skate because skating sucks and at least the controversy could make it interesting.

I do not think it's a good idea to say anything on the Tonya-Nancy story. It's been overdone by professional comics, and the risk of you looking unfair to one of them is great. If you're pressed, you might want to pass by saying something like "I DON'T WANT TO GET INTO THAT, BUT I TELL YOU THIS: WHOEVER WINS BETWEEN THE TWO OF THEM I'M GOING TO FIX UP ON A DATE WITH STEPHANOPOLOUS." George'll love that. Trust me.

You should share some of Hillary's anecdotes from Lillehammer:

the excitement of seeing Tommy Moe win, etc. You might also want to take up for Dan Jansen, the speedskater who slipped in his fourth Olympiad. Imus has been brutal on him, and taking up for someone who's been knocked down is always a good thing.

HEALTH CARE

A parade of guests, including Dole and D'Amato, have been hitting the health care plan. This is where I'd get serious. Imus himself has had recurring health problems, including a collapsed lung that required surgery.

You might want to point out the falsehoods in the HIAA ads by saying, "HARRY AND LOUISE -- THE TYPICAL AMERICAN FAMILY IN THOSE ADS RUN BY THE HEALTH INSURANCE COMPANIES -- THEY'RE ACTORS. BUT IN REAL LIFE A REAL FAMILY LOSES THEIR HEALTH BENEFITS EVERY THIRTY MINUTES. WORKING PEOPLE WHO PAY THEIR PREMIUMS AND DON'T DO A THING WRONG GET DUMPED BY THEIR INSURANCE COMPANIES. IF WE HAD TRUTH IN ADVERTISING YOU'D SEE AN AD WHERE A FAMILY GETS A LETTER SAYING: 'DEAR HARRY AND LOUISE, YOU'RE DUMPED. GOOD LUCK. SIGNED, YOUR HEALTH INSURANCE COMPANY.'"

You should also point out that: "ALL THE POLITICIANS WHO CRITICIZE MY HEALTH PLAN ALL HAVE TAXPAYER PROVIDED HEALTH BENEFITS. THEY HAVE HEALTH CARE THAT'S ALWAYS THERE, BUT THEY DON'T WANT YOU TO. BEING A POLITICIAN IS THE ONLY JOB IN THE WORLD IN WHICH THE EMPLOYEES HAVE BETTER BENEFITS THAN THE BOSSES."

WHITewater

Several guests, from the politicians to media types (like Dan Rather, who was on earlier this week) have discussed Whitewater. Most say crap like you probably didn't do anything wrong, but Hillary might have.

Although I bet Imus will be ginger about the topic, you obviously need to defend yourself and Hillary without kicking the Whitewater story. The more dismissive you are, the better: "YOU KNOW, IMUS, WHEN THEY'RE TALKING ABOUT HEALTH CARE THE REPUBLICANS TALK ABOUT HILLARY LIKE SHE'S KARL MARX. WHEN THEY TALK ABOUT SOME ANCIENT REAL ESTATE INVESTMENT THEY TALK ABOUT HER LIKE SHE'S DONALD TRUMP. THE TRUTH IS SHE'S NEVER DONE A THING WRONG IN HER LIFE AND THEY KNOW IT. THE REPUBLICANS TRIED THIS IN THE CAMPAIGN, AND IT BACKFIRED THEN. IT'S GOING TO BACKFIRE NOW BECAUSE THE AMERICAN PEOPLE BELIEVE IN HILLARY AND WHAT SHE'S DOING."

"ONLY REPUBLICANS WOULD THINK LOSING MONEY'S A CRIME."

CRIME

Obviously, the tougher you are the better.

Cuomo was on Imus recently and made this wonderful point about "Three Strikes and You're Out": If you've been caught, arrested, prosecuted and convicted of three violent felonies, chances are you've committed 50.

BOSNIA

Joe Lieberman was mildly critical of our Bosnia policy a few weeks ago on the Imus show. Obviously, this is nothing to joke around about. A short, easy-to-understand summary of our position and the actions we've taken is all you need.

MISCELLANEOUS

- ♦ **IMUS' AGE...AND HIS GIRLFRIEND'S YOUTH:** Imus is about 50. He's in love with a 30-year-old woman. Many of his guests (including Lieberman) give him grief about this. How about: "IMUS, YOU OF ALL PEOPLE SHOULD BE SUPPORTING THIS ADMINISTRATION. WE'VE GOT HEALTH CARE FOR SENIOR CITIZENS LIKE YOU...AND CHILD CARE FOR YOUR GIRLFRIEND."
- ♦ "I WAS IN NEW JERSEY YESTERDAY AT THE AMERICAN ASSOCIATION OF RETIRED PEOPLE MEETING. I'M SURPRISED I DIDN'T SEE YOU THERE."
- ♦ **HIS BROTHER FRED'S LINE OF CLOTHES:** Fred Imus runs the Auto Body Express in El Paso. Imus shamelessly plugs Auto Body Express denim workshirts. They have the name "Fred" stitched over the pocket, and the logo is a '57 Chevy with country singer Kinky Friedman sitting on top. The other day Imus sent a free denim workshirt to Pat O'Brien, who is covering the Olympics for CBS, because he promised to wear it on the air. You ought to ask him for one: "EXTRA LARGE -- AND INSTEAD OF A '57 CHEVY, HAVE YOU GOT ONE WITH A '71 FI. CAMINO WITH ASTROTURF IN BACK? I PROMISE TO WEAR IT JOGGING -- OR TO McDONALD'S -- OR BOTH."

MEMORANDUM

To: ~~The President~~

From: Nancy Hernreich

Date: February 16, 1994

Re: Puerto Rico

Beryl Anthony sent you a statement concerning Puerto Rico, which he said he discussed with you recently. Marcia Hale said we must be very careful, that we must weave a very thin path. According to Marcia, there is an explosion in the making. A former client of Harold Ickes is working in favor of the Statehood Party; Beryl is for the Commonwealth Party. There are definitely two sides to this issue, and Marcia will have a memo to you before the end of the week about Puerto Rico. Do you have any guidance for her?

This memo to
be reviewed by Marcia
+ Harold
+ we need a document
Beryl's guy was the
1st person for this - wrapped up
w/ both Democratic factions
98% in Puerto Rico
No statehood
Romero - Puerto Rico
Serrano - Puerto Rico
But don't delay
(as Robert)

WINSTON & STRAWN 1.

FREDERICK H. WINSTON (1853-1886)
SILAS H. STRAWN (1891-1946)

1400 L STREET, N.W.
WASHINGTON, D.C. 20005-3502

(202) 371-5700

BERYL F. ANTHONY, JR.
(202) 371-5754

FACSIMILE (202) 371-5950

MEMORANDUM

CHICAGO OFFICE
35 WEST WACKER DRIVE
CHICAGO, ILLINOIS 60601
(312) 558-5600

NEW YORK OFFICE
175 WATER STREET
NEW YORK, NY 10038-4981
(212) 269-2500

TO: Nancy Hernreich
Deputy Assistant to the President
The White House

FROM: Beryl F. Anthony, Jr. *Beryl*

DATE: February 10, 1994

RE: Statement for the President

I spoke with the President last night about the Puerto Rico issue and he instructed me to draft a statement for him and to send it to him through you. The statement is attached; please deliver it to the President.

Thank you very much. Best personal regards.

*Ce m. Hall for 7/4
2. Pic also -*

WINSTON & STRAWN

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(312) 558-5600

NEW YORK OFFICE
175 WATER STREET
NEW YORK, NY 10038-4981
(212) 269-2500

BERYL F. ANTHONY, JR.
(202) 371-5754

February 10, 1994

The Honorable William J. Clinton
The White House
Washington, DC 20500

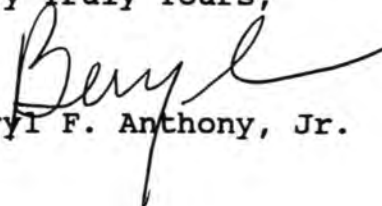
Dear Mr. President:

As we discussed last night, I am enclosing a proposed draft of a Presidential statement or press release regarding the vote in Puerto Rico and your commitment to studying the various proposals that have been presented to the White House. Our Democratic friends in Puerto Rico are very enthusiastic about your willingness to move forward on the results of the referendum vote.

We have made this statement very simple so that it can be approved and released as soon as possible. I have also enclosed a two-page summary of the proposals presented by the Popular Democratic Party. These proposals should be the starting point of the proposed task force's discussions.

Thank you very much for your interest in this most important matter.

Very Truly Yours,


Beryl F. Anthony, Jr.

BFA/ang
Enclosure

PRESIDENTIAL STATEMENT

On November 14, 1993, the U.S. citizens of the Commonwealth of Puerto Rico exercised their right to self-determination and voted in a three-way referendum to continue the Commonwealth relationship. The Commonwealth relationship was established in 1952 as a compact based on mutual consent. Its democratic nature has once again been reaffirmed through this referendum vote.

The supporters of the Commonwealth are committed to further develop this relationship with the United States. They have presented to me proposals designed both to promote greater equality between the U.S. citizens in Puerto Rico and residents in the 50 states and to increase the opportunities for economic development in Puerto Rico. Before the referendum vote, I stated that I was committed to do my best to make the Commonwealth "work better." Today, I want to reaffirm my commitment to work on these proposals.

To this end, I am pleased to announce that I am forming an inter-agency task force that will work directly with Commonwealth supporters to find ways to make the goals of greater equality and economic development a reality for the U.S. citizens in the Commonwealth of Puerto Rico.

This task force will be headed by _____ and comprised of members of the Departments of Agriculture, Commerce, Health and Human Services, and Treasury and by members of the White House staff.

Proposed Enhancements to the Commonwealth Relationship

The vote in favor of continuing the Commonwealth relationship gave the Popular Democratic Party ("PDP") a mandate to propose to the U.S. President and Congress legislative changes designed to promote greater equality between the U.S. citizens in Puerto Rico and residents in the 50 states. In addition, it was a mandate to seek opportunities to promote greater economic development through effective economic tools that promote self-sufficiency, employment and investment. These two concepts, equality for citizens and economic development, were encapsulated in four specific enhancements approved by the voters with their vote for Commonwealth. The PDP presents the following proposals to initiate a dialogue as to how the goals of equality and economic development can best be achieved within the existing budgetary constraints and the national agenda:

- (1) As part of welfare reform, to implement the existing federal policy of granting full participation in federal nutritional assistance programs, so that the U.S. citizens in Puerto Rico are not treated less fairly than even non-citizens who reside in the 50 states.

- In 1981, during Ronald Reagan's first year in the White House, the traditional food stamp program for Puerto Rico was terminated and replaced by the Nutritional Assistance Program ("NAP") "block grant," which severely reduced, at a capped level, the level of funding for the program. During the ensuing decade of Republican Presidents, it was not possible to fully rectify this inequity and Puerto Rico's participation in the national program has consistently declined.

In the 1990 Farm Bill, Congress established as policy that "the citizens in the Commonwealth of Puerto Rico should be safeguarded against hunger and treated on an equitable and fair basis with other citizens under Federal nutritional assistance programs." Unfortunately, the current levels of funding for the NAP still do not provide such "equitable and fair" funding for the U.S. citizens in the Commonwealth.

- (2) To assure equal treatment for the poor elderly and handicapped who reside on the Island by eliminating the current disparate treatment effected by the Supplemental Security Income program.

- The SSI program currently provides greater protection to aliens residing in the United States than to U.S. citizens residing in Puerto Rico. This inequitable treatment has resulted in great

hardship to the poor elderly and handicapped in Puerto Rico and to those Puerto Ricans residing on the mainland who have not been able to move back to Puerto Rico because they would lose these benefits.

- (3) To reformulate Section 936 of the U.S. Internal Revenue Code in order to create more and better jobs in Puerto Rico.
 - Considering the significant changes to Section 936 in the 1993 Budget Reconciliation Act, it is essential to evaluate the effect of these changes on Puerto Rico's economy and to evaluate adjustments that may generate additional employment and investment.
- (3) To obtain special protection for Puerto Rico's main agricultural products by obtaining a tariff-imposing authority similar to the one that currently exists for coffee.
 - Many mainland agricultural industries obtained special protections as part of the legislation on the North American Free Trade Agreement. Puerto Rico's main agricultural crops deserve similar protections from low-cost imports. One way to effect such protections is to extend to other tropical crops the tariff-imposing authority available for Puerto Rican coffee since 1930.

In addition to these four points, Commonwealth seeks a renewed affirmation of the democratic, non-colonial nature of the relationship. Commonwealth means the preservation of the identity of the Puerto Rican people, their language and their culture, in a framework of common citizenship, common defense, common currency, a common market and common loyalty to democratic values. This relationship is based on mutual consent and is governed by the compact entered into in 1952. In recent years, Republican Presidents and other Statehood supporters have sought to erode the original understanding of the existence of a compact between Puerto Rico and the United States. They have labeled the Commonwealth of Puerto Rico a "territory" subject to the plenary powers of Congress and raised fears that the U.S. citizenship of Puerto Ricans may be revoked by Congress.

The nature of the Commonwealth relationship can be reaffirmed through a Presidential Memorandum, which would revoke the one issued by President Bush in the last few weeks of his administration and would clearly set the understanding of the bases of the Commonwealth relationship as non-colonial and democratic.

WINSTON & STRAWN
1400 L STREET, NW
WASHINGTON, DC 20005-3502

Telephone: (202) 371-5700

DATE: February 10, 1994

Facsimile: (202) 371-5950

FACSIMILE TRANSMISSION

PLEASE DELIVER THE FOLLOWING PAGE(S)

TO: Nancy Hernreich
FIRM: The White House
FAX#: 94562883

FROM: Beryl F. Anthony
PHONE: 371-5754

TOTAL # OF PAGES (INCLUDING COVER SHEET): 6

SUBJECT: Presidential Statement

COMMENTS:

Please deliver RUSH. Thanks.

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If you do not receive all the pages, please call our facsimile operator at (202) 371-5881 as soon as possible. Thank you.

WINSTON & STRAWN

FREDERICK H. WINSTON (1863-1886)
SILAS H. STRAWN (1881-1948)

1400 L STREET, N.W.
WASHINGTON, D.C. 20005-3502

(202) 371-5700

BERYL F. ANTHONY, JR.
(202) 371-5754

FACSIMILE (202) 371-5950

MEMORANDUM

CHICAGO OFFICE
35 WEST WACKER DRIVE
CHICAGO, ILLINOIS 60601
(312) 650-5000

NEW YORK OFFICE
175 WATER STREET
NEW YORK, NY 10038-4881
(212) 269-2000

TO: Nancy Hernreich
Deputy Assistant to the President
The White House

FROM: Beryl F. Anthony, Jr. *Beryl*

DATE: February 10, 1994

RE: Statement for the President

I spoke with the President last night about the Puerto Rico issue and he instructed me to draft a statement for him and to send it to him through you. The statement is attached; please deliver it to the President.

Thank you very much. Best personal regards.

WINSTON & STRAWN

FREDERICK H. WINSTON (1853-1882)
SILAS H. STRAWN (1801-1846)

1400 L STREET, N.W.
WASHINGTON, D.C. 20005-3502

(202) 371-5700

BERYL F. ANTHONY, JR.
(202) 371-5754

FACSIMILE (202) 371-5640

CHICAGO OFFICE
30 WEST WACKER DRIVE
CHICAGO, ILLINOIS 60601
(312) 558-5400

NEW YORK OFFICE
175 WATER STREET
NEW YORK, NY 10038-1801
(212) 269-2000

February 10, 1994

The Honorable William J. Clinton
The White House
Washington, DC 20500

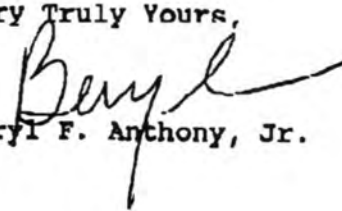
Dear Mr. President:

As we discussed last night, I am enclosing a proposed draft of a Presidential statement or press release regarding the vote in Puerto Rico and your commitment to studying the various proposals that have been presented to the White House. Our Democratic friends in Puerto Rico are very enthusiastic about your willingness to move forward on the results of the referendum vote.

We have made this statement very simple so that it can be approved and released as soon as possible. I have also enclosed a two-page summary of the proposals presented by the Popular Democratic Party. These proposals should be the starting point of the proposed task force's discussions.

Thank you very much for your interest in this most important matter.

Very Truly Yours,


Beryl F. Anthony, Jr.

BFA/ang
Enclosure

THE PRESIDENT HAS SEEN
2/3/94 ab
THE WHITE HOUSE
WASHINGTON
February 7, 1994

A COPY OF THIS
DOCUMENT WAS
SENT TO YOU ON
THE ROAD

MEMORANDUM TO MACK McLARTY
PHIL LADER

FROM: JOHN PODESTA

SUBJECT: Commission on Roles and Missions of the Armed
Forces

The Department of Defense Authorization Act P.L. 103-160, contained a section establishing the Commission on Roles and Missions of the Armed Services. As the attached conference report language indicates, establishment of the Commission grew out of the House Armed Service Committee's dissatisfaction with Chairman Powell's recommendations on the subject in his 1993 triennial report.

The Commission is composed of seven members, all private U.S. citizens, appointed by the **Secretary of Defense**. The Chairman is designated from amongst the members by the **Secretary**. The legislation directs the Commission to review the efficiency and appropriateness of the current allocation amongst the Armed Forces of roles, missions and functions, and make recommendations to Congress for changes in view of the post-Cold War environment.

The Commission legislation directs the Secretary to appoint the Commission members within 45 days of enactment (November 30, 1993), a date which has passed. Once appointed, the Commission is directed to meet within 30 days, send a work plan to Congress within 90 days and issue a final report within one year of its first meeting. The final report is to be sent to the Armed Services Committees, the Secretary of Defense and Chairman of the Joint Chiefs.

The Commission members are eligible to be paid for their days of service and receive travel and per diem expenses. The Commission can hire an executive director and other staff as necessary and hold hearings.

Funds for the Commission are to be made available from the DOD civilian employment, travel and per diem accounts. The Secretary of Defense is directed to furnish administrative and support services requested by the Commission.

Per your instructions, I have not contacted DOD about this; let me know what else you need.

f of Naval Operations (sec.

a provision (sec. 903) that
tion 5038 of title 10, United
r of Expeditionary Warfare
val Operations.
: provision.

Fund (sec. 945)

on (sec. 1008) that would in-
INC Initiative Fund by \$5.0

no similar provision.
dment that would authorize
iant to Defense-wide activi-

Commission on roles and missions (secs. 951-960)

The House bill contained provisions (title XIV) that would establish a commission on roles and missions of the armed forces. This action stemmed from a dissatisfaction with the scope of the roles and missions reforms recommended by the Chairman of the Joint Chiefs of Staff earlier this year in his triennial report. The provisions would require the President to appoint commission members for five-year terms. The provisions would also establish procedures by which the commission would annually review the implementing actions of the Department of Defense.

The Senate amendment contained no similar provisions.

The Senate recedes with an amendment that would shorten the commission's term, provide for the appointment of its members by the Secretary of Defense, and delete the requirement for the commission to review the actions of the Department of Defense. The conferees expect the commission to provide an adequate basis for further action on roles and missions and believe that it will energize the Department of Defense to address these issues more comprehensively.

LEGISLATIVE PROVISIONS NOT ADOPTED

Student loads at war colleges and command and staff colleges

The House bill contained a provision (sec. 422) that would require the number of students at the senior war colleges and command and staff colleges to remain at the same level as enrolled on October 1, 1992. The intent was to ensure that enrollment at the colleges would not be reduced as the size of the services decreased.

The Senate bill contained no similar provision.
The House recedes.

The conferees agree on the continuing importance of professional military education (PME), especially at this time of great political change in the world. The end of the Cold War has taken away the certainties that guided American defense policies for more than two generations. If a smaller military is to handle the challenges of the late 20th and early 21st centuries, it must do so

THE WHITE HOUSE
WASHINGTON

94 FEB 23 A2:02

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: SHARON BOTWIN

Fax Number: 6 6472

Phone Number: 6 2500

FROM: SHARON WAGNER

SUBJECT: RESERVATION FOR ROOM 180, CONFIRMING
VERBAL OK OF 02/22/94

DATE: 02/22/94

NUMBER OF PAGES (including cover sheet): 2

MESSAGE: SHARON, Please note that the time has
changed from what I told you on the phone today.
Instead of 4:30 PM to 5:30 PM, John now says
4:45PM to 5:45PM.

Thanks.

If all pages are not received, please call 202/456-2702

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EXECUTIVE OFFICE OF THE PRESIDENT CONFERENCE ROOM RESERVATION REQUEST

JOB #	
DATE OF MEETING: FEB. 24, 1994	
TIME RESERVED: FROM: 4:45PM TO: 5:45PM	
OFFICE/AGENCY: White House	
EXTENSION: 6 2702	

NAME OF INDIVIDUAL HOSTING/ATTENDING EVENT:

JOHN PODESTA

STAFF PERSON RESPONSIBLE FOR ROOM RESERVATION:

SHARON WAGNER

TYPE OF EVENT:

☒ MEETING☐ RECEPTION☐ OTHER

DESCRIPTION OF EVENT:

Meeting with approx. 25 attendees

NUMBER OF ATTENDEES:

25

IN ATTENDANCE:

☐ PRESIDENT☐ FIRST LADY☐ VICE PRESIDENT

ROOM(S) REQUESTED:

☒ RM #180☐ RM #430☐ RM #472☐ RM #474 (Indian Treaty Room)☐ RM #476☐ ROOSEVELT ROOM

GENERAL SERVICES:

☐ ELEVATOR SERVICE ☐ #4 ☐ #6 ☐ #7

TIME RESERVED _____

FLOORS RESERVED _____

☐ PODIUM☐ FLAGS

OTHER REQUESTS (Use Only)

SPECIAL ROOM ARRANGEMENTS:

☐ THEATRE:

Number of Chairs _____

☐ CONFERENCE:

Number of Tables(s): _____ 8 ft _____ 10 ft

☐ RECEPTION:

Number of Tables(s): _____ 8 ft _____ 10 ft

☐ OTHER _____

(Room Diagrams on Reverse Side)

WHITE HOUSE STAFF MESS REQUIRED:

☐ YES☒ NO

If Yes, Funding _____

☐ OFFICIAL

OFFICE ACCOUNT

☐ OTHER _____

ADDITIONAL REQUIREMENTS OR REQUESTS:

The room is fine set up the way it normally is with table/chairs.

FORMS MUST BE RETURNED TO ROOM 1, OEOB, 48 HOURS PRIOR TO EVENT

Bobman Reed

Fyl - Bz

THE PRESIDENT HAS SEEN

2122194 2b

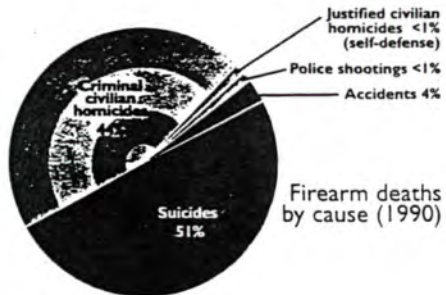
The Right to bears & arms



This HANDGUN was confiscated from criminals. The TEC-9 and its clones are used in more crimes than any other assault weapon. Its manufacturers call it a "high-spirited... fun gun."

TEC-9 (unregulated)

- 1 There are no federal safety standards for the domestic manufacture of guns.
- 2 There are no voluntary, industrywide safety standards for the manufacture of guns.
- 3 Approximately one gun model is recalled every three years.
- 4 Keeping a gun in your home makes it three times more likely that someone will be killed there.
- 5 In 1990, guns killed 37,184 people in the United States.



PHOTOCOPY PRESERVATION

Solutions

Regulate guns like other consumer products.

Ban all handguns and assault rifles.

Tax ammunition heavily.

Guess which one has more manufacturing regulations?

►Teddy (heavily regulated)

- 1 At least four broad types of federal safety standards cover teddy bears: sharp edges and points, small parts, hazardous materials, and flammability.
- 2 In 1976 the toy industry issued a comprehensive voluntary toy-safety standard. The Toy Manufacturers Association has maintained a safety standards committee since the early 1930s.
- 3 Six separate teddy-bear models were recalled in fiscal year 1992 alone.
- 4 Keeping a teddy bear in your home does not increase the chance that someone will be killed there.
- 5 Teddy bears killed nobody last year. Only eight child deaths from all accidents involving toys were reported in the first eight months of 1993.



Every **2** minutes somebody somewhere in the U.S. is shot.

Every **14** minutes somebody dies from a gun wound.

Each gun injury involving hospitalization costs **\$33,159**. A license to sell a gun costs **\$5.55** a month.

A gun rolls off the assembly line in America every **10** seconds. America imports another gun every **11** seconds.

There are **246,984** gun dealers, but only **240** inspectors to keep an eye on them.

For the first time ever, a majority of Americans **52** percent, favor a ban on handgun sales.

a **MOTHERJONES** pullout

Poster reprints of this pullout are available for \$1.95 each, from Mother Jones, 1663 Mission St., San Francisco CA 94103. Substantial discounts for bulk orders. To subscribe to Mother Jones, call (800) GET MOJO. Photograph by Fred Stimson. Research by Julie Petersen and Ariel Sabar. RESEARCH ASSISTANCE BY LEXIS-NEXIS.

THE WHITE HOUSE
WASHINGTON

DATE: 02/22/94

NOTE FOR: BRUCE REED

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

Information ☐

Action ☒X

Please prepare a draft letter to Mr. Rose for the President's signature and return it to my office.
Thanks.

Thank you.

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

cc:

THE WHITE HOUSE
WASHINGTON

Adams
THE PRESIDENT HAS BEEN
01/22/94 *ch*

Bruce Lued
groued dragg
letter —

February 16, 1994

MEMORANDUM FOR PRESIDENT CLINTON

FROM: WENDY SMITH *WDS*
THROUGH: NANCY HERNREICH ✓

The subject of the attached article, Charlie Rose, met with you when you visited City Year back in January of 1992. He happens to be a good friend of mine who does amazing things with relation to urban children and their environment. A friend of ours sent me this article hoping you would actually see it and receive some positive affirmation about the crime message.

If during the next trip to Boston, you do a crime or national service event I will be sure to include Charlie in the planning.

cc: Rahm Emanuel
Reta Lewis
Anne Walley
Lee Satterfield

cc Brumfield

and let's to Rose on
Thu —



GLOBE STAFF PHOTO / DAVID L. RYAN

Charlie Rose, deputy director of City Year, knew what he would say if he were making the State of the Union speech last night: "Crime is not a crisis. It is a deep-seated problem that can't be solved by short-term efforts."

DEALING WITH CRIME

If Charlie Rose were Clinton...

By Alan Lupo
GLOBE STAFF

It was lunchtime, eight hours before the president was to deliver his State of the Union address, and Charlie Rose did not know what Bill Clinton was going to say about crime. But Rose knew what he would say if he were president, and he bet if he said it, he would not be reelected.

"I'd tell people that America really doesn't care about dealing with crime," he said. "I know people don't want to see other people get shot. But these same people say, 'I'm law abiding. Don't raise my taxes.'"

Charlie Rose was talking about the hypocrisy attendant upon crime in this nation, and what he was saying was relevant because this 36-year-old has been a street worker and youth counselor since 1979.

These days, he is deputy director of City Year, which brings 300 city and suburban kids together, pays each \$100 a week and a \$5,000 service award and puts them to work on everything from teaching nutrition in schools to renovating housing.

He lives with his wife and infant son in Jamaica Plain, and he spends most of his life on the street. He has seen the worst and best of America's kids, and he believes deeply in kids, but he is not optimistic.

Rose was not surprised at the news of the shootout at the Chez Vous rink. He had seen it all before — the previously unthinkable criminal act, the gathering of ministers,

'A company can get a gun onto the market easier than you can get a toy on the market.'

CHARLIE ROSE, City Year official

police and community leaders, the promises to "take back the streets." "Crime," he said, "is not a crisis. It is a deep-seated problem that can't be solved by short-term efforts."

More cops and prisons? Fine. Tougher sentences? Sure. But the only way to confront crime is to attack the roots through education, street work, jobs, rebuilding of community, street workers contend.

"When we reach the point where our schools are as good as our shopping malls," Charlie Rose would tell his fellow Americans, "when we reach the point where economic opportunity is not drug dealing on street corners, that's real."

"President" Rose, in between munches of a chicken sandwich and fries at the Blue Diner at Kneeland and South Streets, offered his own strategy.

"In the short term, there are over 200 million guns on the streets of America. A company can get a gun onto the market easier than you can get a toy on the market.

Ban the sale of all handguns. Put the emphasis on community policing. And yes, I still believe we arrest law breakers and incarcerate them.

"But law enforcement isn't enough. The real answer is long-term. Give people a sense of hope. Make sure they can get an education and that it will lead somewhere. Don't tell me we don't have the resources to make schools feel safe, make them feel like real learning institutions, which they aren't now."

"I'll call for a Street Workers Corps. Get back to the settlement house model. Urge every person to contribute something to the neighborhoods."

"I'm not going to get reelected. You either tell the truth or get reelected.... We promote violence, give people the tools to get guns, let drugs be dealt in certain neighborhoods."

"We've got to recreate the safety net.... We used to have an upper class, a middle class and a lower class. Now we have a dying class — people dying of homicide, suicide, AIDS, from lack of nutrition and health care."

The "president" cleaned his plate and headed back to City Year headquarters. For street workers, talking about crime is a luxury; doing something is a necessity.

Rose the street worker last night watched Clinton the president and said he was surprised to hear the very things he had been talking about. "I truly feel like he is in touch with what's going on."

2122194 16

WASHINGTON

94 FEB 9 P8:51

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26 GS - General
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: 51

5.

FOR THE PRES

Ex.

AL SERVICE UPDATE

service stands, as we begin our fifth month of operations:

preparing to launch AmeriCorps, which will engage 20,000 participants which, you'll remember will be more than ever served in the Peace Corps are building up the infrastructure and competitive processes to deliver this activities have included the following:

- regulations:** Yesterday ended the public comment period on our plans interested in AmeriCorps grants. It appears that the only red flag is one of the small state governors to invest their time in the undertaking since only 20 "slots" for AmeriCorps members by population-based formula. For now, we have been successful in securing buy-ins from most small states by picking up 85% of the administrative expenses to set up their state programs that can compete for and in many cases should be successful in securing grants. There will be a larger floor in future years as our funds ramp up.

- g regional road shows:** We conducted two-day technical assistance sessions in Washington, and in Atlanta, Kansas City, and Los Angeles for programs applying for grants and for state staffs looking for help in establishing their own competitions. We had two principal aims: (i) to underscore for existing AmeriCorps' ability to be a delivery system for change in communities (rather than a source of information for participants) and (ii) to offer guidance for programs on issues focus (crime prevention; environmental protection and the like) on the excellent national service program.

More than 1500 non-profits, cities, educational groups and labor unions, among others, attended these sessions; we are providing user-friendly videotapes of the sessions to other interested parties and engaging in targeted outreach.

- **Funding state commissions:** I am happy to report that every state met our first deadline for setting up the commissions and that we have actually begun funding the work of 9 state commissions.

- **Fielding public inquiries:** We have an 800 telephone number for public inquiries; although we are waiting until participant recruiting is nearer to begin publicizing its existence, we are already receiving over 1,000 calls a week. The demand for the program is enormous and is well-distributed throughout the country, and callers include both young people and their parents.

2. Summer of Safety 1994

Your sponsorship of this program to the mayors and governors, and your radio address in late December have been a tremendous boost to our efforts to demonstrate the ability of national service to help reduce crime and violence. Our plans call for 6,000 full-time participants engaged in activities as diverse as community policing, victims' assistance and dispute resolution. The Justice Department -- at all levels -- has been very helpful.

Because the active support of the nation's mayors and police chiefs is critical to ensuring that the Summer of Safety really gets things done, I was given an opportunity to address the Conference of Mayors, and we had a lunch meeting at the White House with ten carefully-selected mayors who have agreed to take the lead for us with their colleagues. On February 24, I will meet with big city Police Chiefs at their quarterly meeting in San Jose to continue this dialogue.

3. National Service and Health Care: The Texas Experience

Do you remember the Summer of Service forum at the University of Maryland last summer? One young woman told you that she and 86 other AmeriCorps participants were directly responsible for the immunization of over 104,000 children in Texas in eight weeks. Two things I thought you would like to know about this program:

- First, professional evaluators have concluded that for every dollar of money invested by the federal government in this summer demonstration program (primarily in the form of minimum wage salary to the participants), the American taxpayer got a benefit of over \$5.50.

● Second, Governor Richards and others were so impressed by these results that they ~~are providing \$2 million in state funds to create a Texas Health Corps using our AmeriCorps members to continue and expand the effort.~~ I will be travelling to Austin for the ceremonial start of the Health Corps on February 23.

4. Politics

● **Governors:** They have the most to gain from the structure of AmeriCorps, which distributes two-thirds of its grants throughout the states. We have attracted the active sponsorship of a number of high-visibility Republican governors (especially Bill Weld, George Voinovich and John Engler). We have stoked the competitive fires of the Democratic governors (among whom interest is already widespread, with Governors Romer, Hunt, Lowry, Carnahan, and Zell Miller particularly enthusiastic). Those few governors expressing concern cited the burden of creating their state commission (and funding an escalating portion of its costs over time); voiced a lack of familiarity with the goals and community benefits of service; and/or considered the program too small (in numbers of participants and amount of funds) to bother with.

● **Mayors:** Given the frequently precarious relationship between mayors and their governors, and the structure of AmeriCorps, we have paid special attention to increasing the comfort level of the mayors. The Conference of Mayors provided many opportunities, and our above-mentioned cultivation of 10 or more (including Joe Riley, Tom Menino, Frank Jordan and Dennis Archer) provides an excellent vehicle for the future. We have an in-house advantage with Jim Scheibel, the former mayor of St. Paul, who had served as the conference's chair of its task force on hunger and homelessness, and is now serving as your new ACTION Director and Vice President of the Corporation.

● **Congress:** We have not slackened our efforts to expand the Congressional base of support for national service, with one-on-one meetings with key members, and frank group discussions (the next being our 8 a.m. breakfast meeting in the Mess on February 10 with the Maryland House delegation).

Barbara Mikulski, despite her long sponsorship of national service and our 20-year personal friendship, continues to present as many problems as opportunities. She wants our entire appropriations to flow through her subcommittee, despite Tom Harkin's subcommittee's historic control over funding for ACTION programs, and despite Mack, Pat and Leon advising her of our opinion that assignment of appropriations authority is an internal Senate matter. She may well make things difficult for us in the months ahead, especially given the tight budgets we all have to deal with.

5. Message

- Although there were initial mixed feelings internally about the name, from the moment "Peace Corps" was selected, it was heavily promoted by President Kennedy. Your use of "AmeriCorps" in your December radio address was very helpful -- we need to develop public recognition of that name, for the same reason President Kennedy preferred "Peace Corps" to "my program to send young Americans to serve in needy countries." Not all speeches and other materials drafted for you by the White House staff (rather than by ours) reflects this; while we work on educating them, I urge you to seize the initiative and use "AmeriCorps" reflexively.

- Bruce Reed and the welfare reform group have been helpful in moving away from "community service" as a term to describe the public or non-profit sector placements that may be mandated as a last resort for long-time welfare recipients. Because "community service" has been used to mean different things in the welfare reform debate, in alternatives to incarceration for criminals, and in national service (for which it has been used as a synonym), I urge you to avoid the term in all contexts. We've decided just to use "national service" and Bruce is using "community [or non-profit] work experience" -- something even the American Public Welfare Association has adopted.

6. Miscellaneous

On Tuesday, February 8, the Senate confirmed Jim Joseph as our Board Chair, Shirley Sagawa as the Managing Director, and Jim Scheibel as the head of ACTION.

We are also continuing to forge real bonds with the military (active duty and veterans), frequently with the leadership of retired General Don Scott, who directs our National Civilian Community Corps. Don's program has placed veterans in leadership positions and attracted the active support of all branches of the armed forces (including, most recently, the engagement of the highest levels of the Marine Corps). We have likewise briefed the veterans service organizations (helped by Herschel Gober and his colleagues) and designed programs in which veterans will be both served and serving.

Finally, I want to emphasize to you how much even your most casual mention of national service means to our staff. For example, after your appearance at Kramer Junior High School we circulated excerpts to the entire building (as we do with all of your speeches). Your passion and active sponsorship have given our service heroes inspiration during what has been a relentlessly active year.

THE PRESIDENT HAS SEEN
2/22/94 db

THE WHITE HOUSE

WASHINGTON

94 FEB 11 P6:58

February 11, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: Joan N. Baggett

SUBJECT: 1994 Elections

As a follow-up to the detailed notebook that you were given with targeting maps and our analysis of the 1994 races, I wanted to outline some steps we are recommending to facilitate the Administration's involvement in the 1994 races.

I. Centralize responsibility for 1994 election activity.

The White House Office of Political Affairs will serve as the central clearinghouse and monitoring authority for the 1994 election activity. Requests for Administration involvement by you, the Vice President, the First Lady and the Cabinet should be run through the Office of Political Affairs before commitments are made with appropriate checks done with White House Congressional and Intergovernmental Relations regarding incumbents.

We will continue to meet weekly with party committees (DNC, DSCC, DCCC and DGA) to monitor requests and election activity.

II. Alert Cabinet to the importance of the 1994 races.

Cabinet Affairs suggests that you hold a luncheon meeting at Blair House with members of the Cabinet to stress the importance of their cooperation in the 1994 election. We have met with the Cabinet Chiefs of Staff already, and are prepared to begin weekly meetings with Cabinet schedulers to prioritize election-related travel into targeted districts. We will also work with Cabinet Affairs to monitor Cabinet actions as they affect key races.

III. Meet with marginal House and Senate incumbents.

As Congressional Affairs alluded to in their memo, we would like to hold two to three meetings per month with marginal House and Senate Democrats. In the Senate right now that would consist of Lautenberg, Robb, Wofford, Bingaman, Feinstein and Bryan. In the House, we would propose meetings of about 15-20 key marginal members that we would select with WH Congressional and DCCC. These meetings would send a very positive signal to both the House and the Senate that you care about 1994.

Handwritten notes:
Meeting for Vice Pres. - June
Grey to our hands - up there along
B

IV. Increase Information Exchange

The White House Political Affairs Office will begin submitting weekly political updates for your review. In addition, we would like to have two to three meetings with you per month in order to exchange political ideas and review current political activity surrounding the 1994 races.

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN

2/22/94 db

February 22, 1994 5:17

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM:

ANTHONY LAKE
LEON PANETTA
PATRICK GRIFFIN

SUBJECT:

Disclosure of the Aggregate Amount for
Intelligence ActivitiesPurpose

To decide a course of action on disclosure of the amount appropriated and requested for intelligence activities.

Background

You will recall that last summer the Administration decided to oppose a statutory requirement to disclose the aggregate total spent for Intelligence activities. We did so in a Statement of Administration Policy (SAP) issued by OMB. The House defeated a binding open budget amendment offered by Congressman Frank by a vote of 264-169. The Senate adopted a non-binding sense of the Congress amendment urging disclosure by a vote of 52-48.

After the Senate vote, several longstanding proponents of disclosure (including Senators Metzenbaum and Moynihan), as well as several new proponents, wrote to urge that you reconsider your opposition to disclosure. Opponents (Warner, Dole and others) also wrote, urging you to maintain your position. At that time, you promised to re-evaluate the matter.

Both the Senate and House Intelligence Committees will soon begin open hearings on the issue of disclosure. Administration witnesses will be asked to testify. As a result, it is important that we come to closure on a strategy for our response.

Arguments Pro and Con

Compromising U.S. Intelligence. Opponents of open budgets argue that annual disclosure of the aggregate amount appropriated for national intelligence would benefit hostile intelligence services by allowing them to detect trends in our intelligence operations.

Proponents argue that publishing the aggregate total will disclose little or nothing about the nature of our intelligence operations. They note that the Secretary of Defense's annual report has disclosed more information on weapons systems,

cc: Vice President
Chief of Staff

research programs and strategy than possibly could be gleaned from overall budget figures.

Foot in the Door. Opponents argue that since disclosure of an intelligence budget will be meaningless without disclosure of what the money is being used for, there will be further demands for budget information, and in due course more information about U.S. intelligence activities will be revealed.

Proponents argue disclosure would allow the American people to make rough judgements about the relative priorities of their government as seen through budget expenditures and help to build confidence in the legitimacy of intelligence activities being pursued.

Foreign Sensitivities. Opponents have historically argued that no other government in the world discloses the amount of money it spends on intelligence activities. Publication of even an aggregate amount may well jeopardize delicate liaison relationships with foreign governments.

You should know that the British government has published the aggregate figure it spends on intelligence activities. While it has thus far received no publicity, the British action will become known and injected into our Congressional debate.

Proponents argue that publishing an aggregate figure for intelligence activities on the basis of constitutional and policy arguments would be a reflection of the quality that distinguishes our democracy from all other nations.

Congressional Oversight. Opponents argue that any public interest in disclosure is satisfied by extensive Congressional oversight of intelligence activities. By example, in the Senate, with jurisdiction exercised by the Senate Intelligence, Armed Services and Appropriation Committees, nearly-one half of the body has access to the intelligence budget on a classified basis.

Proponents argue that while oversight has increased dramatically, it is no substitute for public participation.

Weakness on National Security. Opponents argue that a decision to disclose will be cited as part of a larger indictment of "softness" on national security issues by this Administration.

Proponents argue that disclosure will demonstrate a recognition of the openness required in the new post-cold war era.

Views of the Director of Central Intelligence

Jim Woolsey is strongly opposed to disclosing the aggregate total for intelligence spending. At our request, he has provided a letter to you outlining his opposition (Tab A). He believes that it is inevitable that disclosure will result in greater pressure to release more details about intelligence activities. As a result, he believes that intelligence liaison relationships with foreign countries will be damaged. The DCI contends that the public discussion of a substantially greater number of specifics

about intelligence sources and methods that will occur under an open budget regime will inevitably damage our ability to obtain cooperation from other countries.

The DCI is deeply concerned that in this budget climate, the formal acknowledgment of even an aggregate total for intelligence will increase pressures for greater budget cuts. There is no political constituency for intelligence in the abstract. Intelligence will be expected to justify changes in the published level and to compete against other funding demands adequate justification that will not be possible publicly. In a difficult budget environment, the result will be loss of influence with the Congressional process for funding intelligence priorities established by the Clinton Administration.

Finally, the DCI believes that a series of steps now in train will more effectively demonstrate this Administration's commitment to openness, including the reform of cold war security and classification system, extensive and more timely clearance of historical material, more extensive open work with academic institutions, use of satellite imagery for environmental purposes, and more open hearings with the Congress.

Congressional Views

There is no clear consensus on this issue in Congress, although it should be noted that the majority of those supporting disclosure in either chamber are Democrats. Senator DeConcini and Representative Glickman, chairs of the intelligence committees, are both proponents of disclosure. However, neither is adamant about the issue. Indeed, that seems to be the case with most of those in favor of open budgets.

Among other key members, Senators Moynihan and Metzenbaum continue to feel very strongly that the budget figures should be public. Metzenbaum is likely to remain the most vocal member on this issue. Sen. Mitchell and Rep. Gephardt also favor disclosure, though it is not a priority for either. Speaker Foley does not have a firm position; he signed Metzenbaum's pro-disclosure letter last year largely to avert a hold-up of the intelligence authorization bill. Sen. Nunn's staff has expressed strong opposition to disclosure but the Senator himself has not recently addressed the issue.

Executive Branch Views

The Vice President and Leon Panetta oppose disclosure at this time. Secretary Perry has indicated he would support DCI Woolsey's position against disclosure.

Options

1. Take no position now. Allow Woolsey to state his personal views in congressional testimony. Make a decision only when Congress is about to take some action on the matter.
2. Take a position now to either continue to oppose disclosure or reverse course by favoring disclosure. It is important

to send a clear signal early in the legislative process before members of congress attempt to create linkage between them and other more important issues.

Recommendation

That you make an early decision to reaffirm our position to oppose the disclosure of the aggregate total spent on intelligence programs.

Attachments

Tab A Letters dated February 9, 1994 and August 3, 1993
 from the Director of Central Intelligence

The Director of Central Intelligence

Washington, D.C. 20505

February 9, 1994

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

Dear Mr. President:

I wanted to add only a few points to what I said in my letter of August 2nd (attached) about whether to disclose publicly a total budget figure for intelligence. I have come to be even more convinced than I was last August that the public disclosure of this total would be most unwise.

I have done everything I possibly can in the intervening months to increase the openness of the intelligence community in reasonable ways.

Last year I made 180 separate visits on Capitol Hill. Twenty-seven of these were to testify in hearings (an increasing share of them open) but a large number were visits to individual Congressmen and Senators -- many of these were not on our Oversight Committees -- to explain our budget and our programs. Both because of my visits and because the committees themselves make budget material available to all Congressmen and Senators, there is no reasonable argument that Congress is not fully informed about the intelligence budget and the programs in it.

I have also substantially accelerated the declassification of historical materials, such as estimates on the Soviet Union and other Cold War materials of historical interest. I have done a good deal of public speaking and have also made a number of media appearances to try help demystify intelligence.

The Security Commission that the Secretary of Defense and I appointed a year ago will report formally quite soon, and the thrust of many of its recommendations will be to reduce classification and enhance openness.

But I believe that if the government goes even further and publicly acknowledges a budget total, then inevitably -- in the current budget circumstances -- this will lead to one of two consequences: either proposals in the Congress for arbitrary percentage reductions in intelligence spending will be far more likely to succeed, because we will not be able to answer publicly the arguments for such percentage cuts, or the intelligence community will be drawn inevitably into greater disclosures about its programs in order to avoid such arbitrary budget reductions.

Further, in any given year, if there is an upward shift in intelligence funding, of even a relatively small amount in percentage terms, there will inevitably be many public questions about why this has occurred. If it should be because we are embarking on a new satellite program, for example, a disclosure of that fact will be far more likely than would have otherwise been the case. If we should be requesting the funds for a new covert action program -- pursuant to an appropriate Presidential Finding and notification of the Congress -- analogous, for example, to the arms aid that was provided to the Afghan Mujahadin in the 1980s, the jump in funding will inevitably call public attention to such a covert effort. There are already sound, effective ways for Congress, as the peoples' representatives, to be informed in detail about both budgetary material and covert action without requiring that the probabilities be greatly increased of such matters becoming publicly known.

For these reasons, I would hope that we would continue not to disclose a total budget figure for intelligence. I would of course volunteer to be the bearer of bad tidings to Senator Moynihan, Senator Metzenbaum and others who have urged this change. I would note, however, that the House of Representatives voted last year by nearly a hundred votes to reject a requirement for such disclosure.

Respectfully yours,



R. James Woolsey

Attachment:
As Stated

The Director of Central Intelligence

Washington, D.C. 20505

August 2, 1993

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

Dear Mr. President:

Tony suggested that I write to you separately to set forth my views on the question of whether to disclose a total budget figure for intelligence. Although the NSC staff paper on this issue does include pro and con arguments, I don't believe that it adequately represents my views.

I believe that this is a very important issue for the future of American intelligence; it is also a somewhat subtle question in many ways, and one that has substantial implications that are not immediately apparent.

(1) A publicly acknowledged budget changes in substantial measure the nature of the intelligence budget debate.

In the first place, funding for intelligence has no natural constituency except for one group: those who focus particularly on the inchoate needs of future Presidents, military commanders, trade negotiators, etc. -- since much of what is spent for intelligence, e.g., satellite procurement, will not bear fruit for many years. At any given time it is, to put it realistically, questionable that this group will constitute a majority of the Congress or the public. It is natural that people generally have other more immediate needs on their minds.

There are many people, including many members of Congress, who are willing to support adequate intelligence funding. But if they are forced to choose between satisfying some more immediate need today -- that is justified in great detail -- or an intelligence need for a future President, commander, or negotiator -- that cannot be publicly justified in any detail because of its sensitivity -- then the choice will be heavily biased against intelligence.

What sets this issue sharply apart from other debates over the long-run public interest vs. more immediate gratification is the fact that the nature of intelligence is such that discussions about how we acquire it, and what the funding is for, must remain secret in order for that

acquisition to be effective. In other public debates, funding for projects that serve the long-run public good may lose out to more immediate or parochial interests, but at least it is a battle on a level playing field where each side gets to set forth its best arguments.

This is not true when the intelligence budget must be balanced publicly against other budgetary demands. The intelligence budget's supporters cannot specify in public the advantages that the nation will obtain from having an adequate future intelligence program, because virtually all of those arguments involve, inextricably, descriptions of the way we do the intelligence business. The core business of intelligence is, in essence, to steal and analyze other countries' secrets. We steal them principally in three ways: by taking pictures of those who don't know they're being observed; by listening to those who don't know they're being heard; and by recruiting spies. Discussions of the benefits of intelligence inevitably skid quickly into hints and leads about these subjects, loosely shrouded in euphemisms. And, when conducted in public, these discussions command the close attention of the rulers of, e.g., Iraq, Iran, Serbia, North Korea, and Libya.

Why doesn't this risk of exposing the way we do business exist now, with the overall funding level for intelligence widely, if unofficially, reported in the press? I fully admit that it does, to some extent, and that the added risk that is produced by affirming publicly a budget total is a question of degree.

But I believe that the difference in degree is very substantial. If an intelligence budget level is officially acknowledged, it will be much harder not to state publicly the reasons for proposed changes in that budget level. These changes may, as they are this year, be due to a consolidation of satellite programs (causing, as in the case of a base closure, a temporary bump in funding before savings accrue) or to some other step. The substance behind the bare-bones reasons will quickly become public in the press of debate.

Further, proposals such as those now pending in floor amendments to the House Committee's bill -- for arbitrary cuts in the intelligence budget -- would, with an acknowledged budget figure, become arguments about the relative merits of intelligence and other programs. All participants would have to confront, e. g.: "How can the distinguished Member possibly contend that the excellent program that I have set out in detail is not worth a mere 5 percent reduction in the bloated cold war intelligence budget that the government acknowledges is \$x billion?" I can't answer, or help others answer, this sort of thing in public. I have tried to do so in non-public meetings this

year before Congressional Committees, individual members, and both the Democratic and Republican House caucuses. But in those fora I can show satellite imagery, explain base closure costs for signals intelligence facilities, etc. I can't do that in public, nor can a Committee Chairman on the floor in public session.

So my central concern is that our ability to persuade the Congress to support the level of funding needed for a scaled-down, and re-oriented -- but still world-wide and effective -- Intelligence Community will be heavily undercut by this step. I am having great difficulty successfully defending an adequate intelligence budget to the Congress today. But I believe that failure will be guaranteed in the long run if an individual member of Congress cannot tell those who urge him to shift requested intelligence funds to other uses that the funding issues are legitimately classified, and that he is supporting the Committee, whose members have reviewed the issues thoroughly. If Congressmen and Senators must try to argue against proposed percentage cuts in an officially acknowledged intelligence budget figure without being able to offer any concrete arguments -- i.e. with both hands tied behind their backs due to security constraints -- I have great concern about future Congressional support for intelligence funding.

(2) Intelligence liaison relationships with other countries will be damaged.

We rely very heavily on relationships with other countries' intelligence services for important help on a whole range of issues, including especially the proliferation of weapons of mass destruction and terrorism. Everyone that I consult who has experience in this field says that the public discussion of a substantially greater number of specifics about intelligence sources and methods that will occur under an open budget regime will inevitably damage our ability to obtain cooperation from other countries.

(3) This step is not needed to demonstrate greater openness with regard to intelligence.

I have in train a series of steps, from the use of satellite imagery for environmental purposes, to more extensive and timelier clearance of historical material, to the Security Commission's reforms of classification and compartmentation, to a new unclassified publication on intelligence studies, to more extensive open work with academic institutions, to more open hearings with the Congress. These should all demonstrate to any fair-minded observer a greater degree of intelligence community openness. An open budget total is not needed to make this point

effectively. It will not achieve openness of the sort that will be relevant to serious scholars and researchers.

There are several other reasons, related to the structure of the intelligence budget, why I believe this change is most unwise. Let me state them briefly.

(4) There is no single accurate number for what we spend on intelligence.

The National Foreign Intelligence Program (NFIP), which I manage, is comprised of funding for some 14 civilian agencies and departments, as well as intelligence elements of the military services. Each year I issue programmatic and fiscal guidance to the program managers that serves as the basis for their projected budget requests. The Tactical Intelligence and Related Activities (TIARA) component of the Department of Defense, on the other hand, is not a separate, defined program but rather a loose aggregation of activities that varies from year to year depending on the views of the various military services about what constitutes tactical intelligence. For example, in a given year, TIARA may not include the fuel costs of operating certain reconnaissance aircraft. But the next year these costs may be funded in TIARA, for whatever reason, thus creating a swing upward of hundreds of millions of dollars in TIARA, and hence in "the" intelligence total -- the sum of the NFIP and TIARA.

Bill Perry and I have recently completed a series of joint NFIP-TIARA reviews and we are working on a major reform of the way intelligence guidance is done. This may well pull together the defense programs that should have central guidance and leave to the military services some several billion dollars worth of other current TIARA items. As we introduce it, this reform would create large disparities from year to year in "the" overall intelligence budget. It will be impossible for the next few years in the NFIP-TIARA total to explain the reasons for these shifts in a public debate. I would hasten to add that neither I nor anyone else in these current discussions wants to solve this problem by making public the NFIP total alone. This would focus all public pressure for cuts on that one part of the intelligence budget that serves national needs and is now managed according to coherent guidance.

(5) Intelligence support funding by the military services will be undercut by this change.

For many years, the US Intelligence budget has been an integral part of the DoD budget. Indeed over 85 percent of the NFIP is spent by its DoD elements. Senator Bob Kerrey has suggested that breaking intelligence out of DoD will

afford it greater protection given the large cuts that face Defense. I would argue that just the opposite is the case.

Publicly separating out the intelligence budget total will tend to cause intelligence to compete with the very military programs that it is intended to augment. Intelligence has long been viewed by the military as a multiplier of the effectiveness of military forces. Creating an adversarial fiscal environment in which future investment needs for intelligence would battle publicly with other defense needs would make it much harder to resolve these issues in the collegial fashion that has characterized the relationship between the DCI and the Secretary of Defense in recent times. I have seen, years ago, the consequences of adversarial relations between the Intelligence Community and Defense. This is not a good thing to encourage.

(6) The fact that intelligence is incrementally funded will put further added pressure on the intelligence budget if it is separate and public.

It is also important to note that the basis for funding intelligence programs is different than that used for large DoD programs. Intelligence is funded incrementally. For example, each year's appropriations for a satellite fund only that year's portion of spending on the procurement contract. In Defense, by comparison, programs such as weapon systems or aircraft construction are typically funded in their entirety in the first year, with actual spending spread over multiple years. If all funds associated with building a particular weapon system or aircraft are cut from the budget, then the procurement of that item is terminated and the country has one fewer weapon system or aircraft. But if a substantial share of funds associated with an ongoing intelligence satellite procurement program is cut in a given year, then you are left with, essentially, a mess -- both in contractual and program terms. And again, this can't be explained publicly in individual cases -- the status of these programs is, quite reasonably, classified.

Similarly, I would point out that the Congressional budgetary process and the deficit issue have led Congress to focus increasingly on annual outlays. The use of the incremental funding approach for intelligence means that a large share of annual intelligence funds are spent in the year that they are appropriated. This means that intelligence outlays, on balance, are disproportionately a higher share of authorized and appropriated funds than are outlays in DoD. This creates a bias toward focusing on intelligence reductions when there is a public search for immediate outlay savings.

In conclusion, I strongly believe that a decision to declassify an intelligence budget total is one that would have lasting impact on our intelligence capability. This issue, we have all recently learned, will come up in the House tomorrow instead of arising first in the Senate in September. Because of his travel schedule I have not had an opportunity to discuss this important matter with Warren Christopher and I have had only very brief conversations about it with Les Aspin. Tony and I have discussed some, but not all, of the issues I raise here.

Given the importance of this matter there would have been, ideally, an opportunity for me to have discussed this issue with the members of the National Security Council -- i.e., you, the Vice President, and the Secretaries of State and Defense -- prior to any decision. In view of the need, now, for a quick decision, I would urge that you not agree to disclose the total budget figure this year.

Sincerely,



R. James Woolsey

For the President
From Mack

THE PRESIDENT HAS SEEN

2.22.94

✓
THE WHITE HOUSE
WASHINGTON

February 17, 1994

MEMORANDUM TO MACK McLARTY

FROM: BILL BURTON

SUBJECT: NADBank-San Antonio

Attached find Roger Altman's note saying the default location for the NAFTA-related North American Deveopment ("NAD") Bank is Washington. Roger knows now that you and the President would like it in San Antonio. Roger is seeing if that is possible. He notes that, at Bentsen's request, he has been negotiating with the InterAmerican Development Bank on the Washington location (which would save money).

*San Antonio
unproven*
B

I did speak with Jane Hickey; she says Ann wants San Antonio as the NADBank location. Not surprisingly (and notwithstanding the fact that the NAFTA Labor Secretariat is going to Dallas), Ann also wants us to push the EPA to locate its border environmental office in El Paso. Jane says El Paso is the midpoint along the US-Mexican border, but that she understands that San Diego is making a strong pitch for the environmental office. She argues that San Diego's representative who is pushing for this voted AGAINST NAFTA. I have made no effort in getting the EPA office in El Paso, awaiting your direction.



THE DEPUTY SECRETARY OF THE TREASURY
WASHINGTON

February 16, 1994

Memorandum for Bill Burton

From:

Roger Altman *RA*

Subject:

NADBank

This is a status report on the question of NADBank and its location. You'll see that the present plan does not call for a separate location at all.

I will promptly look into this further to determine the feasibility and cost of doing a u-turn. But, I'll have to reach Secretary Bentsen.

cc: Mack McLarty



DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

February 15, 1994

MEMORANDUM FOR DEPUTY SECRETARY ALTMAN

FROM:

Jeffrey R. Shafer *RSJ*
Assistant Secretary
International Affairs

SUBJECT:

Location of the NADBank

I want to follow up on our conversation regarding the location of the North American Development Bank (NADBank).

In our discussions with the Mexicans about how to respond to the need for a financing vehicle for border environmental infrastructure projects, we conceived of an institution that could catalyze funds without creating a large new bureaucracy. Also, in the early stages of our discussions with the Mexicans, the Inter-American Development Bank offered its services as a conduit for helping us address the border infrastructure financing needs. These two ideas, together with Congressman Torres' idea of a development bank that would meet community adjustment needs as well as provide border environmental infrastructure financing, became the NADBank -- a streamlined institution that would use the services of the IDB instead of a new bureaucracy.

Our agreement with the Mexicans does not specify an IDB link (though it is provided for) because we did not want to put the new institution in a weak position vis a vis the IDB in negotiations over what services would be provided at what cost. Along with the Mexicans, we are now in fact discussing with the IDB what services will be needed and how they might be provided. If we can conclude an agreement with the IDB, which I believe we can, this would be the most efficient way to get the new institution up and running quickly.

This would mean, de facto, that it would be located in Washington. ~~This has been explained to groups that have expressed interest in the NADBank, including a group from San Antonio that came to see me last fall and an individual from Houston I spoke with yesterday on the Secretary's behalf.~~

- 2 -

Of course, if negotiations with the IDB were to break down, the question of location would be open and we would want to open up the competition. I do not expect this to happen, nor do I believe it would be a good outcome because it would create a more complicated, expensive, and lengthy process for getting this institution up and running. In addition, decisions on the function and location of the institution have to be made jointly with the Mexicans.

We have also been discussing with other agencies¹ the location of the NADBank's sister institution, the Border Environmental Cooperation Commission. There is a consensus among U.S. Government agencies involved that this institution should be near the International Boundary Water Commission and in Mexico. This means it would be located in Ciudad Juarez. Secretary Bentsen supports this outcome, and I expect him to confirm an agreement to this effect with the Mexicans on Thursday.

Anything you can do to clear the way for us to continue to negotiate with the IDB with a view to locating the NADBank in Washington would be appreciated.

¹ On the issues of locating the NADBank and the BECC, I have been working closely with Eileen Claussen at the NEC. She is responsible for the interagency process to deal with the environmental institutions connected to NAFTA.

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
2.22.94

February 19, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: MACK McLARTY

SUBJECT: HOWARD DEAN FUNDRAISER

I visited with Ricki about your note on the Howard Dean fundraiser (attached). Right now we are shooting for an April date. The fact that it is in Washington will help. I will track with Ricki to make sure it is done.

Attachment
cc: Marcia Hale

May

Mack

MACK/BL
Howard Dean
should do - B
wants you to
nudge your
staff for a
date for a
fundraiser.

Mack/BL
Howard Dean
should do - B
wants you to
nudge your
staff for a
date for a
fundraiser



Mr. President,

your staff has been very helpful in
trying to arrange a fundraiser for my '94
campaign which you and Hillary would attend.

They have also made it clear that
without a nudge from you, they can not

set a date.

Could you ask Joan Baggett to set a date. We're shooting for the end of March, but we will obviously bend to your schedule. The fundraiser would be held in D.C.

I really appreciate your help, it will make all the difference in a Vermont Campaign.

Sincerely,

Howard

Russian youth no stranger to suburbs

Stavoe couldn't believe her eyes. There was President Clinton on his recent trip to Russia, shaking hands with a Muscovite child who was beaming at him — wait a minute ... was that Alex?

Alexander Fyodorov, 13 years old, and already a player on the world's stage.

"I knew we were going to hear about him again some day," says Stavoe of Mount Prospect, who as leader of the Chicago-area chapter of Foundation for a Global Community helped arrange for 17 young Russian children to visit Mount Prospect and the Midwest in 1992. Alex, then a precocious 11-year-old, was among the travelers.

"But I didn't think it would be in a year and a half," she said.

The young Alex, now 13, was in the audience for Clinton's Moscow address earlier this month. He stood up and asked the president about the well-publicized photograph of Clinton as a young man, shaking hands with President John F. Kennedy. Did that meeting all those years ago make Clinton think about being president himself some day? Alex won-

Renee Trappe

Inside Northwest



dered.

In reply, Clinton called the boy onto the stage and said that maybe if he shook Alex's hand, the boy could grow up to be president of Russia.

"Why not?" laughed John Brennan of Mount Prospect. He and his wife, Charman, hosted Alex during his 5-day stay in the suburbs.

The Moscow handshake made international television and wire service reports.

"He is very bright," Brennan said. "He didn't get his question asked by accident — he has an assertiveness, a moxie. His parents are both research scientists who have traveled to the United States before. He speaks English very well."

Foundation for a Global Community joined with a Russian organization, the Soviet Friendship Society, to arrange the student



Rabbi Joe Black, former star of TV's "The Magic Door," returns to the Chicago area Sunday with a performance at Congregation Beth Judea in Long Grove.

exchange. A group of Wisconsin children visited the then-Soviet Union; then in 1992 the Russian children came here.

"He couldn't get enough mashed potatoes," Brennan recalled. "Mashed potatoes and bananas. Potatoes I think was a familiar food to him, but bananas were a rare treat."

Tiny Tov returns — this time full sized

Once upon a time, Rabbi Joe Black hosted a Chicago children's television show. Long before he was ordained, he was Tiny Tov, the elf-like character on the Emmy Award-winning show, "The Magic Door."

The wonders of technology reduced him to a mere miniature of his full-size self, before projecting him onto the set of the show, where he sang and exhorted his viewers to do good things for others.

Now the associate rabbi of Temple Israel, in Minneapolis, Black will return to the Chicago-area to entertain at a 3 p.m. family concert at Congregation Beth Judea, Route 83, Long Grove, on Sunday, Jan. 23. The performance is the last event in the weekend celebration of the Conservative synagogue's 25th anniversary.

Black, who accompanies himself on guitar, will mix musical styles as he teaches Jewish songs and stories, the Hebrew alphabet, the

See INSIDE on Page 2



This photo of President Clinton shaking the hand of a young Muscovite, Alexander Fyodorov, played in newspapers and on television worldwide last week. The 13-year-old visited the Northwest suburbs last year as an exchange student.

Associated Press Photo

Debra Fyler B.

THE PRESIDENT HAS SEEN
2/22/94 d.b.

THE WHITE HOUSE
WASHINGTON

cc: /ches / Murray

JANUARY 17, 1994

TO: PRESIDENT CLINTON

FROM: GEORGE STEPHANOPOULOS

This is very
good - should be
absorbed by pol,
for local, publishing
Scheduling - I'd like
to discuss

When you get a minute, you
should read this. Dayton
is a New Hampshire native who
deeply understands the state. He's
written a book on the NH Primary
and was the National Press Secretary
for Dukakis in 1988.

I believe we should start to
implement his suggestions ASAP.

Welcome back.

Geor

To: Mark Gearan
George Stephanopoulos
Dee Dee Myers

From: Dayton Duncan

Re: **The New Hampshire Primary, 1996**

This memo is meant to prod you into starting to plan for President Clinton's re-election effort here in the state where it will begin. The Administration and DNC have already demonstrated that you are committed to keeping close ties to New Hampshire, and I don't doubt that some thought has already been given to the 1996 effort. My purpose is merely to give you my thoughts, two years out.

As you know, I've seen New Hampshire primaries from several perspectives: as a New Hampshire reporter in 1972 and 1976; as Governor Hugh Gallen's chief of staff, supporting the Carter/Mondale effort, in 1980; as Fritz Mondale's deputy press secretary in 1984; and as an author working on *Grass Roots* (and kibbitzer for my friends on Mike Dukakis' campaign) in 1988. I was living in Kansas during the 1992 primary, but offered occasional long-distance advice to Mark, Mitch Schwartz and Bev Lindsey over the phone. Now, I'm back in Walpole, writing PBS documentaries with my old friend, Ken Burns, and becoming re-involved in the state's politics (though not particularly with the N.H. Democratic Party apparatus).

Much of what follows is probably not news to the three of you, being veterans of primary campaigns yourselves; but worth, I think, reiterating.

History for Democratic Incumbents

Since the inception of N.H.'s presidential primary in 1952, every Democratic president seeking re-election has been seriously challenged in New Hampshire.

o One (Truman, 1952) was defeated outright, and then withdrew from the campaign. One (Johnson, 1968) suffered a perceptual defeat, and then withdrew from the campaign. And one (Carter, 1980) won both in fact and in perception, although the challenge (Ted Kennedy's) unquestionably damaged his chances in the general election.¹

¹ Technically, Johnson was also an incumbent in 1964 and was unchallenged. But his situation -- assuming office after JFK's assassination only a little more than a year earlier; and running for the first time himself in New Hampshire -- was unique.

- o None of the presidents received more than 50 percent of the primary vote. (Truman, 43.9; Johnson, 49.6; Carter, 47.2).

- o In all three cases, the incumbents were centrist Democrats, challenged by someone more liberal. (In all three cases, the main challenger was a U.S. Senator. In 1980, Carter was also opposed by Governor Jerry Brown, as well as by Senator Ted Kennedy; their combined total virtually equalled Carter's vote.)

This doesn't mean that President Clinton will necessarily be challenged in 1996. He's already broken one New Hampshire tradition -- by getting elected President without first winning here -- and currently I think it's more likely than not that he'll also put the "incumbent's curse" to rest. Nonetheless, the historical record is clear: In New Hampshire, an incumbent being opposed in his own primary is the norm, not the exception; and the challenge comes from the left.

New Hampshire's Importance in 1996

Every four years, other states move their own primaries forward, closer to New Hampshire's, saying that the move will enhance their own state's political voice in the presidential process and diminish New Hampshire's. They are always only half-right. New Hampshire's importance has always increased, not decreased, by "frontloading."

- o Moving California's primary into March will definitely change candidates' strategies in California. But it will also increase the value of doing well in New Hampshire, particularly in any race that pits a well-funded favorite against an underdog challenger. Because of its small size, proportional emphasis on "retail" politics, and extremely high visibility, New Hampshire has been a primary of choice for long-shot candidates running against frontrunners, incumbent Presidents or otherwise; California's change of dates would only increase that tendency. Unable to compete financially in the multiple media markets of California, a challenger would decide that the best (and cheapest) way to gain both name recognition and media momentum in California would be to score an upset in New Hampshire.

- o This is better understood by an example: If California's primary had immediately followed New Hampshire's in 1984, Gary Hart would have won the nomination.²

² Hart won in California anyway, but it came at the end of the primaries, and we were able both to balance it against Mondale's victory in New Jersey -- three time zones earlier -- and frame the political question as merely whether Mondale would get the final number of delegates to be the nominee. Had California, standing alone, followed on the heels of Hart's New Hampshire upset, his California margin would have

o As a general rule, "frontloading" favors the candidate with the most money, the most extensive organization, the lead in the early polls, and the highest name recognition. The principal exception is if a challenger explodes onto the scene in a way that media excitement not only levels the playing field, but momentarily tilts it against the favorite. The place that can happen is also the place where all the normal advantages of a frontrunner still apply, yet do the least amount of good: New Hampshire.

o Since 1996 will have an active Republican race, and it will be particularly vigorously waged in New Hampshire, the political press will be focused on New Hampshire anyway. Any challenge on the Democratic side in the state would therefore also become a much-covered story, in the same way that Buchanan got heightened coverage against Bush in 1992.

The Expectations Game

In 1992, the combination of Paul Tsongas' "next-door neighbor" candidacy and Gennifer Flowers' accusations meant that your campaign could portray a second-place finish in New Hampshire -- legitimately -- as a crucial political comeback. In 1996, if there is a challenger, not only will President Clinton be required to win in New Hampshire, but win by a comfortable margin. Expectations games never work in favor of incumbent Presidents.

o The historical record cited above, plus the fact that President Clinton did not win here in 1992, can both be used to dampen unrealistic yardsticks; but anything short of real victory would be hard to finesse in the press.

Planning Ahead

I think that President Clinton currently is in very good shape among New Hampshire Democrats -- not only avidly supported by those who worked and voted for him in 1992, but also, I believe, enjoying a high standing among those Democrats who supported someone else. Remember, however, that none of the challenges to previous Presidents surfaced until nine months, at most, before their primaries. Therefore, the prudent way to deal with New Hampshire is to assume that the 1996 primary will be contested.

been larger, he would have led Mondale in delegate counts, his bounce in Super Tuesday would have been even bigger (Mondale actually only won in Alabama and Georgia, losing in five or six other states; we claimed victory anyway), and Mondale would have been out of the race by mid-March.

- o Acting on this presumption will not only put the President in the best possible political position if a challenger does emerge; it is also a good way to help prevent one from emerging in the first place.

- o Lest this sound too much like New Hampshire-myopia, a common disease up here, it is also worth remembering that Presidential challengers arise from national, not state, conditions. Carter was opposed in 1980 both because the liberal wing of the party disliked him and, equally important, he was perceived as particularly vulnerable; Johnson's challenge was more issue-specific, opposition to the war. A challenge in New Hampshire is a symptom of a larger problem. If the President is doing well nationally and internationally, no one's going to oppose him based solely on New Hampshire conditions. On the other hand, if things have turned sour nationally for the President in 1995, a strong base in New Hampshire might possibly dissuade someone from mounting a campaign against him; at the least, it would make fighting that challenge easier.

Events, Issues and Surrogates

You've done a good job this year in keeping the President and his Administration visible in New Hampshire, particularly in contrast to Bush, who owed his political survival in 1988 to the primary here, then foolishly allowed himself to get painted with the impression of neglecting the state and its people. My main advice for 1994 is to continue a high profile, enhance the perception that the Clintons genuinely like New Hampshire and care about its people, expand your use of the advantages of incumbency (especially surrogates and the aura of the White House itself), and give specific attention to which issues you want to highlight here and who should highlight them.

Having already said that I think that a challenge, if it comes, will be from the left, I nonetheless firmly believe that the President should not, in fact or perception, move in that direction. Not only would that be a mistake for the general election, it would also be a mistake for winning the primary here. As you'll see below, however, I think you have some surrogates and issues that can be effective in building and solidifying liberal support in the state.

The President.

- o Any appearances of his in New Hampshire should be tied to his number-one promise to voters here in 1992: improving their economic lot and the quality of their lives. Equally important, that message should be delivered in ways showing that the President is working on the people's behalf because he understands their problems, is in touch with their concerns, and cares about them.

o (Sometime in 1995, he should have an event in New Hampshire, probably a speech in a suitably dignified setting that focuses on a President's trump card -- foreign policy -- but not until, through previous appearances, he has made it clear that he still cares for the well-being of average citizens and is doing something about it. Also, once he's laid a firm groundwork on the economy up here, the President should have an event that rings a liberal bell. I would suggest something like the Brady bill, perhaps going to the Gun Owners of New Hampshire -- an NRA affiliate -- with his message that he's not opposed to hunting but wants to regulate assault weapons; the other message would be he's not afraid to stand up to arch-conservatives on something he believes in. This is guaranteed to attract an attack from the *Union Leader* and right-wing Republicans up here, gain points on the left, and cost you nothing from your base. The Youth Service Corps might be another issue to highlight.)

o Because of his office, he can draw large crowds for important speeches and command the media's attention (and, regardless of the hyped myths of New Hampshire, the glow of the Presidency works its spell here, too). But one of his greatest political strengths -- and personal preferences -- coincides with the New Hampshire tradition: direct connection with people. Don't overreact and dismiss "Presidential" events in New Hampshire; they are important, and can be especially useful in reminding potential deserters within the party of what they would be up against. But above all, especially on the early trips, make sure he can't get tagged with "losing touch." If anything, bend over backwards toward town meetings, smaller gatherings, and impromptu events.

o New Hampshire can also be reached with a personal touch from the White House, an impressively powerful tool not at your disposal in 1992. Key supporters from the last campaign -- and key supporters of opponents in that primary -- should be mixed into regular invitations for White House functions. Rides into and out of the state on Air Force One (and Two) are effective; use telephone calls from the White House, personal notes, etc.

o Some people should be specifically assigned to be on the lookout for incidents and news items in New Hampshire that might warrant a Presidential notice: acts of heroism, touching human interest stories, remarkable achievements, etc. to which a President can bring national attention.

o And, just as the activists and voters up here have come to expect the personal touch, so too have the media. Invite some of them down for

briefings; arrange an occasional exclusive via the telephone or in the White House. (You should also operate on the assumption that the Manchester *Union Leader* will be even more antagonistic this time; WMUR-TV will not be helpful, but not openly hostile.)

- o In either 1994 or 1995, assuming the President's been here on several occasions making his points on the economy, consideration should be given for some Presidential vacation or recreational time in New Hampshire. This could range from a skiing or golfing weekend to a full-fledged summer vacation.

- o In 1979, President Carter came to New Hampshire for a Democratic party event in February, and again in late spring for events in Portsmouth and Manchester. Then, because of his self-imposed exile in the White House during the Iranian hostage crisis, he never came back. We relied heavily on Mrs. Carter, the Mondales, and Cabinet members (who virtually blanketed the state repeatedly), on Governor Gallen (who campaigned non-stop on Carter's behalf), on a good organization, and on every possible nuance of putting the power of the Presidency to work. And we won, despite the myth that the candidate himself is required to be up here personally. Obviously, it's better to have the candidate himself campaigning. But people involved in that campaign on both the national and state level learned some important lessons -- primarily about the use of surrogates and the use of incumbency -- that should be studied.

Mrs. Clinton

- o I am assuming that her travel schedule will be almost exclusively devoted to health care reform in 1994. She's already made one trip to New Hampshire on the issue, but that shouldn't preclude another one.

- o People from New Hampshire -- Democratic supporters, health-care advocates, and the media -- should be especially included in some Washington events and briefings during the push for health care reform. Likewise, any examples from New Hampshire of how the package would improve someone's life should be given special prominence.

Vice President Gore and Mrs. Gore

- o The Vice President's principal issue up here should be the environment; Mrs. Gore's should be mental health. Both will help build contacts and support in the liberal wing of the party.

- o The Gores spent a lot of time in New Hampshire in the 1988 primary, and have a core of supporters and a larger pool of general good will here. They can be very effective on the President's behalf and should be sent here as much as possible.

Bruce Babbitt

- o Like Vice President Gore, Babbitt as a candidate in 1988 spent a great deal of time up here. And despite his vote total, he has an avid following, which I believe has increased over the last five years. And again like Vice President Gore, although he comes from a more centrist tradition, Babbitt now has a strong appeal to liberal Democrats through his association with environmental issues. He should be sent regularly to New Hampshire.

Madeleine Kunin

- o From her time in Vermont, she has good connections with Democratic women's groups in New Hampshire, and has a particularly high name recognition and favorability among Democrats in western New Hampshire, one of the more liberal parts of the state. She can be effective throughout the state, pushing education issues; and especially useful along the Vermont border and among Democratic women forging political ties with liberal factions (even though she, too, comes from a centrist background).

Organization

It's far too early to set up any formal organization here in New Hampshire, but the groundwork should be laid now. The principal focus for 1994 should be maintaining and solidifying contacts with your supporters from the 1992 effort, especially those you found to be most effective; reaching out to key activists involved in the other candidates' campaigns; and completing a strategic organizational plan based not only on your own experience from the last primary but also on Carter's in 1980, the most recent (and successful) New Hampshire primary campaign by an incumbent Democratic President.

- o I'm sure you're already doing a good job of keeping in contact with your key 1992 people. As you begin organizing however, there are some differences between 1996 and 1992 to keep in mind. You have the advantage of entering this next primary with a working knowledge of the political terrain of New Hampshire (who can produce, who is high maintenance/low production, etc.) and should put that knowledge to work before getting an organization too formally set up. At the same time, an incumbent's and front-runner's campaign is an easier target

for disgruntled previous supporters who realize that a defection is suddenly much more newsworthy than four years earlier.

o An active effort should be started to bring under President Clinton's tent key Democrats who supported Tsongas, Harkin and the other '92 candidates. Again, you want to focus on the maintenance/production ratio, as well as the realities of the expectations hanging over an incumbent. I'm sure some of you, as well as Mitch and the other operatives, already know who some of these key people are. And I'm also sure that, in the general election and within the Administration, there were/are campaign operatives who were up here with the other candidates; consult them for suggestions and appraisals. Also be aware that, among the effects on New Hampshire Democrats of having the first-in-the-nation primary for 40 years, one is a highly attenuated internecine sense of resisting "tent expansion." It's both essential that this outreach take place -- in earnest, not just perfunctorily -- and that it be done with some sensitivity to the jealousies it can arouse.

o Neither Chris Spirou, the state Democratic chairman, nor Congressman Dick Swett, the state's highest elected Democrat, were considered FOBs in 1992. Spirou springs mainly from the liberal wing of the party (although Governor Gallen brought him into -- and kept him on -- the Carter effort in 1979). Swett often portrays himself as more conservative than the President and takes particular pains to be seen as "independent" from both the White House and Congressional leadership; as you know he voted against both the budget bill and NAFTA. So, the two most visible Democrats in the state offer both unique challenges and opportunities to any re-election effort; I'd be happy to discuss them personally with any of you or with someone you designate.

o My recollection is that the Carter campaign started quasi-formally in early 1979 -- with a national exploratory committee, and a national and local staff person in New Hampshire. In July (when Carter was at the bottom in polls: gas lines, inflation, etc.) Governor Gallen announced as chairman of the New Hampshire effort. Obviously, a lot of politics had been going on for a much longer time, especially efforts to keep a number of activists from jumping ship to Kennedy's building momentum. I'd suggest that you have someone compile a report on the Carter (national and state) organization of 1979: timing, staffing, etc. I can provide you with the names of the people up here who were most involved and most effective, as well as some of the national folks, for you or your designee to talk to.

The Primary versus General Election, 1996

As you proceed on scheduling in 1994, especially with no Democratic challenge in offing, some consideration should be given to maximizing New Hampshire activities that prepare you for a primary campaign we all hope will be uneventful, but also help in the general election throughout New England, especially northern New England.

- o It's for this reason (and many others) that I think the President's own events and issues up here be aimed at the center, not the left.

- o I think it's fair to say that President Clinton's general election victory in New Hampshire, which hadn't gone for a Democrat since the Johnson landslide of '64, was greatly enhanced by Perot's candidacy. In any normal general election strategic map, Vermont and Maine would probably be deemed more congenial terrain for the President's re-election; and Massachusetts even more so. Therefore, pre-primary trips to New Hampshire should take full advantage of this state's shared borders and media markets with the other three states -- meaning events along the borders and/or making a quick stop in one of the other three states on the way in or out of New Hampshire.

None of the thoughts above qualifies for the term, rocket science. Most of it is mere basics. But this far away from the election year is when the basics are most important.

I'd be happy to talk to you some more about New Hampshire, if you wish.

Sincerely,

Dayton Duncan
Pleasant Street
Box 835
Walpole, NH 03608
603-756-4567

SUITS CHALLENGING REDRAWN DISTRICTS THAT HELP BLACKS

BIZARRE SHAPES AT ISSUE

Court Ruling on North Carolina Inspires a Series of Cases by White Office Seekers

By PETER APPLEBOME
Special to The New York Times

ATLANTA, Feb. 13 — A year after Congressional redistricting sent a record number of minority lawmakers to Capitol Hill, newly created black Congressional districts face a rising tide of court challenges that may threaten the historic electoral gains made a year ago.

At stake are not just the future of the districts and the representatives being challenged. At issue is a tangle of politics and race that have the potential to affect the nature of districts, from city councils to Congress, and the makeup of Congress at a time when President Clinton is trying to maintain the fragile margin of support in the House that provided him with razor-thin legislative victories in his first year in office.

The claims stem from a United States Supreme Court ruling last June, in a case called *Shaw v. Reno*, which challenged a predominantly black district that snakes across 160 miles of North Carolina. The state, defending the district's shape, said the 12th District had an urban identity that went beyond race and that it had complied with Federal dictates to enhance black representation in a state that, before 1992, had not had a black member of Congress for nearly a century.

'Racial Gerrymandering'

But the Supreme Court ordered a district court to review the claim by the plaintiffs, who are white voters in the 12th district, that the district, which stretches from Durham to Charlotte, is a form of "racial gerrymandering" that isolates black voters in an artificial entity whose only justification is race.

Seven months later, the ruling is being used by some disgruntled white voters and politicians elsewhere to challenge electoral districts from North Carolina to California, from hospital boards to Congressional seats.

"Everybody is raising this *Shaw v. Reno* argument from the smallest town you can think of, right on up to Congress," said Laughlin McDonald, a lawyer at the American Civil Liberties Union in Georgia who specializes in voting rights. "It's really a movement now."

But the main focus of the suits has been on Congressional districts.

A Federal court in North Carolina in March will hear the state's defense of the 160-mile-long 12th Congressional District that runs along Interstate 85. In December, a Federal district court in Louisiana rejected the Louisiana's 4th Congressional District, which zig-zags across that state, picking up black

voters. In January, white voters and politicians filed a suit challenging Georgia's 260-mile-long 11th Congressional District, which rambles across Georgia from Atlanta to Savannah.

Suits have also been filed challenging new Congressional districts in Florida and Texas. All are elongated or oddly shaped districts represented by first-term black legislators. They are

Continued From Page A1

among the 50 or so districts, mostly in the South, created after the 1990 census to make minority representation in Congress more closely resemble minority presence in the population; these districts were also intended to comply with the Voting Rights Act that was passed in 1965 and amended in 1982. The 1982 amendment stipulated that the law was meant to apply not just to discriminatory practices but to serve as a vehicle for voting practices to increase minority representation.

It is not clear what standards the courts will now adopt and how many of the challenges will prove substantial. But blacks in the Congress, who saw their numbers grow from 26 to 39 after the 1992 redistricting process, are angry over what they see as an effort to overturn black electoral gains.

"This is an epidemic now," said Representative Cynthia McKinney, the first-term Democrat from Georgia's sprawling 11th District. "The agenda is to turn back the hands of the clock and to put minorities back in the back of the bus."

But the challenges do raise vexing issues about whether the law guarantees opportunity or outcome — the right to a fair electoral system or the right of adequate minority representation — that were thought to be settled until last year but are now wide open. Supreme Court Justice Sandra Day O'Connor, writing the Court's opinion last year, summed up the concerns when she said that the North Carolina district "bears an uncomfortable resemblance to political apartheid."

Alan Slobodin of the Washington Legal Foundation, a conservative legal organization, agrees with the concerns

voiced by Justice O'Connor. "We think the pendulum has swung too far toward a kind of racial Balkanization that's intolerable from a constitutional standpoint," he said.

Under prodding from the Justice Department in the Bush Administration, redistricting based on the 1990 census produced a historic increase in minority representation in Congress. But to achieve that, state legislators fashioned some of the most unusual-looking districts that Congress has seen.

North Carolina's 12th District, represented by Mel Watt, a black lawyer serving his first-term as a Democratic Congressman, has been described as one where a politician could drive on I-85 with the car doors open and hit every voter in the district. Louisiana's 4th District, represented by Cleo Fields, a black former state senator in his first term as a Democratic Congressman, has been compared to the mark of Zorro. Georgia's 11th District, represented by Ms. McKinney, is known as "Sherman's March," referring to the Civil War general's drive from Atlanta to the sea.

The Supreme Court ruling on June 26 did not throw out North Carolina's districting plan; it sent it back to the district court for review. In December, citing the Court's language in the North Carolina case, a three-judge Federal panel in Shreveport rejected Louisiana's Fourth District, saying the Louisiana district was a product of "racial gerrymandering" and was not "narrowly tailored to further any compelling governmental interest." Louisiana officials are appealing, but if the decision is upheld, the state will be forced to redraw its map, changing not just the 4th, but other districts as well. The Representative who hold those seats, however, would not be removed from office summarily; rather, they would

have to seek re-election from revised districts.

"There's an element out there that has no interest in seeing minorities have any representation that will always be there unless there's a legal standard that makes them understand they can't win," Mr. Watt said. "The Supreme Court ruling was almost an invitation to attack these districts."

But critics say the districts make a mockery of traditional geographic boundaries and create artificial districts predicated almost entirely on race.

"It's basically political apartheid," said Larry Chesin, an attorney for the Georgia plaintiffs, who include one of the white candidates who lost to Ms. McKinney.

Race has inflamed the issue, but the districts have as much to do with partisan politics as race. Some Democrats complain that George Bush's Justice Department was the guiding force behind the districts in the interest of segregating black voters into a few black districts that would be Democratic, while creating a lot of white districts that would be Republican.

Others say the biggest factor in the districts' odd shapes were the needs of white Democratic incumbents to retain

THE PRESIDENT HAS SEEN

2/22/94 db

as many black voters from their districts as they existed before 1992.

David Bositis, a senior researcher at the Joint Center for Political and Economic Studies, a Washington research organization specializing in issues affecting blacks, said North Carolina's 12th district, often cited as the most bizarre-looking of all, reflected the needs not of blacks but of white Democrats in districts like North Carolina's 2d District. There, Democrat Tim Valentine won with 55 percent of the vote in a district where blacks were 20 percent of the electorate.

"The idea that the two black districts were drawn to rope in black voters is total baloney," Mr. Bositis said. "They were drawn to protect the six white incumbents."

He also said the idea that Mr. Watts's district ghettoizes black voters was equally wrongheaded. With an electorate that is 53 percent black, the district has the potential to be represented by a white, he said. And critics of the Supreme Court ruling say that focusing on what the Court called the district's "bizarre" shape sets a mad-deningly subjective standard that ignores the widespread practice of creating odd-looking districts for other purposes.

But in other districts, like Louisiana's 4th, which is 64 percent black, it is hard to argue that the district isn't anything other than a designated black seat. And skeptics say there is something dangerous about an electoral system in which blacks and whites are increasingly segregated into districts in which whites represent whites and blacks represent blacks.

"If you have a kind of racial segregation built into the electoral districts, that has to increase racial polarization in the society," said Merle Black, a professor of politics and government at Emory University in Atlanta.

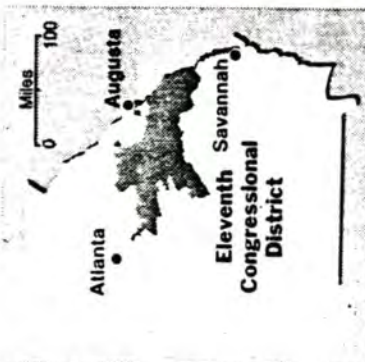
Carol M. Swain, a political science professor at Princeton University and author of "Black Faces, Black Interests: The Representation of African-Americans in Congress" (Harvard University Press, 1993) said the real losers could be black politicians. By pushing for largely black districts, they may insure easy victories in Congress, but they will also fail to generate broader support that can carry them to higher offices.

Even proponents say the districts are imperfect solutions to the reality that blacks often face extreme hurdles to winning in districts that do not have a black majority. The result, they say, has been a success in terms of providing better choices to black voters, but, they continue, it has also been a social experiment, inflamed by emotional issues of race, that has touched raw nerves.

"This was the first time in the history of this country that the reapportionment process was subject to some form of fairness guarantee beyond the one person, one vote standard," said Dayna Cunningham, an attorney with the Voting Rights Project of the N.A.A.C.P. Legal Defense Fund. "It's like you put your foot in the water and the water's cold, you feel shocked, and you pull it out."

A Tale of Three Districts

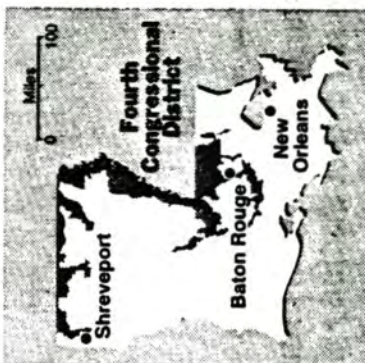
GEORGIA



Representative
Cynthia
McKinney,
11th district



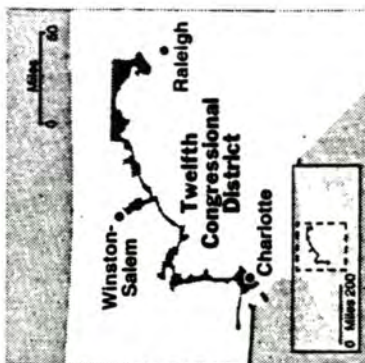
LOUISIANA



Representative
Cleo Fields,
4th district



NORTH CAROLINA



Representative
Melvin Watt,
12th district



The New York Times

2/2

3

Don't - we need to
discuss this
again -

THE PRESIDENT HAS SEEN
2/22/94 db

When U.S. Troops Fly a U.N. Flag

Misadventures in Somalia and Bosnia have understandably given United Nations peacekeeping a bad name in the United States. Now the Clinton Administration, tempering its earlier enthusiasm for such operations, has devised tough new conditions for American participation.

The Administration would be willing to have U.S. troops join in U.N. peacekeeping if all the warring sides agree to a truce. If not, Washington would consider committing troops only if its security interests were at stake, and then only if the troops were essential to assure the operation's effectiveness and their involvement had broad support from the American people and Congress. American troops would be allowed to serve under foreign commanders if circumstances warranted.

Senator Robert Dole wants to constrain U.S. participation still further. He would allow American troops to serve in U.N. operations. But he is introducing legislation that would bar the troops from serving under foreign command, prohibit U.S. forces from "any standing U.N. army" and cut back on American funding for U.N. operations.

These steps could sometimes preclude a U.N. alternative to U.S. intervention and force America to choose between playing global cop or doing nothing to keep the peace. The Administration's case-by-case approach seems more prudent.

Having a U.S. commander take charge makes sense when Americans make up a large share of a U.N. force. But why insist on assuming command if the U.S. makes just a token contribution of troops? If, as in the case of Somalia, American troops are withdrawing and being replaced by forces from other countries, would Mr. Dole bar a U.S. com-

mander from transferring command to someone else before the last American leaves?

U.S. troops would, of course, remain under the control of the President and could always be withdrawn from engagements that were militarily unsound or that failed to serve American interests. But it sometimes may make sense for American troops to serve under foreign command.

Similarly, refusing to commit U.S. troops to a standing U.N. army is reasonable. But what is wrong with designating an American brigade or two to participate regularly in peacekeeping exercises with foreign forces? That way they could practice working together and would be ready for prompt dispatch if the need arose.

Paying for others to do peacekeeping may, at times, be preferable to sending U.S. troops instead.

To his credit, Senator Dole would insist on Congressional approval before committing U.S. troops to U.N. peacekeeping, and would establish a realistic Pentagon budget for peacekeeping instead of diverting funds from military readiness.

But Congress let President Bush dispatch 30,000 U.S. troops to Somalia without convening to debate the wisdom, and limits, of American involvement. Will it be any more willing in the future to conduct a timely debate and share responsibility for committing troops? And Congress has often been slow to pay the U.S. share of U.N. operations.

In his understandable desire to pull back from ill-fated multilateral efforts, Mr. Dole could force the country into an uncomfortable choice: intervene alone in international trouble spots, or do nothing. The Administration is right to learn from its mistakes without sounding total retreat.

er Car



Can we use any other
on the adoption front this year? B

OPINION USA

End welfare for single women having children

System may not cause illegitimacy, but it makes out-of-wedlock births economically viable, say William Bennett and Peter Wehner.

In a recent *Wall Street Journal* article, social scientist Charles Murray called for ending the current welfare system. It had an explosive effect and set off a chain reaction that in a dozen weeks has transformed the welfare debate. We are now at one of those rare political moments when a fundamental, even radical, and positive change in public policy is possible. That reform of this magnitude is even possible can be explained by three things:



USA TODAY
By William J. Bennett (above), co-director, and Peter Wehner, policy director, Empower America.

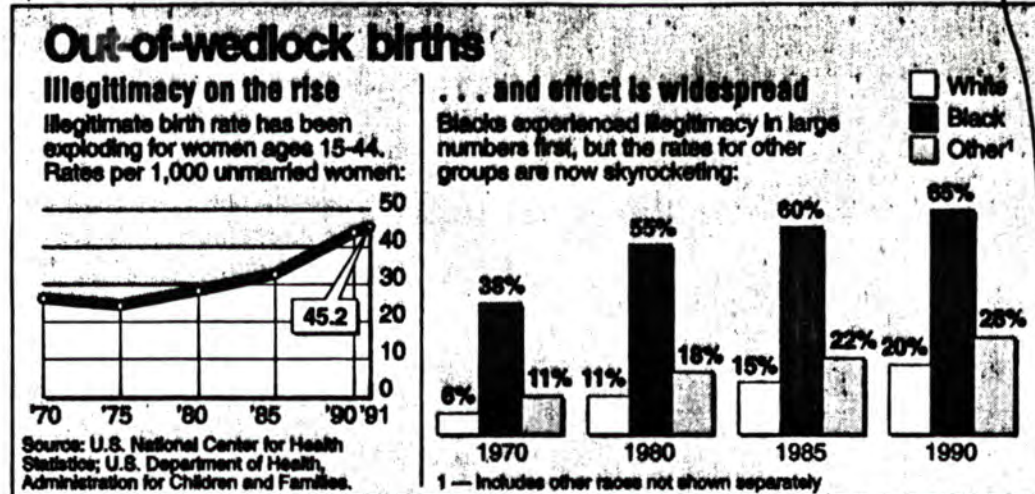
► **Widespread acceptance of overwhelming empirical evidence:** The current system is a complete failure. We have spent enormous sums over the past three decades on welfare programs and what do we have to show for it? An underclass which is much larger, more vi-

olent, more poorly educated and which consists of many more single-parent families.

Reaction to Murray has been overwhelmingly favorable, including positive reaction from unlikely places. Here's what President Clinton said in a recent interview about welfare's fiercest and most prominent critic: "(Murray) did the country a great service. I mean, he and I have often disagreed, but I think his analysis is essentially right. ... There's no question that (ending welfare for single mothers) would work. The question is ... is it morally right?"

Clinton's firm embrace of the Murray analysis means the intellectual debate over welfare policy is essentially over; we are now debating the relative merits of changing the current system vs. dismantling it.

► **Acknowledgment among experts in the field that a strong link exists between social pathologies, exploding rates of illegitimacy and welfare payments to single mothers.** By the end of the decade, according to the most reliable projections, 40% of all American births and 80% of minority



births will be illegitimate. These numbers have frightening social implications.

Welfare may not cause illegitimacy, but it does make it economically viable. There is hardly any question anymore that illegitimacy rates would fall, probably dramatically, if payments under the Aid for Families with Dependent Children program were stopped. Welfare is illegitimacy's economic life-support system.

► **Agreement on an important moral principle:** Having children out of wedlock is wrong — not simply economically unwise for the individuals involved, or a financial burden on society, but morally wrong.

Even Secretary of Health and Human Services Donna Shalala, she of impeccable liberal credentials, said in a recent interview that "I don't like to put this in moral terms, but I do believe that having children out of wedlock is just wrong."

Unfortunately, it is not at all clear that politicians, including most Republicans, are willing to propose legislation that is intellectually consistent with the arguments and analysis. Most proposals now on the table miss the essential point of welfare reform — not to ensure tougher work provisions and job training but to go after, root and branch, a system that fosters illegitimacy and its atten-

dant social pathologies.

Republicans should propose in this congressional session to end welfare for anyone having a child out of wedlock. Our preference is to end, one year after the legislation is passed, all forms of economic support for single mothers who have new children, including AFDC payments, subsidized housing and food stamps; further, end at a date certain all forms of assistance for those single mothers currently on welfare, end visitation rights of illegitimate fathers and change tax codes to make them more favorable to marriage and children.

The specifics are less important than the end game; some-

time soon we want welfare to end, and when it does we can judge these policies, and their broad social consequences, against reality.

Making adoption easier is an essential and compassionate part of this effort. Adoption is the best alternative we have to protect a child's interest in a post-welfare world. The demand is virtually unlimited, but society has made adoption exceedingly difficult. Lifting restrictions on interracial adoption and easing age limitations for adoptive parents will, among other measures, help ensure that large numbers of children will be adopted into good, stable, loving homes. And for older children, we must invest generously in the kinds of orphanages and group homes that provide order and care.

Ending welfare in this way is prudent, humane and politically smart. It is prudent because the social science evidence is in: Illegitimacy is the surest road to poverty and social decay. And welfare subsidizes and sustains illegitimacy.

It is humane because many more people would live far better lives if we scrapped an entire system that subsidizes out-of-wedlock births. Here's "tough love" on a large scale: End welfare, and young girls considering having a baby out of wedlock would face more

deterrents, greater social stigma and more economic penalties arrayed against them if they have babies. There would therefore be far fewer births to unwed mothers, and far greater life opportunities for those girls.

It is politically smart for Republicans because anything less than calling for an end to welfare will probably ensure that the debate will be conducted on Bill Clinton's terms. That's a sure political loser. On the other hand, calling for the complete abolishment of AFDC is an opportunity for Republicans to make a clean, principled break with an old, failed system; seize the mantle of true reform; and help return our nation to an older, better time, when moral common sense was the touchstone of social policy.

Our welfare system is the most pernicious government program of the past quarter century. (It is also, ironically, one of the most well-intentioned.) We have lost large parts of an entire generation because of the terrible human wreckage left in its wake. Enough is enough. It's time to pull the plug.

William J. Bennett is former secretary of Education and federal drug czar and is author of *The Book of Virtues*.

THE PRESIDENT HAS SEEN

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GS

Clay Constantine's
suggestion N. Greek
American (Greek)

① Went up 20-25
prominent Greek-Amer
Supporter

② get Macedonia to do
some face saving things

(also says do a New Year
Day at the White House)

B

Essay

WILLIAM SAFIRE

Sink the Clipper Chip

WASHINGTON

Well-meaning law and intelligence officials, vainly seeking to maintain their vanishing ability to eavesdrop, have come up with a scheme that endangers the personal freedom of every American.

Nobody doubts that F.B.I. wiretaps help catch crooks or that the National Security Agency's "Big Ears" alert us to the plans of terrorists. And nobody can deny that new technology makes it easier for the bad guys to encode their communications to avoid the eavesdropping of the good guys.

But the solution that faceless Clinton officials are putting forward shows outdated law enforcement rooted in abysmal understanding of the information explosion.

The Clinton notion, recycled from an aborted Bush idea, is to put the same encryption chip in every telephone and computer made in the U.S. This new encoding device, or scrambler, would help you and me protect the privacy of our conversations and messages and bank accounts from each other. That sounds great, but here comes the catch: The Federal Government would know and be able to use the code numbers to wiretap each of us.

To the tune of "I Got Algorithm," the Eavesdrop Establishment is singing that it will help us protect our privacy — but not from intrusion by the Feds. In effect, its proposal demands we turn over to Washington a duplicate set of keys to our homes, formerly our castles, where not even the king in olden times could go.

The "clipper chip" — aptly named, as it clips the wings of individual liberty — would encode, for Federal perusal whenever a judge rubber-stamped a warrant, everything we say on a phone, everything we write on a computer, every order we give to a shopping network or bank or 800 or 900 number, every electronic note we leave our spouses or dictate to our personal-digital-assistant genies.

Add to that stack of intimate data the medical information derived from the national "health security card" Mr. Clinton proposes we all carry. Combine it with the travel, shopping and credit data available from all our plastic cards, along with psychological and student test scores. Throw in the confidential tax returns, sealed divorce proceedings, welfare records, field investigations for job applications, raw files and C.I.A. dossiers available to the Feds, and you have the individual citizen standing naked to the nosy bureaucrat.

Assure us not that our personal life stories will be "safeguarded" by multiple escrows in the brave new world of snooperware; we saw only last month how political appointees can rifle the old-fashioned files of candidates and get off scot-free. Whenever personal information is amassed and readily available, it will be examined by the curious, and if it is valuable, it will be stolen by political hackers.

Ah, but wouldn't it be helpful to society to have instant access to the encoded communications of a Mafia capo, or a terrorist ordering the blow-up of a skyscraper, or a banker financing a dictator's nuclear development?

Sure it would. That's why no self-respecting vice overlord or terrorist or local drug-runner would buy or use clipper-chipped American telecommunications equipment. They would

Snooperware endangers personal freedom.

buy non-American hardware with unmonitored Japanese or German or Indian encryption chips and laugh all the way to the plutonium factory.

The only people tap-able by American agents would be honest Americans — or those crooked Americans dopey enough to buy American equipment with the pre-compromised American code. Subsequent laws to mandate the F.B.I. bug in every transmitter would be as effective as today's laws banning radar detectors.

Tomorrow's law enforcement and espionage cannot be planned by people stuck in the wiretap and Big Ear mind set of the past. The new Ultra secret is that the paradigm has shifted; encryption has overcome decryption.

Billions now spent on passive technical surveillance must be shifted to active means of learning criminal or aggressive plans. Human informers must be recruited or placed, as "sigint" declines and "humint" rises in the new era; psychic as well as monetary rewards for ratting must be raised; governments must collude closely to trace transfers of wealth.

Cash in your clipper chips, wiretappers: you can't detect the crime wave of the future with those old earphones on. □

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Pentagon Considers Selling Overseas A Large Part of High-Tech Weaponry

By THOMAS E. RICKS

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — Senior Pentagon officials are contemplating selling overseas a large part of the military's Cold War inventory of high-performance weaponry.

They argue that the new approach would strengthen U.S. allies, improve U.S. military readiness, and help sustain the U.S. defense industry — all without costing the taxpayer a penny.

But if implemented, the new policy would provoke charges that the U.S. is contributing to the proliferation of high-tech weapons, using poorer countries to support its defense budget, and perhaps sparking arms races in new regions, such as South America. Several nations on that continent, as well as in Southeast Asia and North Africa, are being looked at as potential buyers under the program.

Under the contemplated plan, the Pentagon, rather than mothball part of the inventory of jets, ships and armored vehicles, would sell it overseas and use the proceeds to buy newer versions of the same weapons.

The size of the potential sales is huge. The first step in the program, a kind of test run, would involve selling 400 of the Air Force's F-16 fighters for about \$4.8 billion.

"This isn't a strategy to [get rid of] older, excess stuff — it's some of our best stuff" that would be sold, Gen. Michael Carns, the vice chief of staff of the Air Force, and the leading proponent of the idea, said in an interview. "It is to build up our allies, get them to do some of the heavy lifting, and to use the proceeds to help our own modernization at a level we currently can't afford."

The proposal already has received a positive response from Defense Secretary William Perry, from the State Department, and from some in the defense industry, Gen. Carns said. The plan wouldn't require legislative changes, but would clearly need the explicit backing of the administration and Congress. Congressional approval would be needed for the arms sales and for the Pentagon to spend the proceeds. The Pentagon has occasionally conducted high-tech sales of this sort in the past, most notably in a 1991 Air Force sale of 24 F-15Cs to Saudi Arabia that enabled the Air Force to buy six state-of-the-art F-15Es. But generally, the Pentagon has sold off its oldest and least-valued gear.

Discussing the first steps in the program, Gen. Carns, a former fighter pilot who holds a master's degree from Harvard Business School, estimated that each of the 400 F-16s could be sold for \$12 million, after being upgraded. The modifications to their engines, structure and cockpits would cost roughly \$2 billion, leaving the Air Force more than \$2 billion to buy 70 to 100 new F-16s. Under the plan, these would be used in the late 1990s to replace retiring F-111s, Gen. Carns said.

The basic "flyaway" cost of a new F-16 currently runs about \$20 million. Foreign customers typically pay several million dollars more for special weaponry, parts, and support costs, a Lockheed spokesman said.

"It gives me brand-new warfighting airplanes at no cost to the taxpayer," Gen. Carns said.

On a large enough scale, sales of this sort would help Pentagon get through the procurement squeeze that financial analysts predict for the late 1990s. The Pentagon's official estimate is that from fiscal 1996 through fiscal 1999, its costs will be \$20 billion higher than the budgets planned for that period.

The defense industry, which has objected in the past to some Pentagon sell-offs of older inventory, will support this

plan because the sales ultimately would produce new work for it, the general argued. First, he said, the industry would be able to upgrade the gear to prepare it for markets that it might not otherwise penetrate. Then, when the Pentagon had the cash in hand, the industry would receive new orders.

Dwain Mayfield, vice president, marketing, of Lockheed Corp.'s Fort Worth, Texas, unit, which makes the F-16, agreed with that assessment, saying, "We've been needing something like this. It's an innovative plan." Mr. Mayfield, who was briefed on the Pentagon plan last week, added, "I think it will happen. There are too many upsides to the plan for it not to happen."

Other advanced aircraft that could be sold under the plan, Gen. Carns said, are Boeing Co.'s KC-135 tankers and Lockheed's C-130 cargo planes. In addition, he said, the Army probably could pursue similar plans with its best tanks and armored personnel carriers.

When asked about the possible new policy, Thomas Cardamone Jr., editor of Arms Trade News, called it a "short-sighted, very cash-flow-oriented" approach. "It creates instability and sucks capital away from infrastructure," he said. "It makes bad foreign policy. Anytime a country buys a high-tech aircraft like the F-16, it makes their neighbors nervous." Arms Trade News is published by the Council for a Liveable World, which advocates cutting the U.S. defense budget.

But Gen. Carns dismissed those concerns, saying, "We are working with coalition partners who share our values. We aren't proliferating anything they wouldn't otherwise buy."

Among the countries that are being contemplated as potential buyers of the F-16s, industry and Pentagon officials said, are Thailand, Singapore, Egypt and South Korea, which already possess some, as well as Indonesia, Malaysia, New Zealand, Morocco and Tunisia, which don't. In addition, Chile is believed to be eager to buy F-16s, but if it did, Argentina might want some, which would draw objections from the British because of the continuing dispute over the Falkland Islands. The Philippines is believed to be interested, but Pentagon officials privately doubt that the island nation needs high-performance aircraft.

In addition to making financial sense, Gen. Carns argued, the inventory sell-off makes sound military and national strategy. The experience of the Persian Gulf War, he said, was that the U.S.'s coalition partners lacked the hardware to perform many important missions, such as achieving air superiority or providing airlift. "Coalition warfare is here to stay," he said. "We ought to enable some of our potential coalition allies to participate in a robust way."

Having allies use U.S.-made equipment also would make it easier for U.S. forces to operate with them and to use their infrastructure when deployed abroad. That would partially compensate for the loss of access and presence resulting from the reduction of U.S. forces deployed overseas, he said.

Canadian Budget Is Due Feb. 22

OTTAWA — Canada's new Liberal Party government, which took office in November, said that on Feb. 22 it will introduce its first budget.

The budget will include spending and revenue projections for the fiscal year starting April 1. The government said the budget may also include tax changes that would take effect immediately, subject to eventual approval by Parliament.

Taste of Middle-Class Pay for Welfare Mothers

By ISABEL WILKERSON

Special to The New York Times

CHICAGO, Feb. 9 — At 4:30 in the morning, when no one is up but the drug dealers, Charlene Franklin is pulling herself out of bed. In the darkness of her South Side housing project, she puts on her grimy brogans and yellow hard hat, kisses her six sleeping children goodbye and braves bullets and envy to earn a paycheck beyond a welfare mother's wildest dreams.

For \$13.52 an hour, Mrs. Franklin paints, plumbs, plasters, scrapes, scrubs, sweeps, hangs doors and lays tile to make abandoned public housing units, stripped by vandals and gang members, habitable again. It is the first real job she has ever had.

Power of a Consumer

She works with a team of other former welfare mothers in a pilot project known as Step Up, which uses Federal housing rehabilitation money to train poor residents in construction jobs.

Now that she is making more money than just about anyone else in the neighborhood and has come to accept the inevitability of taxes and the high cost of breakfast cereal, she has come to the conclusion of just about every employee in America: "The more you make, the more you need," she said.

While Congress and the White House prepare to wrangle over ways to put welfare recipients to work, the Step Up program is quietly transforming the lives of a small group of housing residents in Chicago and elsewhere, who program officials have discovered will work for the same incentive other people do — the money.

The program is in the very earliest stages, and it is not yet clear how easily the program can be duplicated. Also, the program's

Continued From Page A1

primary goal of moving trainees into private jobs is limited by the market for construction workers in general.

But would-be workers appear desperate to get on someone's payroll. When the Chicago Housing Authority held a casting call for the jobs in the fall of 1992, 1,200 residents, many of them high school dropouts and welfare recipients who had never worked before, showed up for 300 training slots. To get hired, they had to pass a drug test, be able to read at sixth-grade level and show that they were on a public housing lease.

To make the program possible, the Department of Housing and Urban Development created a new job category to satisfy Federal restrictions on who can work on Federal job sites and convinced trade unions to cooperate with housing authorities, with one inducement being an agreement to hire union members to train residents.

The Chicago Housing Authority made sure that the trainees did not lose their Medicaid benefits and that their rents did not go up. The participants

receive no other public assistance while in the program.

The trainees went to work in late 1992, carrying out renovations that were part of the housing agency's regular program to repair vacant apartments. They have completed 1,551 apartments in half a dozen housing projects in the last 16 months.

Lessons for Losers, Too

In that time, some of the trainees have gotten their high school equivalency diplomas. Some have started fixing themselves up, wearing makeup instead of rollers so they look like they earn \$13.52 an hour. Some now have credit cards, new curtains and dinette tables and a whole new set of problems like relatives wanting money and resentful neighbors who no longer speak to them.

But a third of the trainees never adjusted to the rigors of work and were dismissed, mostly for absenteeism. Some still call or show up begging in vain to get their jobs back. Even they, program officials insist, have learned a valuable lesson about life in the real world.

The program is being duplicated on a smaller scale in Baltimore, Phoenix and Huntington, W. Va.

To get residents to dream middle-class dreams in the ambitious Chicago program, Vincent Lane, the chairman of the Chicago Housing Authority, decided to pay the trainees middle-class salaries. Mr. Lane said he needed to extend as big a carrot as possible to change the residents' way of thinking.

"Five dollars an hour is no incentive," Mr. Lane said. "They need to know what it tastes like to be able to put some money in the bank, to get beyond just surviving."

The work is hard and the conditions often dangerous. There have been times when Mrs. Franklin and her co-workers have had to stay at work late, not because their team was running behind, but because gang members were shooting outside the building.

A Natural for Public Housing

Such incidents do not keep Mrs. Franklin from work. A grandmother at 31, she is her family's sole breadwinner and one of the few residents at the Robert Taylor Homes who gets a paycheck instead of food stamps. The unemployment rate there is 96 percent. Everyone in her family knows when pay day comes. "Soon as I get home, the hands are out," she said.

In many ways, Step Up is a natural job-training program for public housing, officials say. There are thousands of abandoned units around the country, millions of tenants with no skills or chance of getting them, and \$3 billion in Federal rehabilitation money to pay whoever does the work.

One problem is the jobs are not permanent, because the housing authority wants to open slots for new trainees. The agency is trying to place the current trainees in formal union apprenticeships before taking on new participants. But there are no guarantees.

"If this is their only shot and they get 18 months of these wages and are back on public aid, it's a hard fall," said Doug Dobmeyer, executive director of the Public Welfare Coalition, an Illinois welfare advocacy group.

Vision of Better Things

But even if the jobs do not prove permanent, Mr. Dobmeyer and others argue that with money, as with love, it is better to have had a taste than none at all. "It will give all of them a vision of how things could be," said Kate Williams, executive director of Women for Economic Security, an advocacy group for women on welfare.

The goal, Mr. Lane said, is to entice the trainees into independence from the housing authority.

The money and dignity have indeed been seductive. Stephanie Stewart started paying her rent three months ahead of time and finally got a telephone. Melinda Powell got a car, a 1983 Oldsmobile. Jocelyn Denton bought a yellow floral sofa that no one in the family can sit on because it's for company. Mrs. Franklin bought a washing machine. And almost all of the trainees have fixed up their apartments, plastering walls and replacing sinks, now that they know how.

Mrs. Denton, the mother of five, has not missed a day at work and makes it her business to arrive half an hour early. There have been times when she has not felt like working, days when she had a bad cold or when it was 20-below-zero and her children said, "Mama, it's so cold out there, you're going to freeze."

She is giddy these days with the sense of mastery. "I can cut doors, I can hang dry wall, I can change a receptacle," Mrs. Denton said, suddenly smiling and catching herself. "Oh, I'm sorry — you call it an outlet."

Mrs. Franklin's neighbors do not speak to her anymore. Envy, that's all, she said. "It don't bother me," she said.

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THE NEW YORK TIMES, THURSDAY, FEBRUARY 10, 1994

Step Up, by the Numbers

How the 298 original participants in the Step Up project have fared.*

Drop-outs: 9
Left because of pregnancy or health problems

Dismissed: 106
Participants dismissed for absenteeism, failing to acquire high school diploma, misconduct or drug use

Success stories: 50
Program graduates now working at other construction jobs or as clerks or drivers for the public housing authority



Source: Step Up project

*Two participants died while in the program and are not shown.

The New York Times

"I'm doing this for me. They're not going to feed my kids if I can't."

It was not always this way. The residents came in as raw recruits unaccustomed to taking directions or accounting for their whereabouts.

"We're teaching them not just a skill but how to be an employee," said Betty Vance, the program's director. "We had to let them know that employers are not interested in where you live and what your problems are. You don't bring that to work."

The jobs corrupted some already shaky relationships as the rituals of welfare check day — men waiting outside the projects to get money from the women — began to play out every other Friday when Step Up women get paid. One woman's estranged husband moved back in with her after she got the Step Up job. When she became pregnant, he left again. She then dropped out of the program.

Of the original 298 trainees, 50 have finished the program and have been hired by the Chicago Housing Authority at \$19 an hour to remove lead from the projects or as lesser-paid clerks or truck drivers for the authority. Eighteen are in training for union carpentry apprenticeship, which requires more than a year.

But twice that many people have been let go, including 64 who were dismissed for poor attendance. Eight were dismissed because they showed up for work drunk or high on drugs. Nine were dismissed for misconduct, usually for fighting on the job, while one was let go for taking a co-worker on a joy ride in the middle of the day.

The program graduates show its possibilities. Melinda Powell, who was on welfare for 14 years before enrolling in Step Up, is a tax-paying, card-carrying member of the Laborers' Union Local

No. 1, making \$19 an hour removing lead from public housing projects and now worrying about things like retirement savings and bank fees.

"Step Up kind of put a light on things," Ms. Powell said. "It was time to get off public aid, raise my kids, maybe send them off to college and meet my destiny."

The trainees are neither symbols nor window-dressing, the supervisors say. Some of the apartments needing renovation have been stripped to the studs, walls torn out between units by gang members so they could get to the stairwells more quickly, and everything from toilet pipes to switch-plates stripped by vandals for scrap metal.

The women do most of the work and the journeymen mostly watch, field supervisors say. A team of 10 to 20 trainees can renovate a gutted apartment in two or three days.

The other morning, Debra Webster was plastering a hallway wall. Mrs. Franklin was painting a bedroom. Dora Edwards was learning how to replace a sink. Gwendolyn Stanley was crouched on the floor, installing an electrical outlet near the kitchen, as Gary Anderson, a journeyman electrician, watched.

The journeymen say the trainees are as good as the professionals now. "She can wire my house anytime," Mr. Anderson said of Ms. Stanley.

But the women have their own problems to worry about. For four months, Mrs. Edwards learned about painting from the painter and carpentry from the carpenter, but was going home to an apartment where she and her five children had to bathe in the dark with the bathroom door cracked open for light. The wires behind the light fixture were burned out and the authority's maintenance people never managed to get around to it.

Finally, Mrs. Edwards was assigned to work with the journeyman electrician, who taught her about electrical outlets. She went home that day to try out what she learned. Now there is light.

A 7-Hour Senate Debate: Raise the Deficit? Cut It?

By MICHAEL WINES
Special to The New York Times

WASHINGTON, Feb. 9 — The Senate had every intention today of approving \$9.7 billion in new deficit spending for the Pentagon and victims of recent earthquakes and floods, but instead it found itself snared in a nasty debate over whether cutting the deficit might be wiser than raising it again.

The lawmakers argued for about seven hours. In the end, it was no contest: the cuts were shelved, in a lopsided 65-to-31 vote.

Picking the fight today was Senator Bob Kerrey, the Nebraska Democrat who has lately made deficit reduction a personal cause, not to mention a pain for President Clinton.

Last fall, Mr. Kerrey very nearly sank Mr. Clinton's first budget by threatening until the last hour to oppose it as too fainthearted on spending cuts. Today, as the Senate took up the earthquake-relief bill that the House passed last week, Mr. Kerrey sprang again, proposing an amendment to the bill that would have enacted 56 separate spending cuts totaling \$94.2 billion through 1998.

Debt Prompts Fears

And once again he chided Mr. Clinton, saying the President "got his priorities wrong" by proposing new social and public-works programs in his latest budget instead of further reducing the deficit, now pegged at \$176 billion in the 1995 fiscal year that starts on Oct. 1. Just the interest payments on the overall Federal debt of \$4 trillion-plus, he noted, are expected to total \$212 billion next year.

"It's difficult to look at these numbers; difficult to look at this accumulation of debt every single year and say we're doing the right thing," Senator Kerry said, "because we're not."

Mr. Kerrey and his Republican co-sponsor, Hank Brown of Colorado, echoed what fiscal conservatives and some economists have argued for years: that a continued rise in the Federal debt would soak the national savings, lower living standards and strip the Government of any money to address the nation's ills. Even the four budgets of Mr. Clinton's first term, which are expected to include actual cuts in discretionary programs and some savings from a new health care plan, are expected to add about \$768 billion to the Federal debt, the White House says.

But that argument withered before a chorus of objections from colleagues who accused the two Senators of trying to cut favorite programs or rob money needed for crime fighting and health care reform.

Tough Words From Byrd

Most pitiless was Senator Robert C. Byrd of West Virginia, the Democrat who is chairman of the Appropriations Committee that had voted to finance the programs that Mr. Kerrey sought to pare.

Mr. Byrd called those cuts "feel-good amendments." He charged that most of the savings were illusory, and that much of the rest was irresponsible.

And he spoke about the political morality of passing big debts onto one's

descendants as viewed by Thomas Jefferson, a President who opposed the notion but who borrowed \$15 million to buy the Louisiana Territory anyway.

"He saddled the taxpayers of this country far beyond his Administration's ability to pay that debt," Mr. Byrd said of Jefferson. "If he had waited until he'd gotten the down payment, we'd never have gotten that territory. He did it — Jefferson did it — and I

thank heaven that he did it."

Mr. Byrd then moved to table Mr. Kerrey's proposal and a second Republican one, by Senator Mark O. Hatfield of Oregon, that would have enacted a similar amount of cuts in Pentagon programs.

Cuts That Aren't Cuts

Three of Mr. Kerrey's largest cuts, in truth, were not cuts at all, but increases in Medicare charges, mostly for better-off retirees. The Senate had already considered and rejected them last year as politically untenable.

But some others were hardy perennials in the attack on Federal excess. For example, Mr. Kerrey suggested that the Government stop awarding subsidies for college students to prison inmates. He suggested that the Government stop paying subsidies for vacant apartments in housing projects, something the Department of Housing and Urban Development has proposed for years, but Congress has refused to do.

He asked the Senate to wipe out a Small Business Administration tree-planting program, shut down a Pentagon school for doctors that has long been assailed as hugely expensive and end subsidies to beekeepers.

He also asked Congress to cut its own pay by five percent, its budget by 7.5 percent and its kitty for free mailings to constituents by 20 percent.

Lost amid all this was the earthquake bill itself, which now seems destined to be considered — and, everyone agrees, passed — on Thursday.

THE LIMITED, INC.

THREE LIMITED PARKWAY
COLUMBUS, OHIO 43230
TEL 614 479 7000

SAMUEL P. FRIED
Vice President
and General Counsel

Tel 614.479.7199
Fax 614.479.7188

THE PRESIDENT HAS SEEN

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February 17, 1994

Mr. Andrew Friendly
The White House
Washington, DC

Dear Mr. Friendly:

Attached is the memo the President requested from me during our conversation in Columbus, Ohio this week.

As the largest single fundraiser for the Clinton-Gore campaign in Ohio, and as a concerned citizen, I feel duty-bound to help the Administration deal more effectively with business and other constituencies.

Sincerely,



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MEMO

TO: The President
FROM: Sam Fried
DATE: 2/17/94
SUBJECT: Developing Business Support

Problem. The Administration has not built a broad-based, enduring reservoir of support within the business community, despite significant pro-business elements of the economic agenda, the completion of highly successful trade initiatives, and the Little Rock Economic Conference. Yet we ignore or alienate the business constituency at our peril – not only for the obvious reasons, but also because business leaders have learned how to mobilize grass roots efforts in key Congressional districts. The ability to tap into the grass roots networks controlled by business will be an increasingly important factor in achieving our policy goals and re-election.

Proposed Solution. The Administration should establish an informal "kitchen cabinet" of about 10 outstanding business leaders. The members of this group would be selected based on their proven vision, commitment to progressive change, and ability to energize multiple constituencies and significant resources. They would meet with the President two or three times a year in a relaxed, off-the-record setting. The goal would be to institutionalize a process of building personal relationships and loyalty based on respectful dialogue *outside the context of single-issue lobbying*. The President's investment of time would then be leveraged through at least monthly telephone follow-up by high-ranking cabinet officials, seeking the latest input and involvement from this circle of advisors. If successfully implemented, a powerful snowball effect of increasing goodwill and political support would be unleashed throughout the network of relationships enjoyed by these business leaders and their employees.

Discussion. As a Democratic President, you face the challenge of overcoming the mutual antagonism produced by the traditional Republican bias of business, on the one hand, and populist Democratic impulses, on the other. The genius of the Clinton-Gore campaign was to break out of that obsolete paradigm and immediately move to consolidate gains with the Little Rock Economic Conference. *Tragically, the dynamic momentum of that process has been squandered over the past year by treating business as either an enemy or as a shill, depending on which short-term objective was being promoted.*

The Economic Conference dramatically demonstrated that progressive business leaders whose opinions are solicited and treated with respect – particularly by a President with your unsurpassed people skills – will respond in kind, raising the political dialogue above the stereotypical ideological divide. This, in turn, creates new opportunities to form political coalitions, or at least to neutralize opposition. Democrats sometimes need to be reminded that business people are human beings who respond to most, if not all, of the same stimuli that move ordinary voters. Business is the segment of our society on which we depend to create the jobs that will promote America's economic renewal and social healing. A simple, leveraged program of sustained, respectful engagement with this critical constituency will produce generous political rewards.

SAMUEL P. FRIED

Samuel Fried has been Vice President and General Counsel of The Limited, Inc. since November, 1991. The Limited is the nation's premier specialty retailer, with sales of over \$7 billion through approximately 4,500 stores under the following names: Express, Limited Stores, Lerner New York, Lane Bryant, Victoria's Secret, Structure, The Limited Too, Abercrombie & Fitch Co., Henri Bendel, Bath & Body Works, Cacique and Penhaligon's. The Limited also distributes apparel through the Victoria's Secret Catalogue.

Mr. Fried began his legal career in 1974 with a Boston law firm, specializing in securities and tax matters. From 1977-1981, he held legal and international finance positions with The Bendix Corporation, a multinational company serving the aerospace-electronics, automotive, forest products and machine tool industries. From 1982-1987, he was Vice President and Chief Legal Officer of Clevite Industries, a multinational company engaged in the manufacture and distribution of component parts for the transportation and general industrial markets. From 1987-1991, Mr. Fried served as Vice President and General Counsel of Exide Corporation, the oldest and largest US manufacturer and distributor of automotive and industrial batteries.

In all of the foregoing positions, Mr. Fried was responsible for the efficient delivery of quality legal services to highly entrepreneurial organizations. In addition, he was charged with negotiating complex domestic and international transactions requiring the coordination of multidisciplinary skills.

Mr. Fried joined The Limited as its first in-house counsel and is responsible for all legal matters affecting the corporation. By applying entrepreneurial principles to a formerly bureaucratic function, he has significantly increased the quality and responsiveness of legal services provided to The Limited while, at the same time, dramatically reducing cost.

Mr. Fried has assumed leadership roles in numerous civic, community and religious programs. Mr. Fried is also active in Democratic politics and was an early and key supporter of the Clinton-Gore campaign in Ohio.

Mr. Fried is a member of the Illinois, Massachusetts, Michigan and Ohio bars. He received his A.B. (magna cum laude and Phi Beta Kappa) from Washington University in St. Louis and his J.D. (with honors) and Masters of Law in Taxation from Boston University School of Law. He also received rabbinical ordination from the Chief Rabbinate of Israel. Mr. Fried served as Editor of the Boston University Law Review and edited Psychosurgery: A Multidisciplinary Symposium (Lexington Books, 1974, with a foreword by Senator Edward M. Kennedy).

Mr. Fried and his wife, Gigi, have five children and reside in Bexley, Ohio.

SUNDAY FOCUS

Michael Mandelbaum

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U.S. Global Role Vital for U.S. and Globe

THE AMERICAN failures and embarrassments in Bosnia, Somalia and Haiti all have a common cause, which is rooted in a larger trend — one that also made the ratification of the North American Free Trade Agreement an uphill struggle. In the three abortive military interventions, the Clinton administration made a commitment that the American public balked at supporting. Clinton's predecessors could rely on a large fund of political capital to support such interventions. Now the account on which they drew is almost empty. The reason goes well beyond the policies and personnel of this administration.

For 50 years and a day — from the Japanese attack on Pearl Harbor on Dec. 7, 1941, to the dissolution of the Soviet Union on Dec. 8, 1991 — the United States was at war. War gives primacy to foreign policy. In the American case it meant that those who favored active involvement in the world could easily prevail over the "noninternationalist" Americans who opposed it. Now, the 50-year war against totalitarianism is over. In peacetime it is natural for a democracy's attention to shift to internal concerns. But the obstacles to conducting an internationalist foreign policy involve more than the normal democratic focus on domestic issues. They include as well the rise of an old American political tradition — on vivid display in the battle over NAFTA — that has the potential to galvanize widespread but politically inert noninternationalist opinion on foreign policy. Its most prominent vehicle is Ross Perot. The tradition is populism.

Populism is the closest American approximation of the class-based politics of Europe. Populists do not condemn the economic and political order on the grounds that it is unjust; instead, populists oppose what they see as the manipulation of the system for



Newsday / Gary Viskupic



Michael Mandelbaum is director of the Project on East-West Relations at the Council on Foreign Relations and a professor at Johns Hopkins University's School of Advanced International Studies.

selfish purposes by distant, unrepresentative and often conspiring elites.

Foreign policy was not central to Perot's presidential campaign, but what he said about it bespoke, at best, a skepticism about the internationalism that has marked America's relations with the world from the 1940s through the 1980s. He paid tribute — or lip service — to the nation's role as an international leader, but insisted that Europe and Japan contribute more to the cost of their own security. As for keeping a contingent of American troops on the European continent to forestall suspicions and tensions among

the European powers, this, he said, was "akin to a parent leaving a light on in a child's room at night to ward off ghosts. It is hard to justify 'night light' troops at U.S. taxpayer expense."

On liberal international economic policies he went far beyond skepticism. NAFTA was, after the deficit, the issue on which he concentrated his heaviest fire, and this year he led the opposition to it.

The Perot presidential campaign and the fight against NAFTA show how the style and logic of populism can be mobilized against internationalist foreign

— Continued on Next Page

Grass-roots Opposition

— Continued from Previous Page

policies. Foreign policy is, after all, the preserve of elites. Most of the Americans who participate directly in the international economy, leaving aside the millions of consumers who purchase foreign-made products, are international bankers or executives of large corporations. Hostility to economic elites was the common ground of the otherwise diverse collection of NAFTA's opponents: Perot, the AFL-CIO, Jesse Jackson, Ralph Nader and Patrick Buchanan. As for international security, throughout the Cold War it was managed by a group so small and select that it came to be known as a priesthood. Moreover, public policy in both areas is the responsibility of what is widely regarded as the most distant and self-interested institution of all: the federal government.

Internationalist foreign policies are natural targets for populist attacks, especially in the post-Cold War era, because the rationales for them are neither simple nor straightforward. With the disappearance of the Soviet Union, American troop deployments abroad serve the purpose not of checking direct threats to the United States but of promoting stability, an abstract and remote goal, and of discouraging policies by foreign powers that might someday, through a complicated series of developments, bring harm to American interests.

Similarly, the case for free trade rests ultimately on the theory of comparative advantage, a doctrine that is virtually unchallenged among economists but is hardly a regular topic of conversation across the nation.

The populist style is traditionally suspicious of the kind of reasoning that lies behind such policies. It is constantly on the alert for mystification and obfuscation that is intended to veil the nefarious designs of the elites. From now on, the rationales for internationalism will lack the simplicity of the Cold War era; but it is an article of populist faith that the truth cannot be complicated. One of Ross Perot's most popular refrains among his supporters was, "It's just that simple."

Finally, a populist critique of foreign policy internationalism can draw upon a large public reservoir of noninternationalist opinion, which is growing. Only 22 percent of respondents to an ABC "Nightline" poll conducted last month said the United States should play a leading role in world affairs. Seventy-four percent said it should reduce its involvement. In a poll conducted last month by the Times Mirror Center for the People & the Press, 76 percent said they wanted Clinton to focus on domestic, not foreign policy.

As for the international economy, for virtually all of the postwar period the general public, as measured by poll data, has been strongly protectionist. To the question of whether tariffs are necessary, the response has been consistently in the affirmative, and by margins of two-to-one. Opinion leaders, on the other hand, have consistently favored eliminating tariffs, also by two-to-one margins. Although the forces of economic internationalism, led by the president, prevailed in the fight for NAFTA, there will be other, similar battles, and none will be easy to win.

During the Cold War the structure of public opinion, and the relationship of public opinion to public policy, were such that the proponents of economic internationalism, though outnumbered, prevailed. But the conditions in which the United States sustained a commitment to free trade in spite of the views of the general public were rooted in the Cold War; and the Cold War is over.

In some ways the argument for a new withdrawal from active international engagement rests on reasonable grounds. It would not lead to catastrophe in the short term. It would not open the door immediately to an imperial conqueror such as Hitler or Stalin. There is, to be sure, no shortage of leaders with the temperament and ambition of the rapacious and bloodthirsty dictators of the 20th Century. Some of them — Saddam Hussein of Iraq and Slobodan Milosevic

of Serbia, for example — have earned international reputations. But none has power of continental or intercontinental scope or the immediate prospect of acquiring it. They pose mortal threats to their neighbors, but not to the United States.

Still, American withdrawal from the world would have substantial costs. They would be counted in opportunities forgone and in the emergence of dangerous trends. Without an American military presence, the major powers of Europe and Asia would feel less secure and more suspicious of one another. They would begin to think seriously about amassing larger military forces and pursuing different military strategies. Without American participation, the ongoing international effort to prevent the spread of nuclear weapons would be set back, and the chances would be considerably reduced for developing international mechanisms to forestall the kind of murderous ethnic conflict that has scourged the Balkans. Without American leadership in the international economy, barriers to trade, formal and informal, would multiply, and competition to gain advantage by devaluing national currencies would accelerate. The world would drift toward the formation of rival economic blocs in the Western Hemisphere, East Asia and Europe.

In the damage it would do, the end of American internationalism would resemble the corrosive effects of the federal deficit. There would be no emergency, no glaring crisis, but in their stead a series of trends that, over the course of a decade, would make the world poorer, meaner, more violent and more disorderly than it would otherwise have been.

The relatively stable experience of the last 40 years is, for the purpose of constructing a consensus in favor of an internationalist foreign policy, a double-edged sword. The events that were crucial in securing public support for Truman's foreign

policies are not part of the memories of most Americans alive today. Without those policies, the Truman administration asserted, dreadful events would follow. The

country had experienced comparable events recently and at first hand: The Depression and the Second World War were the most traumatic national episodes of the 20th Century. Internationalist policies, Truman and his successors argued, were the price of avoiding a recurrence of those disasters. The public was willing to pay the price.

In this sense, Cold War internationalism is, ironically, a victim of its own success. It has left no terrible, cautionary lessons. It is difficult to persuade people that they need insurance when they have never seen a fire.

The first step in rebuilding a public consensus for an internationalist foreign policy is to understand that it is necessary to do so. That, in turn, means recognizing that the world has changed. Old policies cannot command the automatic support they enjoyed when the Soviet-American rivalry dominated international politics. During the Cold War, deviations from the internationalist orthodoxy were branded "isolationism," a term of insult that implied willful blindness to the dangerous realities of the international arena. This was an effective political tactic for four decades; it will not work today. Nor is it enough to urge American intervention in the Balkans, or the Horn of Africa, or anywhere else, simply on the grounds that this country is the "sole remaining superpower." The collapse of the Soviet Union does not, by itself, impose moral or political obligations on the United States.

What is needed, rather, is a public discussion of the connections between the world beyond the borders of the United States on the one hand and, on the other, the interests and values of the American public. It has always been for the president to lead that discussion. He is in a unique position to define American interests that are national rather than regional, local or in other ways parochial. Events abroad often

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Newsday / Gary Viskupic

seem remote, complicated and confusing, and it is to the president that the public traditionally looks to interpret them, to explain how they are related to the life of the nation, and to their personal lives.

No recent president has been better equipped to define American interests in a post-Cold War world, to explain the relationship between these interests and what happens abroad, and to persuade the public to support policies designed to promote those interests than Bill Clinton. These are tasks to which his experience at the state level is pertinent. Investment in education and long-term economic development — the core of his program in Arkansas — are like support for policies of international engagement in the post-Cold War era: The payoffs are considerable, but they do not come immediately or in easily recognizable form.

The creation of a foreign policy is not an orderly exercise, moving from first principles to specific applications. It is more typical for specific situations to give rise to general doctrines. Policy is made in response to particular challenges, often unexpected ones. At the outset of the Cold War, Britain's decision to withdraw its support from the anticommunist side in the Greek Civil War triggered the Truman Doctrine and ultimately the Marshall Plan.

So it will likely be with post-Cold War foreign policy. The victory in the political battle over NAFTA strikes a blow for a liberal, open, international economic policy. There has as yet been no comparable victory for an internationalist security policy. The debacles over Bosnia, Somalia and Haiti were setbacks. But the fate of American security policy depends less on these episodes than on a series of separate policies on distinct issues: on the American military role in Europe and the Pacific; on relations with Japan, which will have a larger impact than NAFTA on the world trading system; on the circumstances in which military intervention is warranted; on how to block the spread of nuclear weapons to countries that do not already have them; finally, on the future of the organization that has embodied the single most important American international commitment: NATO.

But an effective foreign policy requires a more general doctrine, or a set of them, to connect the specific policies to one another and to say why Americans should care at all about the problems and the larger issues that these policies are designed to address.

In rebuilding a consensus for internationalism, the immediate challenge is to defend international economic liberalism. Polls show that concern for "economic security" has a far higher priority for Americans than the familiar Cold War issue of military security. The same polls reveal that the paramount economic concern is the availability of well-paying jobs.

As the president emphasized in his defense of NAFTA, expanded trade can provide them. Opening markets abroad creates opportunities for exports; exports generate jobs. The political case for wider international commerce is not, however, just that simple. Free trade is a two-way street. An increase in exports will be accompanied by a rise in imports. Imports contribute to the overall well-being of the American population, but they also displace Americans from their jobs. That is why consistent majorities favor barriers to foreign products. For most Americans, protectionism has a moral rather than an economic purpose; it is a way of safeguarding the livelihoods of their neighbors. "If all imports are permitted," one bumper sticker reads, "where will our children work?"

The case for an internationalist trade policy must answer that question. Opposition to international economic liberalism arises from genuine distress. While many will benefit, some American workers will bear the costs of trade liberalization. A politically successful strategy for trade expansion will have to offer a solution to their plight.

That is what the Clinton economic program, as it was initially conceived, was designed to do. It called for a national strategy to make the United States more competitive in the world economy. Opening markets to create opportunities for exports is a necessary part of such a strategy; but domestic programs are needed as

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The Unfolding Struggle Between Populism and a Worldly Elite

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well to take advantage of the opportunities created. Such initiatives include reducing the budget deficit to lower the cost of capital to American business, and measures to upgrade the skills of the workforce, through improving primary and secondary education and expanding programs for the training and retraining of workers. Health care reform that actually controls business costs and makes health care benefits portable would contribute to U.S. competitiveness, raising incomes and expanding employment, and would introduce additional flexibility into the labor market.

Thus a post-Cold War commitment to international economic liberalism requires a marriage of the two dominant competing western political traditions. In the 20th Century, politics in the industrial democracies has revolved around a peaceful struggle between two conceptions of the relationship between the state and the economy. International economic liberalism is integral to one of them, the one with which people who now call themselves conservatives tend to identify: laissez-faire. But free trade can be sustained in post-Cold War America only if it is anchored in a series of measures inspired by the ideological opposite of laissez-faire: social democracy.

In the post-Cold War era, as during the Cold War, a successful case for economic internationalism will rest on the sturdy foundation of Americans' self-interest: It will make them richer. During the Cold War, support for the political and military version of internationalism derived from an equally basic impulse: self-defense. The policies of containment and deterrence, and the alliances, interventions and defense expenditures that followed from them, were designed

to keep Americans safe from a threat that all of them recognized and feared. Without such a threat, on what basis can Americans be persuaded to support the projection of their country's military power abroad? That basis is to be found in an old and, in the last decade of the 20th Century, disreputable sentiment: nationalism.

In the wake of the Cold War, nationalism has come to be identified with xenophobia, with the violent assertion of the prerogatives of one group at the expense of others, with the terrible ethnic cleansing practiced in the Balkans and, by association, with the darkest episode in modern history: the Nazi atrocities of the 1930s and 1940s. Nationalism has, however, a

international commitment between Pearl Harbor and the fall of the Soviet Union.

That period was not free of error or excess, but in retrospect the American international record can be seen as constructive, indeed, in some ways, glorious. The United States was the bulwark of international coalitions that defeated two monstrous tyrannies, and the architect of international institutions — political, military and economic — that, for all their shortcomings, have been the most effective instruments for international cooperation yet devised. If the world is now more a civilized community of peaceful sovereign states and less a deadly jungle than before — and by most reckonings it is — much of the credit goes to the

United States. The case for an active American military and political role in the world is an argument in favor of continuing that role and that work. It rests on an appeal to what a half-century of international exertion has earned for the people of the United States: national pride.

An internationalist foreign policy in the post-Cold War era, finally, is in keeping with one of the oldest and most hallowed of American traditions. It is the spirit that Bill Clinton's Democratic predecessors invoked in giving titles to their legislative ambitions: Woodrow Wilson's New Freedom, Franklin Roosevelt's New Deal and John Kennedy's

New Frontier. They were appealing to the deeply ingrained American appetite for going beyond established institutions, precedents and boundaries, for exploring uncharted realms. The time when such slogans could inspire anything but cynicism has probably passed, but in truth, with the end of the Cold War, the United States stands at a familiar kind of crossroads. The task that now confronts American foreign policy is, in its way, the one that has consistently moved Americans and historically defined America: the creation of a new world.



Newsday / Gary Viakupic

'Economic internationalism will make Americans richer.'

benign form, which stands in the same relationship to its murderous variety that a healthy ego in an individual does to egomania. A healthy regard for the self, in nations as in individuals, far from being invariably pathological, is part of the necessary foundation for effective action.

In addition to the imperative of self-defense, it was the sense of a special American responsibility, of an American mission to the world that reaches all the way back to the first English settlements in Massachusetts, that sustained the five decades of American

Bob Dole 2122194 db

THE PRESIDENT HAS SEEN

THE SCHUMER HANDGUN CONTROL AND VIOLENCE PREVENTION ACT

We do not have to live with this insanity, to just "put up" with it. The people of America want control over handguns. They wanted the Brady Law. They want more gun control. And this bill will give them that.

U.S. Rep. Charles E. Schumer (D-NY)

December 8, 1993

WHY THE SCHUMER BILL: THE FLOW OF LEGAL GUNS TO CRIME

Every handgun used in a crime starts out as a legal gun. The manufacture, import, wholesale distribution, and first retail sale of handguns are all regulated to some extent under existing federal law.

But thousands of handguns leave these lawful paths. They end up in the hands of violent criminals, or others who are barred by law from possessing firearms. These handguns pass into illegality and violence through four main holes in the system: gun runners, straw buyers, rogue gun dealers, and theft. These holes exist because of (1) loopholes in existing law, (2) inadequate law enforcement powers, and (3) the easy accessibility of phony identification documents.

BREAKING THE LINK TO VIOLENCE

The Schumer Handgun Control and Violence Prevention Act is a comprehensive package focused on blocking the flow of handguns through these holes in the present system. It will serve as an important and needed complement to the Brady Law enacted last year.

The Schumer Bill -- to be introduced as soon as Congress reconvenes -- will help reduce easy access to firearms by violent criminals and illegal gun runners. It will do this without infringing on the legitimate uses of firearms for sporting purposes or self-defense. (Separate bills already offered by Rep. Schumer banning semi-automatic assault rifles and cop-killer bullets will also see early action in Congress.)

Here are the key provisions of the Schumer Bill and how each attacks one or more holes in the present system:

- **LICENSING: NATIONAL HANDGUN CARD.** The Schumer Bill requires that all handgun buyers possess a national handgun card, a national license. This card will be issued after a thorough background check, including fingerprints. It will be regularly renewed. Applicants must demonstrate that the address used on the card is in fact their principal residence.

The national handgun cards will be designed to be secure against forgery. They will be issued by the federal Bureau of Alcohol, Tobacco, and Firearms (ATF). However, buyers will be permitted to use equivalent cards issued by states, provided that both the state card and the system under which it is issued are certified as meeting strict federal standards.

Why? Gun runners. These are people who go to states with lax gun control and buy hundreds of guns using fake identification documents. They then go to other states or cities and sell guns on street corners to anyone who comes along with the cash. The problem here is obvious. There is no standard, national, secure form of identification in handgun sales. Violent criminals and those who supply them take advantage of that. They use easily obtained phony documents.

The national handgun card directly attacks the fake identification that the gun runners need to ply their trade. It directly complements the Brady Law by making sure that the person applying to buy a handgun is indeed the person who will be the subject of the background check. This provision will also make it much tougher for violent persons to use temporary residences in other states to buy guns they could not buy in their home states.

● **ONE GUN A MONTH.** The Schumer Bill will make one handgun a month the national standard.

One gun a month will stop any gun runner who does get a national handgun card from flooding the underground market with guns.

● **REGISTRATION.** Current federal law only tracks the sale of handguns through licensed dealers. But thousands of handguns change hands in unrecorded private transactions. To track the movement of handguns after their first legal sale, the Schumer Bill requires that all handgun transfers be registered with ATF.

Why? Straw buyers. These are people with clean records who stand in to buy guns for criminals and gun runners. They often work with rogue dealers. By the time the police catch up with the straw buyer, the real gun runner is impossible to find. Registration records will make it possible to identify both straw buyers and gun runners, and will provide evidence of their illegal activities. Straw buyers who don't register their resales will be subject to federal prosecution.

● **DEALER LICENSING REFORMS.** The Schumer Bill imposes much tougher standards for issuing federal firearms dealers licenses. Anyone who wants to be a federally licensed firearms dealer will have to pass a strict background check and meet all state and local regulations. Those who wish to sell handguns in particular will be

required to meet a higher "public interest" standard than those who sell long guns only. The fee for a dealer's license will be at least \$600, but the Secretary of the Treasury is directed to set the fee at a level that ensures fee revenues meet overall costs. All licensees will be required to have a real place of business. Those places must meet high security standards. Restrictions imposed on ATF by NRA-sponsored legislation in the past will be eliminated -- ATF will be given real teeth to inspect gun dealers and their records. And gun dealers who negligently sell firearms to criminals or youths will be liable to pay civil damages to gun violence victims for the injuries those guns cause.

Why? Rogue gun dealers. These are federally licensed firearms dealers who break the law and sell thousands of firearms to drug gangs and violent criminals. A recent ATF study showed that almost three-quarters of federally licensed dealers run their businesses from their homes. Many of these "kitchen" dealers -- without a fixed place of business -- sell guns haphazardly to whoever comes along with the cash. They also have virtually no security against theft.

Lax firearm dealer regulation is one of the biggest holes in the system. Incredibly, it is easier to get a federal firearms license than to get a drivers license. There are over 280,000 federally licensed dealers -- 31 times the number of McDonald's restaurants. Kitchen dealers sell guns from car trunks, at gun shows, and across kitchen tables.

The licensing reforms in the Schumer Bill will make federal firearms dealer licenses true public trusts. Dealers will become partners of law enforcement -- not adversaries -- in keeping guns away from violent criminals. Those who can't, or won't, treat the business of selling guns as a public trust will have to find a new line of work.

● **STIFF PENALTIES FOR THEFT, TOUGHER SECURITY.** The Schumer Bill imposes stiff penalties on gun thieves. It beefs up ATF enforcement and requires gun dealers to take thorough precautions against theft, just as federal law mandates safeguards against theft of pharmaceuticals in legal commerce.

Why? Theft. Thousands of guns enter the underground market through theft. They are often stolen from dealers with weak or nonexistent security precautions. Stiffer penalties and more security will cut these thefts back significantly.

January 5, 1994

For more information: U.S. Rep. Charles E. Schumer, Chairman
House Subcommittee on Crime and Criminal Justice
(202) 225-6616 or (202) 226-2406

William Raspberry

Clinton's 'Floating Berlin Wall'

Take one part unfairness, one part irresponsibility and one part frustration, blend them in atmosphere of apathy, and you've got America's policy toward Haitian refugees.

Randall Robinson, executive director of TransAfrica, describes the unfairness: "If the U.S. Coast Guard comes upon a boat containing a Haitian and a Cuban, they'd take in the Cuban and send the Haitian back to Haiti."

The irresponsibility is in our official refusal to see that it is U.S. policy that, at least in part, is causing the flow of refugees that we keep plucking out of the sea and sending back to God knows what fate.

And the frustration is in the impossibility of reconciling our hopes for restoration of Haiti's short-lived democracy with our determination to avoid unnecessary foreign entanglements.

Even exiled President Jean-Bertrand Aristide, who, as a guest of the United States, has been reluctant to

*Clinton seems to
have decided that
nothing can be
done.*

challenge this country's treatment of Haitian refugees—and who has been urging his people to remain in Haiti to prepare for his return—has finally challenged our refugee policy.

Supporters of democracy are "murdered, tortured or forced to flee the repression that has gripped our nation," he said last week. And when they do flee, "they are met by a floating Berlin Wall that forces their return to the very captors they have fled."

This is the policy that candidate Clinton denounced as inhumane but which President Clinton is carrying out with a vengeance. The key difference between Clinton and his predecessor is that President Bush locked up the refugees after they reached U.S. waters, creating a domestic political problem for himself. Clinton's "floating Berlin Wall" intercepts them in Haitian waters, thus keeping them out of television's sight and out of the public mind.

The central truth, of course, is that the refugee problem is merely a relatively minor manifestation of the fundamental problem: What to do about the armed thugs who have taken over Haiti and driven its popularly elected president into exile.

THE PRESIDENT HAS SEEN

2/22/94

Clinton, no doubt reflecting the views of most Americans, has no interest in returning Aristide in a phalanx of U.S. tanks, if only because he doesn't want the responsibility of running the place for the foreseeable future. And since the international sanctions imposed on Haiti show no signs of bringing down the military regime, Clinton seems to have decided that nothing can be done. Just make pro-democracy noises while Aristide's presidential term expires.

Is it really as hopeless as all that?

Randall Robinson doesn't think so. "History teaches that sanctions work best when they are not ratcheted up gradually but applied full force without a great deal of notice and for a relatively short period," he says. If that had happened from the beginning, Aristide would be in Port-au-Prince today, he believes. Even now isn't too late, says Robinson.

"The island is being run by thugs and murderers who have turned it into a major trans-shipment point for drugs and [they are] getting rich doing so."

"What should we do? We should cut off everything except medical and humanitarian assistance and then put heavy pressure on the Dominican Republic (with which Haiti shares the island of Hispaniola) to stop being the open door for illicit trade. All private flights should be stopped, all private shipments—including illegal drug shipments—halted."

"It's simply not possible that a government like Haiti's could stand such full-scale nonlethal pressure for more than a week or two."

Does the United States have the wherewithal to impose such an embargo?

Says Robinson: "If we can find every rickety boat on which refugees are trying to escape, we can find the ships carrying oil and other embargoed goods."

Meanwhile, the refugee problem remains, and a serious part of it has to do with specific U.S. policy. The Cuban in Robinson's hypothetical boat would be welcome here because of a Cold War policy calculated to embarrass Fidel Castro. The Haitian in that boat would be sent back under the immoral (but unrepealed) terms of a deal cut between the United States and the now-ousted dictator "Baby Doc" Duvalier.

That part of the problem can be addressed legislatively—and ought to be, as Rep. Carrie Meek (D-Fla.) noted in a dear-colleague letter the other day. She is sponsoring legislation to end the anti-Haitian bias of U.S. policy and to provide federal reimbursement for states that are heavily impacted by refugees.

Finally, though, the Clinton administration needs to face up to fact that there are only two real solutions to the problem of Haitian refugees: Either help them find peace in their own country or help them find safe haven elsewhere.

Export Controls Alone Can't Prevent Proliferation

The article by Gary Milhollin ["The Perils of Perry & Co.," Outlook, Feb. 2] contained numerous misrepresentations of the Defense Department's positions on proliferation, most seriously those affecting export controls. The Defense Department supports the administration's decision to decontrol certain types of computers that are now widely available worldwide and cannot effectively be controlled.

This move hardly represents an "abandonment" of export controls, which remain a vitally important tool in the effort to prevent proliferation. The adjustments of U.S. policy on missile controls cited by Mr. Milhollin actually were made by the previous administration and approved personally by President Bush.

The Defense Department recognizes, moreover, that export controls alone cannot prevent proliferation. Proliferators like Saddam Hussein who home-grow their weapons of mass destruction or get them from other countries must be made to recognize that U.S. forces can still deter and, if necessary, defeat them. Such improvements in our military preparations are at the heart of the Defense Department's new counter-proliferation initiative.

Mr. Milhollin criticizes these efforts to protect our soldiers and people from weapons destruction, imagining that export controls and arms control are enough.

Rather than focus single-mindedly on export controls, Mr. Milhollin would do well to extend his think tank's studies to combat proliferation.

ASHTON B. CARTER

Assistant Secretary
For Nuclear Security and Counterproliferation
Department of Defense
Washington

U.S. Moves to Halt S. & L. Sales Amid Concern on Insiders' Profits

By KEITH BRADSHAW

Special to The New York Times

WASHINGTON, Jan. 31 — The Treasury Department imposed a moratorium today on commercial bank purchases of most mutual savings and loans, citing concerns that insiders may be enriching themselves at the expense of depositors.

But regulators have closed the barn door very late: all but one of the nation's big mutual savings and loans have already been sold or have converted to shareholder ownership.

Coupled with recent moves by the Federal Deposit Insurance Corporation to review executive compensation at mutuals that sell stock in themselves to investors, the moratorium is likely to halt the disappearance of mutuals, a trend that has been reshaping the nation's savings and loan industry, banking experts said today.

"It looks like the party is over — this is the beginning of the end," said Scott M. Winslow, the research director at SNL Securities, a financial research firm in Charlottesville, Va.

Not Many Are Left

Low interest rates have made hundreds of mutuals quite profitable, so many banks and investors want to buy them. A wave of deals cut the number of mutuals last year by almost 10 percent, from 1,343 at the beginning of 1993 and 2,000 a dozen years ago. Most of the 1,231 remaining mutuals are tiny institutions in small towns.

Green Point Savings Bank, a \$6 billion institution based in Flushing, Queens, issued stock on Friday, leaving only one large mutual, Pomona First Federal Savings and Loan Association in California, which has \$1.65 billion in assets.

The rest of the big mutuals have already converted into shareholder institutions, said Brian P. Smith, the policy director at Savings and Community Bankers of America, the industry's Washington-based trade group.

According to a study by SNL Securities, in each of 16 small deals in December and early January, an average of \$5.3 million in free stock or stock discounts was awarded to the directors and corporate officers as a group. That works out to 13 percent of the value of the stock sold and does not count the executive salary increases and the generous retirement plans that usually accompany these transactions. Depositors, who technically own the institutions but typically buy few of the shares when the institutions sell stock, got very little.

The Treasury and the F.D.I.C. are both paying particular attention to whether mutual executives have issued stock at unusually low prices and bought large blocks of shares at those prices. Last year, shares in mutuals soared by an average of 28 percent on the day they were issued.

In imposing a moratorium on commercial bank purchases of mutuals, the Treasury Department's Office of Thrift Supervision said that it would continue to accept applications from mutuals that want to convert to stock ownership. But the office said for the first time that its limits on executive compensation for these transactions would be reviewed. Leaders of the Senate Banking Committee introduced legislation last week to force the office to tighten these limits, which do not currently cover stock options.

At a Standstill

David S. Schaefer, the head of the banking practice at Loeb & Loeb, a New York law firm, said that close regulatory scrutiny would bring to a halt all sales of mutuals to investors or banks. "Applications which have been filed have come to a standstill," he said. "It also prevents other institutions, which have wanted to take advantage of the market, from acting."

The moratorium will last while the office reviews its regulations on the transactions. Treasury officials declined to estimate how long that would take; the F.D.I.C. has been reviewing the issue for nearly a year without reaching a decision.

Two Congressional hearings in the last 10 days and proposals for tough new Federal legislation have left regulators red-faced and wishing that they had acted sooner. This is particularly true at the F.D.I.C., which oversees state-chartered savings banks, unlike the Office of Thrift Supervision, which oversees federally chartered savings banks and state and federally chartered savings and loans.

Managers at state-regulated savings banks awarded themselves some of the largest multimillion-dollar compensation packages in exchange for approving the sale of their institutions to banks or investors.

Some Regrets Expressed

"It's not our shining hour in terms of raising the issue; in hindsight, I wish we'd done more earlier," said a senior F.D.I.C. staff official who insisted on anonymity.

Andrew C. Hove Jr., the acting chairman of the F.D.I.C., declined to comment.

Jonathan L. Fiechter, the acting director of the Office of Thrift Supervision and a member of the F.D.I.C.'s board, said last week that he had sent memos to the F.D.I.C. over the last year urging it to be more aggressive. "I probably should have been more aggressive on the board," he said.

Mr. Hove told a House Banking Committee panel last week that his agency would start closely reviewing sales of state-chartered mutuals and would propose new regulations that would make it easier for depositors to benefit from the sale of mutuals. Until recently, the F.D.I.C. relied heavily on state regulators to determine whether compensation packages were excessive.

A New York Case

Green Point Savings issued stock last week after a long legal struggle in which the New York State Banking Commission forced its executives to give up the stock and stock options that they had planned to award to themselves. Estimates of the total Green Point compensation packages started at \$40 million, and ranged up to \$85 million or more if the bank's stock had doubled after it was issued.

Savings banks differ from savings and loans only in that savings banks are allowed to hold a slightly lower percentage of their assets in real estate loans.

The Office of Thrift Supervision put some limits on executive compensation in these transactions but had not limited stock options. Dozens of savings and loans have converted into state-chartered savings bank before issuing

stock, thereby avoiding the thrift office's limits. Mr. Fiechter of the thrift office called for the F.D.I.C. to impose its own moratorium on commercial bank acquisitions of mutuals that it oversees.

The ownership of mutuals is fiercely disputed. The thrift office said today that depositors "are considered the owners of a mutual thrift." Mr. Hove of the F.D.I.C. made a similar comment at a Congressional hearing last week, as did the top regulators from Ohio and Wisconsin.

But many savings and loan executives and some state regulators, including regulators in New York and North Carolina, contend that the ownership of mutuals is murky. The Federal courts have ruled that while a mutual's depositors may divide up its net worth if the institution is liquidated, they may not take their stakes out of an active institution.

Mr. Schaefer at Loeb & Loeb, who has represented mutual executives in past conversions to shareholder ownership, said he did not think depositors had any ownership rights. Since the 1930's, Federal deposit insurance has protected depositors against financial loss if a mutual fails, he pointed out. So depositors do not meet a legal test of ownership that requires owners to prove possession of something that can be lost, he said.

THE NEW YORK TIMES, TUESDAY, FEBRUARY 1, 1994

THE WHITE HOUSE
WASHINGTON

DATE: 2/21/94

TO: *Alexis, Veronica, Phil*

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

fyi

Congress of the United States
Washington, DC 20515

February 16, 1994

The President
White House
Washington, D.C. 20500

Dear Mr. President:

We are writing to strongly recommend the immediate appointment of Joseph M. Sellers as Chairman of the Equal Employment Opportunity Commission.

We are chairmen of legislative and oversight committees with responsibility over federal equal employment statutes as well as the EEOC and other agencies charged with the enforcement of such statutes. We know Mr. Sellers to be highly qualified to serve as Chairman and believe he would do so with distinction.

Rarely has a prospective nominee had such a prodigious command of the structure, operation and policies of the agency for which he is being considered. For too long, the EEOC has been allowed to languish under an ever increasing backlog of discrimination charges and investigative and litigation policies motivated more by ideological considerations than generally accepted management and true enforcement policies. We believe that Mr. Sellers will bring to the EEOC strong leadership and an ability to enhance greatly the stature of the agency and the effectiveness of its enforcement program.

Our knowledge of Mr. Sellers is personal. He has repeatedly testified before our Committees. His keen appreciation of the strengths and weaknesses of the EEOC as an administrative enforcement agency in this era of fiscal restraint has impressed us and our colleagues on both sides of the aisle. He has served as an expert witness on a wide range of legislation, ranging from the Americans with Disabilities Act to the Civil Rights Act of 1991. And, Mr. Sellers serves as

The President
Page Two
February 16, 1994

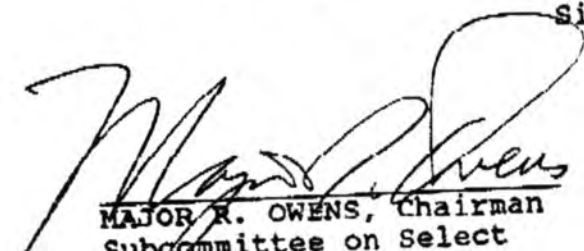
the principal strategist for, and leader of, a coalition of 15 national civil rights and labor organizations that consistently support legislation in both chambers of Congress to bring long needed reform to statutory and regulatory protections against discrimination. He has demonstrated that he has both strong leadership skills and the respect of the civil rights community.

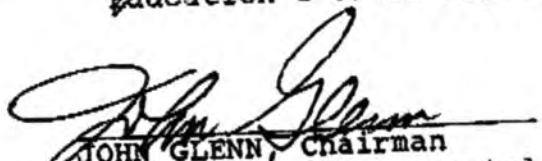
Finally, and perhaps most importantly, Mr. Sellers' practice during the past 15 years on behalf of victims of race, gender, disability, age, religion and national origin discrimination, reflects a unique commitment to, and understanding of, the increasing complexity of civil rights policy issues and enforcement in today's world. We know that Joe Sellers has experienced firsthand the pressures that victims of discrimination face as well as the possibilities and limitations of the federal enforcement system. He has also trained and counseled employers in the implementation of, and compliance with, the equal employment laws and advised state and local human rights agencies which are an integral part of the federal enforcement scheme.

We strongly believe that Joe Sellers will bring much needed leadership to the EEOC and will ensure the fulfillment of the Administration's commitment to rebuild the public consensus in our Nation for effective civil rights enforcement.

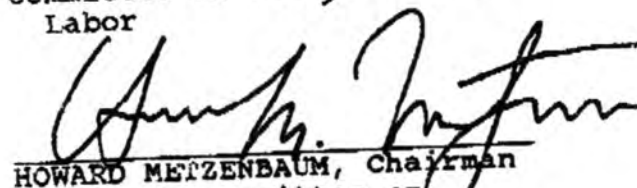
We urge you to nominate him.

Sincerely,


MAJOR R. OWENS, Chairman
Subcommittee on Select
Education & Civil Rights


JOHN GLENN, Chairman
Committee on Governmental
Affairs

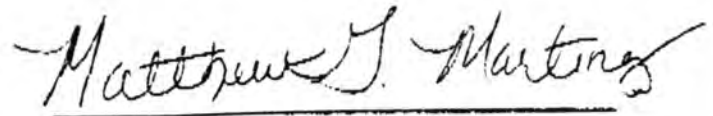

WILLIAM D. FORD, Chairman
Committee on Education and
Labor


HOWARD METZENBAUM, Chairman
Senate Subcommittee on
Labor

The President
Page Three
February 18, 1994



Carol Mosley-Braun
U.S. Senator



Matthew G. Martinez, Chairman
Subcommittee on Human
Resources

THE WHITE HOUSE

WASHINGTON

February 18, 1994

TO : John Podesta

FROM : Marvin Krislov

RE : FOIA Request

94 FEB 18 12:01

I am forwarding the attached FOIA request from Marshall Williams, concerning John Gilmore and David Banisar. Please let me know if you have any thoughts.

Also attached is the Encryption Policy.

Attachments

Marvin —
I think we
put this out on the internet. Why not
Just release it.
If you want to double
check, call
Kamner
at NIST.
JOHN

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET FE 010-01

☐ O - OUTGOING☐ H - INTERNAL☒ I - INCOMINGDate Correspondence Received (YY/MM/DD) 9/1/21/7Name of Correspondent: Marshall Williams☐ MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: Follow up on a FOIA request

ROUTE TO:

ACTION

DISPOSITION

Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>Ca</u>	<u>Nurs</u>	RL ORIGINATOR	<u>9/1/21/7</u>	RL	<u>C</u>	<u>9/1/21/7</u>
<u>Ca</u>	<u>ATOI</u>	RL Referral Note: <u>A</u>	<u>931220</u>			<u>1 1</u>
<u>Krislov</u>		Referral Note: _____	<u>1 1</u>			<u>1 1</u>
		Referral Note: _____	<u>1 1</u>			<u>1 1</u>
		Referral Note: _____	<u>1 1</u>			<u>1 1</u>
		Referral Note: _____	<u>1 1</u>			<u>1 1</u>

ACTION CODES:

A - Appropriate Action
C - Comment/Recommendation
D - Draft Response
F - Furnish Fact Sheet
to be used as Enclosure

I - Info Copy Only/No Action Necessary
R - Direct Reply w/Copy
S - For Signature
X - Interim Reply

DISPOSITION CODES:

A - Answered
B - Non-Special Referral
C - Completed
S - Suspended

FOR OUTGOING CORRESPONDENCE:

Type of Response = Initials of Signer
Code = "A"
Completion Date = Date of Outgoing

Comments: _____

SCANNED

Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
Always return completed correspondence record to Central Files.
Refer questions about the correspondence tracking system to Central Reference, ext. 2590.



U. S. Department of Justice

Criminal Division

93 DEC 17 P12: 58

Washington, D.C. 20530

14 DEC 1993

MEMORANDUM

TO: Bernard W. Nussbaum
Counsel to the President
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

FROM: *MRW* Marshall R. Williams, Chief
by Freedom of Information/Privacy Act Unit
NPL Office of Enforcement Operations
Washington, D.C. 20530

SUBJECT: Freedom of Information Act Requests - John Gilmore,
CRM-930703F and David Banisar, CRM-930693

By memorandum dated October 7, 1993, the Freedom of Information/Privacy Act Unit (FOI/PA Unit), Criminal Division referred one document--draft of "Guidance on the Administration's Encryption Policy," dated April 19, 1993, 11 pages--to your Office for consultation. As we have not heard from you, we would appreciate your apprising us of the status of that consultation.

For your information, the Freedom of Information Act request of Mr. Gilmore is currently in litigation in the United States District Court for the Northern District of California. Any questions regarding that litigation should be directed to Mr. John Martin, Federal Programs Branch, Civil Division at (202) 616-0179.

Please address correspondence to us concerning this matter to: Marshall R. Williams, Chief, FOI/PA Unit, Criminal Division, Department of Justice, Washington, D.C. 20530. Attention: Mrs. Bonnie Mulligan.

Thank you for your continued assistance.



U. S. Department of Justice
Criminal Division

Washington, D.C. 20530

5 JAN 1994

CRM-930693F, 930703F

Mr. Marvin Krislov
Special Counsel to the President
Office of the Counsel to the President
Room 128, Old Executive Office Building
Washington, D.C. 20503

Dear Mr. Krislov:

Pursuant to your request, enclosed is a copy of the document titled "Draft Guidance on the Administration's Encryption Policy".

Sincerely,

Marshall R. Williams, Chief
Freedom of Information/Privacy Act Unit
Office of Enforcement Operations
Criminal Division

DRAFT

100 15 April 93

GUIDANCE ON THE ADMINISTRATION'S ENCRYPTION POLICY

(FOR AGENCY PRESS SPOKESPERSONS ONLY)

Long-term implications

1. It would seem that with this decision the Administration has decided that preserving its capability to tap phones is more important than enabling its citizens to have the best encryption technology available. If this is an accurate assessment of the Administration's priorities, it implies that the Administration would be willing to use legal remedies to restrict access to very secure encryption devices if it cannot find a technological solution like the one proposed for the device.

Q: Is that an accurate characterization of this decision?

A: No, it is not. The key escrow mechanism will provide Americans with a reliable encryption product that is secure, convenient, and inexpensive.

The Administration is not saying, "since sophisticated encryption threatens the public safety and effective law enforcement, we will prohibit it outright" (as some countries have effectively done); nor is the U.S. saying that "every American, as a matter of right, is entitled to an unbreakable commercial encryption product." There is a false "tension" created in the assessment that this issue is an "either-or" proposition. Rather, both concerns can be, and in fact are, harmoniously balanced through a reasoned, fair, trustworthy approach such as is proposed with the "Clipper Chip" and similar encryption techniques.

Q: Will the Administration propose legislation to ban "unbreakable" encryption devices if the key escrow approach does not work?

A: Some other countries in the developed world limit domestic sales and use of encryption technology. At this time, we have no plans to propose taking such a step, but it will be an option considered during the broad policy review.

Q: How would such a ban be enforced?

A: Until we conduct the review we cannot say a ban is necessary, much less how such a ban would be enforced.

2. While a key escrow approach might work for telephony, it is hard to see how it could work for computer software using an nearly unbreakable code to encrypt

computer files. Since it is conceivable that each file on a given computer would be encrypted using a different key it would be impossible to register every single key. If an encrypted file was then sent over a computer network, the user might have a totally secure—and untappable—communications link.

Q: How will the Administration deal with products now being developed to use DES or other algorithms to encrypt computer files?

A: This is one of dozens of issues to be examined in the Administration's review of encryption policies. In carrying out that review, the Administration will seek out the expertise of the major software companies to explore various technological options.

Q: According to many in the software industry, encryption is going to be a standard feature in most office software products within 2 or 3 years. They contend that government policies to restrict development, sale, and export of encryption products could put U.S. firms at a disadvantage in world markets. Since software is a \$40 billion industry, this could have a major impact. Has the Administration fully considered the economic impact that restricting encryption technology might have on U.S. firms? Is the software industry comfortable with the Administration's decision in this specific case?

A: I must stress that this decision represents a first step along the way to a more comprehensive policy that will deal with not only telephony but electronic mail and file encryption as well. A central objective of our evolving policies on encryption will be to ensure that competition in the world marketplace is fair, open, and equitable.

3. It would appear that the Administration has come up with an elegant mechanism for providing telephone users with secure communications links while preserving the ability of law enforcement and intelligence agencies to eavesdrop provided they obtain the necessary warrants. However, it would seem that encryption technology is advancing so fast that it won't be long before companies develop a system that is inexpensive and secure, but does not use a key escrow system..

Q: How long do you think it will be before a company, either here or abroad, develops an all-purpose encryption device that would offer totally secure communications?

A: Totally secure communications are one of those things that are not truly achievable. One can achieve security levels that are extremely expensive to penetrate. Such capabilities are essentially available today.

Q: If a company developed such an encryption device and refused to participate in the government's key escrow system, what would the Administration do?

A: The Administration is purposely beginning the process by asking for voluntary cooperation. This kind of situation is what is to be addressed in the review the President has requested.

To the extent that a company contemplates marketing a strong encryption product without a key-escrow system, the Government would advise the company that the key-escrow system is becoming the standard of choice within Government (as well as with Government contractors, etc.), and that the product would be more marketable and more likely to be licensed for export if compliant with the evolving key escrow standard. Furthermore, the spread of Clipper-type technology assures readily available interoperable telecommunications devices, something that non-compliant devices would lack.

Q: If it were a foreign company, would it be allowed to import its product?

A: There are presently no restrictions on importing such products. But this will depend upon the product and will be one of the issues examined during the review being done over the next few months. The Federal government will have to consider whether it is in the best interests of the U.S. to allow into the country products that not only inconsistent with an important U.S. policy, but also pose significant risks to the public safety and effective domestic law enforcement.

4. It is now possible to get instructions for implementing the DES encryption algorithm on-line over the Internet computer network. By now, hundreds of computer hackers have probably developed the software needed for encrypting their files using a strong encryption algorithm. If such home-brewed encryption technology becomes more widespread, especially among criminals and terrorists, we could have a situation where law enforcement agencies would only be able to listen in on conversations of law-abiding citizens using the new key escrow system.

Q: If this were the case, would the Administration reconsider its policies?

A: We are now in the process of re-evaluating government policies with regards to encryption. This is certainly an issue that will be considered.

5. Many civil libertarians fear that computer technology is making it harder and harder for Americans to maintain their privacy. For example, credit card company data banks now contain detailed information on our buying habits. Many argue that secure encryption technology may be one of the few tools individuals have to protect themselves and their privacy from big business and from government. Yet, it appears the Administration is moving in a direction that would restrict access to such technology.

Q: How does the Administration answer these concerns?

A: We agree that encryption is an important tool for protecting privacy, as are laws restricting unauthorized access to government records (e.g. tax records and census data). With this decision, the Administration is providing Americans with more, not less, security from the unauthorized release of personal or commercially-valuable information. Protecting the privacy of Americans is an important goal—one that is in the Constitution—and the policies developed as a result of the upcoming review will reflect that.

The key escrow system is not a step toward "1984". Under the Administration's proposal, the Government's acquisition of encryption key information occurs, and only occurs, incidental to some statutory-based electronic search. Such searches are conducted infrequently in the U.S., as evidenced in the statistics found in the Federal Wiretap Report.

In addition, there is little, if any, connection between the use of encryption technology and the collection of data on consumer buying habits, medical history, and so on. The privacy of such records is a separate issue which this Administration and the Congress will no doubt be called upon to address in the future.

How does the key escrow system work?

- Q: If a law enforcement agency intercepts a conversation encrypted using the government developed chip and wishes to decipher the message, how does it determine which specific devices are being used and which keys it needs to decode the message?
- A: The encoded message contains a code that can be used to identify the serial number of the chips used to encode the message. This enables law enforcement agencies to go to the key custodians and provide them with documentation of their legal authority and, thereby, obtain the key information.
- Q: Once a key is obtained, can it be "returned" so that security is assured in the future?
- A: These devices are fully secure and can only be accessed by government agencies that obtain key pursuant to lawful authority (e.g. based upon a court order). Similar to existing procedures that assure government electronic surveillance is limited to the period authorized, the government's access to key will end when its authorization ends. Of course users of devices that have been the subject of government electronic surveillance are free to purchase new devices for optimal privacy. You should discuss this with the vendor.
- Q: Who will run the key-escrow data banks?
- A: The two key-escrow data banks will be run by two independent entities. At this point, the Department of Justice and the Administration has not determined which agencies will oversee the key-escrow data banks.
- Q: Will there be a separate back-up database to prevent the loss of data?
- A: Yes, the trusted escrow custodians will have duplicate back-ups.

How good is the security of the phone?

- Q: How strong is the security in the device? How can I be sure how strong the security is?
- A: The device operates with a 80-bit key—24 more than DES. The longer key means this device is roughly 16 million times more robust than the DES algorithm. We are willing to work with non-government cryptography experts on a process for them to evaluate the algorithm. NSA has approved this classified algorithm for use in Defense Department systems that protect sensitive information.

Q: What encryption algorithm is used in the device? How does the algorithm work?

A: The algorithm was developed by some of the government's top cryptography experts. To ensure its effectiveness in protecting the privacy of American citizens, the algorithm is classified.

Q: Can the device be used for classified national security information?

A: The algorithm and, thus, devices that implement it are approved for use in certain military or intelligence systems that process unclassified information as well as any federal government systems that process sensitive unclassified information. They are not approved for use in securing classified information.

Q: Since the government developed the algorithm in this device, will it be liable if it turns out to contain an unrecognized weakness that is discovered in the future?

A: The government does not ordinarily assume liability for the use of products that incorporate government research or that conform to federal standards. We are, however, confident in the security this device provides. The algorithm has been fully tested and there are no weaknesses or "trap doors". Our confidence in the algorithm is reflected in the fact that it is incorporated in devices used to protect sensitive government information.

Why is the government proposing this initiative?

Q: Is the Administration forcing companies to use a weaker encryption technology?

A: No. The Administration will not force the use of this new technology. However, this technology has several advantages: (1) it is actually more secure than DES, (2) it preserves the legitimate needs of law enforcement agencies to monitor criminal activities, and (3) it is likely to become a new standard for encryption. The Federal Government intends to use it and hopes other organizations will do so on a voluntary basis.

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Q: Is the Data Encryption Standard too difficult for the FBI to decipher?

A: The real problem is that local law enforcement agencies are ill-equipped to deal with sophisticated encryption technology.

Q: Who is making the government hardware? Won't the manufacturer have access to all the keys?

A: We expect hardware products incorporating the key escrow microcircuit will be designed, developed, and sold off-the-shelf by commercial product manufacturers. Manufacturers of this hardware will not have access to the keys.

Q: I understand the government hardware is approved by NSA. Did they also design it? Can NSA read the contents of an encrypted message?

A: Except for devices used within Department of Defense systems, NSA does not "approve" products that incorporate this key escrow microcircuit, regardless of whether the products are to be used by other government agencies. NSA did design the key escrow microcircuit, but it will not administer the key escrow systems. It will be allowed access to keys only if it can satisfy the key holders that it needs access to carry out its foreign intelligence mission and that the surveillance is lawful and authorized.

Q: Can NSA decipher a message encrypted with the Clipper Chip if it does not have the key?

A: NSA does not comment on its ability or inability to decrypt specific devices.

Q: Is the Federal Government planning to purchase any devices with the Clipper Chip for use within the Federal Government?

A: We see an immediate need for several thousand. Long term demand may be much greater.

Q: Won't the Federal government be giving unfair competitive advantage to certain companies by giving certain companies early access to the new "Clipper Chip"?

A: The Federal government is willing to share the "Clipper Chip" technology with any qualified vendor willing to use it in a key-escrow encryption system.

Who made the decision to undertake this initiative?

Q: Whose decision was it to propose this product?

A: The National Security Council, the Justice Department, the Commerce Department, and other key agencies were involved in this decision. This approach has been endorsed by the President, the Vice President, and appropriate Cabinet officials.

Q: Who was consulted? The Congress? Industry?

A: We have on-going discussions with Congress and industry on encryption issues, and expect those discussions to intensify as we carry out our review of encryption policy. We have briefed members of Congress and industry leaders on the decisions related to this initiative.

How confident can I be about protection of the government's key?

Q: How and from whom will a law enforcement agency actually get the "key"?

A: The Justice Department will establish procedures based on those required for obtaining authorization for a wiretap.

Q: Who will monitor releases of the keys? Will Congress be able to determine how often keys have been requested and released?

A: The release of keys will be done under procedures to be established by the Attorney General, who will provide for strict oversight. Additionally, it is anticipated that the Office of Inspector General would make frequent and careful inspections to make sure the key escrow unit strictly complies with the processes established by the Attorney General. We will welcome Congressional oversight.

Q: Will the given "key" work for only one phone, or in others?

A: Each set of keys is unique for each microchip produced.

Q: If the key escrow data banks are somehow compromised and some of the keys released, would the government be responsible for compensating manufacturers and users of the product?

A: If the keys are released and injury results to manufacturers or users of the product, the financial responsibility of the United States in tort for the resulting

04/18/93 00:00
damage will vary according to the circumstances behind the release. No contractual relationship is known to exist on this issue.

If the release is intentional, the United States is probably not going to be liable. Manufacturers would contend that the government's wrongful release unfairly compromised the technology and thereby damaged the marketability of the product. The essence of such a tort claim is intentional interference with contract rights. However, under the Federal Tort Claims Act, 28 U.S.C. 1346(b), 2671-2680, the United States is not liable for damages resulting from such torts because of the exception at 28 U.S.C. 2680(h). The person who appropriated the technology in this fashion could be personally responsible to the manufacturer for criminal or civil wrongs even if the United States is not.

If the release is negligent, however, the United States probably would be liable to the manufacturer. The tort of interference with contract rights is usually an intentional tort, and negligent injury to business relations are not covered by the exception to the Federal Tort Claims Act mentioned above. Whether the United States would also be liable to users of the product is more problematic, but generally courts have been reluctant to extend liability for negligence that far.

Can any company build a similar product?

- Q: Will the government provide the hardware to all manufacturers?
- A: The government designed and developed the key access encryption microcircuits, but it is not providing the microcircuits to product manufacturers. Product manufacturers can acquire the microcircuits from the chip manufacturer that produces them.
- Q: Who makes the "Clipper Chip"?
- A: Mykotronx programs the chip and sells it to encryption device manufacturers. There may be other vendors in the future.
- Q: How do I buy one of these encryption devices?
- A: It is anticipated that several manufacturers will choose to voluntarily incorporate the Clipper Chip into their encryption devices.
- Q: I presume that if I manufacture a device that uses the government hardware, the Federal agency will also hold my keys. How do I make that happen?

A: The keys will be provided directly to the entities maintaining the key escrow data banks after the chip is programmed. You should discuss this with the Justice Department, which is establishing procedures for the key escrow system.

Q: What kinds of other applications can the government hardware be used for? Will there be other products produced for data communications environments (e.g. local and wide-area computer networks)?

A: The "Clipper Chip" can be used in a wide range of hardware applications of encryption to secure transmission of voice and data, including applications that require speeds up to 10 megabits/second.

Q: Will the government algorithm be available only in hardware? Will there be a software version?

A: We are reviewing whether lawfully authorized government access can be assured when the key escrow solution is implemented in software. We would welcome the participation of the software industry in a cooperative effort to meet this technical challenge.

Q: What kinds of technical limitations does it have (e.g. speed, through-put, size, interface specifications)?

A: The key escrow device is a microchip capable of processing over 10 million bits per second. Interface specifications are available through the chip vendor.

Q: How much does the government's chip cost?

A: You will need to contact the vendor, Mykotronx.

Will the product be exportable?

Q: Will the phones be exportable? Will other devices that use the government hardware?

A: The voice encryption devices are subject to export control requirements. Case-by-case review for each export is required to ensure appropriate use of these devices. The same is true for other encryption devices. One of the attractions of this technology is the protection it can give to U.S. companies operating at home and abroad. With this in mind, we expect export licenses will be granted on a case-by-case basis for U.S. companies seeking to use

these devices to secure their own communications abroad. We will review the possibility of permitting wider exportability of these products.

Q: Will they be import controlled anywhere in the world?

A: We understand that some developed countries control imports of encryption devices but you should check with the embassy of any country in which you expect to use these devices.

Q: Will there be limits on their use overseas (e.g. France)?

A: Some countries restrict the use of encryption devices. You would need to check with each country to determine their constraints of using encryption.

What if I decide not to use this chip in my products?

Q: Will there be any sanctions?

A: No.

Q: Can I still sell to the government?

A: Manufacturers may continue to sell to the government products that meet government standards (e.g. DES).

Q: Will I be able to export my product?

A: Apart from allowing American companies another option to secure their communications at home and abroad, this action has not changed the existing export control rules.

THE WHITE HOUSE
WASHINGTON

DATE: 2/22/94

TO: Rich Rosensweig, DDE

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

Does this guy work
for you?

community may need more than anything today is a little glasnost of its own." (p. 127).

Intelligence Budget Follies

Congress is still struggling to decide whether or not publicly acknowledging the intelligence budget total of \$28 billion (or so) would threaten the future of the United States as a sovereign, independent entity. If the experience of the last twenty years is any guide, Congress will again determine that there is no such threat and will then proceed to-- do nothing.

Stymied by Congressional inaction, citizens who presume to have an interest in intelligence spending are driven perforce to alternate sources of information. For example, detailed budget estimates for the National Security Agency and the Defense Intelligence Agency, prepared by John Pike, are presented in an FAS Secrecy Project statement on budget disclosure, submitted for an upcoming Senate Intelligence Committee hearing. A copy is available on request.

File an FOIA Request and Meet the FBI

Most Freedom of Information Act (FOIA) horror stories involve arbitrary classification, erratic declassification, and, of course, delays of Soviet proportions. But it is hard to match the experience of Chuck Hansen, who won a free FBI investigation because of his research efforts.

Mr. Hansen, an independent historian, prolific FOIA requester, and author of *U.S. Nuclear Weapons: The Secret History* (Aerofax, Inc., 1988), last year requested declassification review under the FOIA of two old nuclear weapons histories from the Defense Nuclear Agency (DNA).

In order to save time and reduce processing costs, Mr. Hansen specified exactly which pages of the documents he wanted to be reviewed. Like any footnote fetishist, he was merely pursuing references that he had found in a previously declassified document. But DNA, alarmed by Hansen's specific identification of page numbers, somehow assumed that he already had unauthorized access to the classified documents and promptly alerted the FBI.

Last summer, the FBI swung into action, questioning Hansen and his attorney about how he knew which page numbers he wanted.

Hansen dashed off an angry letter to DNA calling their behavior "reprehensible and extremely offensive" and asked for an apology. Colonel Robert P. Summers of DNA wrote back to inform him that "If any apology is in order, it would be from you...."

Eventually, everyone apologized to everyone else. Hansen told *S&GB* that DNA officials have resumed "their previous open and professional demeanor" and they "are still slowly processing my many outstanding requests."

A bewildered FBI agent explained that as a rule "the FBI does not investigate citizens just because they file requests under the Freedom of Information Act." (*San Jose Mercury News*, 8/15/93, p.1BF).

Non-Lethal Weirdness

The emerging field of so-called "non-lethal weapons" (*S&GB* 28) has gained new visibility with a feature story in *Newsweek* (2/7/94, pp.24-26) and a cover story in *New Scientist* (12/11/93). *Aviation Week & Space Technology* (1/24/94) even awarded its annual "laurels" to Dr. John B. Alexander, director of non-lethal weapons programs at Los Alamos National Laboratory, for his leadership role in advancing research in this area.

What *Aviation Week* didn't report is that John Alexander brings a distinctly unusual background to his work on non-lethal weapons and that he has a pronounced interest in topics and technologies that, uh, transcend conventional understanding.

In 1980, Alexander wrote that "there are weapons systems that operate on the power of the mind and whose lethal capacity has already been demonstrated." ("The New Mental Battlefield," *Military Review*, December 1980, pp. 47-54). In that article, Alexander addressed out-of-body-experiences, psychokinesis, and telepathic behavior modification. "There is sufficient concern about psychic intrusion to cause work to begin on countermeasures such as bioenergy detectors," he advised. He noted that "The information presented here will be considered by some to be ridiculous since it does not conform to their view of reality, but some people still believe the world is flat."

In *The Warrior's Edge* (Avon Books, NY, 1990), a human potentials handbook for would-be corporate samurai that he co-authored, Alexander described himself as having "evolved from hard-core mercenary to thanatologist, obtaining his doctorate under the direction of Dr. Elisabeth Kubler-Ross.... As a Special Forces A-Team commander in Thailand and Vietnam, he led hundreds of mercenaries [?] into battle. At the same time, he studied meditation in Buddhist monasteries...."

According to the *Albuquerque Journal* (3/10/93, p.1) Alexander organized a national conference in Santa Fe last year "devoted to researching reports of ritual abuse, near-death experiences, human contacts with extraterrestrial aliens and other so-called 'anomalous experiences'." "Something's happening that's impacting on the psyche of America," Alexander told the *Journal*. "That's for sure."

Rounding out the picture, an Australian "new age" publication called *Nexus* reported that "In 1971, while a Captain in the infantry at Schofield Barracks, Honolulu, [Alexander] was diving in the Bimini Islands looking for the lost continent of Atlantis. He was an official representative for the Silva mind control organization and a lecturer on precataclysmic civilizations.... [Alexander also helped] perform ESP experiments with dolphins." (October-November 1993, pp.12-15).

Alexander took some umbrage when *New Scientist* mentioned his preoccupation with paranormal phenomena. In a letter to the editor, he wrote that "As for my 'unorthodox views,' I believe Jim Marrs, in a forthcoming book, will produce the necessary evidence to prove they were not so far out." Jim Marrs, it might be noted, is author of the feverish JFK assassination conspiracy book *Crossfire*.

So what? If Alexander wants to practice astral projection in his spare time, there is not a single thing wrong with that. If anything, it reveals a refreshing freedom of imagination.

On the other hand, it also reinforces the urgent need for oversight of the still highly secretive non-lethal weapons program. If only for quality control.

But since many non-lethal programs are conducted on a "black," special access basis, Congressional oversight is effectively nullified. One consequence is that resources are wasted and duplication of effort is rampant. According to David Boyd of the National Institute of Justice, some non-lethal weapons technologies are being developed in as many as six independent offices, each with no knowledge of the work going on in the others. "We've been startled at the number of times we've run into this," Boyd said. (*Aerospace Daily*, 11/19/93, p.299).

Still Waiting

At press time, neither the report of the Joint Security Commission nor the latest draft executive order on classification had been released yet.

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Federation of American Scientists
307 Massachusetts Avenue, NE
Washington, D.C. 20002

for more information:
Steven Aftergood
(202)675-1012

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Glickman to Introduce Bill on Classification

Rep. Dan Glickman, chairman of the House Intelligence Committee, has announced that he will introduce legislation to overhaul the classification of national security information. Glickman outlined his proposal in a speech before the American Bar Association's Committee on Law and National Security on January 27. (*Los Angeles Times*, 1/28/94; *New York Times*, 1/31/94, p.A16).

The elements of the Glickman proposal include:

- A balancing test to weigh the public interest in disclosure against the potential harm to national security, with a presumption in favor of disclosure.
- The establishment of two classification levels, for information that would cause "serious" or "exceptionally grave" damage.
- Specification of exactly who is authorized to classify.
- Maximum classification lifetimes in most cases of six and ten years for the two proposed classification levels.
- Establishment of a procedure for review of classification decisions and the extension of classification if warranted.

Rep. Glickman's proposal is framed as an amendment to the National Security Act of 1947. It would give a statutory foundation to the classification system, which is now based on executive order.

"I have personally examined countless documents marked Secret and Top Secret that have no bearing whatsoever on our country's national security interests," Glickman stated. "Hundreds of thousands, if not millions, of documents remain classified to this day-- some over five decades old-- simply because there are no procedures in place to declassify them."

"It is time we reduce this nonsense, not only because it is a wasteful spending of government resources, but also from the standpoint of openness in government."

"The bill I will be introducing will subject the issue of classification to the public debate, which because of the Cold War and associated concerns, it never had," Glickman said.

Actually, of course, the classification system has been publicly debated almost non-stop. There are literally tens of thousands of pages of Congressional hearing records on the subject dating back to the 1950s. The most recent Congressional hearing devoted exclusively to classification was "Government Secrecy After the Cold War," a hearing before the House Subcommittee on Legislation and National Security on March 18, 1992.

By now, almost everything has been said, and almost everyone has said it. What has been lacking is the Congressional resolve to take practical measures to address the decadence of the classification system.

Given the record of Congressional passivity, it is

hard to be sanguine about the chances for successful legislative action in this area. Nevertheless, Rep. Glickman's proposal represents a hopeful sign.

CIA: Secrets Become More Sensitive with Age?

Tertullian, a church father given to paradoxical utterances, said of a particular church doctrine: "It must be true, because it's impossible!" (*certum est quia impossibile est*).

This could serve as the preamble to the CIA's classification policy, which likewise defies ordinary comprehension.

In most other government agencies, it is accepted that the sensitivity of classified information decreases with time. This is the basis for all declassification activity, limited as it is. But lately, the CIA has challenged this fundamental notion of decreasing sensitivity over time and has even suggested that the opposite might be true.

In the course of a pending lawsuit alleging that CIA administered LSD and electroshock treatments to an unsuspecting subject in Paris in 1952, government attorneys attempted to restrict the plaintiff's access to old CIA documents, advising the court as follows:

"Plaintiff will undoubtedly argue that given the fact that the documents relate to activities which took place forty years ago, any risk of serious harm to the national security is diminished by the passage of time. This argument is meritless [!]."

"The passage of time often makes it more difficult for U.S. government personnel to know with certainty what the effect of a particular disclosure will be upon a foreign government or populace.... Under these circumstances, where all the facts and innuendoes are no longer known by the government, caution is imperative and sensitive information should not lightly be revealed."

"Due to the passage of time, ...it is impossible to predict the potential harm which exposure... could engender," the government argued, and the information must therefore be withheld. (*Kronisch v. U.S.A.*, Sidney Gottlieb and Richard Helms, Defendants' Memorandum of Law, 11/24/93, pp. 12, 23).

In contrast, mainstream thinking holds that, at least in theory, "There should be a definite, identifiable reason or rationale for classifying information or materials. If a reason is definite, then it should be expressible. If a reason cannot be expressed or can only be given in vague terms, then the information or material probably should not be classified." (Arvin S. Quist, *Security Classification of Information*, vol. 2, p. 15).

In the January/February 1994 issue of *Foreign Affairs*-- the gray arbiter of conventional wisdom-- Rep. Dave McCurdy observes that "Much of U.S. Cold War policy was aimed at promoting reform in the former Soviet Union, but ironically, what the U.S. intelligence