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001. letter	William Crowe to POTUS (3 pages)	05/13/1994	P1/b(1)

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FOLDER TITLE:
May 15-21, 1994 [1]

2018-0662-S
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RESTRICTION CODES

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

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

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PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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

THE WHITE HOUSE

WASHINGTON

5/20/94 94 MAY 20 P4:06

John:

I just received this request from Pres. Scheduling.

They plan to regret with respect to accepting the degree at commencement but want to know if there is interest in accepting in absentia.

(The First Lady has regretted in its entirety.)

Please let me know.

reject (regret)
5 20.94

Dan Burkhardt
x65507

K -
Ded HRC
reply?

CC HRC

11/2

figure of HRC's comments also

UNIVERSITY
N CONNECTICUT

October 14, 1993

Shd consider as pos - slow (HRC

Also C Sche

The Honorable William Jefferson Clinton
President
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

It was a great pleasure and privilege to have you and the First Lady with us at Yale last Saturday. Your visit was a momentous occasion not only for the Law School and its alumni body, but for the entire University community and for the people of greater New Haven. Your remarks at the luncheon were stirring; no recipient of the Medal of Merit could better exemplify the values to which your law school and university aspires. I also was grateful to have had a few moments to share with you and the First Lady my concern about the extremely serious problems of our cities and the role that universities such as Yale can play to assist in their solution. In the years to come, Yale will help to forge an active partnership with the leaders of our city and state to address the issues of economic development, education, and social services. I hope that we can count on your encouragement and support.

Let me also formally extend the invitation of the Yale Corporation to you to join us to receive an honorary degree of Doctor of Laws at the Yale University Commencement exercises which will be held on Monday, May 23, 1994 (Memorial Day). As you know, we are also extending an invitation to the First Lady to receive an honorary degree of Doctor of Laws at the same time. Nothing could do this university a greater honor than to have the opportunity to bestow upon each of you these degrees in recognition of your singular accomplishments and contributions to our national life. And nothing could give us greater pleasure or pride than to present these degrees to you and the First Lady on the same occasion.

The University Commencement exercises consist of a morning ceremony on the Old Campus at which degrees are conferred, followed by a luncheon honoring Yale's honorary degree recipients. As I mentioned, there would be an opportunity for you to speak at the ceremony, and we would be most grateful if you would do so. No other speeches will be presented. A formal dinner is held the evening before, but we would certainly understand if you would not be able to attend both the dinner and the luncheon. If your schedule prevents you and the First Lady from returning to Yale to accept an honorary degree next May, we would be pleased to invite you to receive the degree instead at the 1995 University Commencement, which will be held on May 22, 1995. I speak for all of the Trustees in saying that it is our sincere hope that you and the First Lady will be able to join us for one of these two Commencements. As you may know, it is a Yale tradition that the identity of honorary degree recipients is kept secret until the day the degree is awarded.

Jane and I were delighted to welcome you back to Yale. We eagerly look forward to hearing from you about the next occasion.

Sincerely,

Rick

Richard C. Levin
President

RCL:kap

THE WHITE HOUSE

WASHINGTON

anna
we meet w/ Prez of Senegal
& do a National Parks
Reception this
day. Did you ever
get a final answer

3-29
still
pending
on Anna's
memo

December 6, 1993

Mr. Richard C. Levin
President
Yale University
Office of the President
New Haven, Connecticut 06520

Dear Mr. Levin:

Thank you for inviting President Clinton to receive an honorary degree of Doctor of Laws at the Yale University Commencement exercises. The President appreciates your kind offer.

As I am sure you understand, I am unable to make a commitment for the President at this time. Please be assured that your invitation f[illegible] 1994 and the 1995 University commencements will be [illegible] full consideration. Your flexibility is greatly appreciated.

On behalf of the Presid[illegible] thank you again for your generous offer. I encourage [illegible] to contact my office if I can be of further assistance.

Sincerely,

Ricki L. Seidman

Ricki L. Seidman
Assistant to the President
Director of Scheduling and Advance

rec'd 5/20/94

RLS/inc

THE PRESIDENT HAS SEEN 5/20

THE WHITE HOUSE

WASHINGTON

94 MAY 19 P12:48

May 19, 1994

RECOMMENDED TELEPHONE CALL

TO:	Sen. Christopher Dodd Sen. Joseph Lieberman Rep. Sam Gejdenson
DATE:	May 19, 1994
RECOMMENDED BY:	Patrick Griffin Bill Burton
PURPOSE:	To notify the Connecticut delegation that Groton, Connecticut has been selected as the "preferred alternative site" for the homeporting of the SEAWOLF.
BACKGROUND:	See attached.

How much will Navy lose? — B.

Please note that later today the Secretary of the Navy will notify the delegation that the Navy intends to move the Naval Undersea Warfare Center (P-020) to Newport, RI. You do not need to inform the delegation of this. You will deliver the good news.

TOPICS OF DISCUSSION:

1. The Secretary of Navy has recommended that Groton, CT be selected as the "preferred" site for homeporting the next SEAWOLF.

2. The Navy will soon begin preparing an environmental impact statement (EIS). While Groton is the "preferred alternative site", the EIS will explore 2 other alternative sites - Norfolk, VA; and Kings Bay, GA. The EIS should take 12 - 24 months.

3. This decision in NO WAY prejudices any decisions of the Base Realignment and Closure (BRAC) '95 process.

CONTACT PERSON AND
TELEPHONE NUMBER(S):

Senator Dodd Mike Powell, AA	224-2823
Senator Lieberman Bill Andresen, AA	224-4041
Rep. Gejdenson Robert Baskin, AA	225-2076

DATE OF SUBMISSION:

ACTION:____

____

____

____

19 May 1994

Recommend that the White House notify the Connecticut delegation that a decision has been made that Groton, Connecticut is the "preferred alternative site" for the homeporting of SEAWOLF class submarines.

A key component of the process leading to the Navy's ultimate decision where to homeport the SEAWOLF (SSN-21)class will be compliance with the requirements of the National Environmental Policy Act (NEPA).

As required by NEPA, the Navy is commencing the effort to prepare the appropriate environmental documentation that must be available when it makes this decision. The documentation will explore three alternative sites for the homeport - Groton, Connecticut; Norfolk, Virginia; and Kings Bay, Georgia. It will identify Groton as the preferred alternative. In the near future, a notice of this effort will be published in the Federal Register.

The EIS process is estimated to take 12-24 months. If the decision is made to homeport the SEAWOLF in Groton, it is anticipated that dredging work (which the State of Connecticut has offered to fund) would begin in time to accommodate the arrival of USS SEAWOLF in her homeport by late 1997.

The decision that Groton is the preferred alternative in no way prejudges any decisions of the Base Realignment and Closure (BRAC) '95 process. It is being made at this time so that the EIS can be completed and the site that is selected can be prepared in time for SEAWOLF's arrival.

Public notification of this decision can be coordinated so that it can be jointly announced by the White House/Department of the Navy and the Connecticut delegation.

(*) White House officials should be made aware of a separate unrelated decision affecting Connecticut. It has been determined that the Navy will move ahead with military construction project P-020 at the Naval Undersea Warfare Center in Newport, R.I. This project was necessitated by decisions made in BRAC 91 and is in the Navy Department's best interests. Members of the Connecticut delegation have argued against the project in favor of keeping the activities involved in Connecticut. Once the announcement of the SEAWOLF decision has been made, the Secretary of the Navy will inform the CT/RI delegations that he has decided that the P-020 project should move ahead.

THE PRESIDENT HAS SEEN 5/20

Tony / What about Kim-May in right

Chron

Offer Korea A Carrot

THE NEW YORK TIMES, THURSDAY, MAY 19, 1994

By Donald P. Gregg

If the North Koreans are hell-bent on building nuclear weapons, we cannot stop them without raising the probability of a second Korean war to a dangerous level.

Talk of sanctions by the Administration and Bob Dole, the Senate Republican leader, will be no more potent than our threats in 1968 after the North Koreans seized the reconnaissance ship Pueblo and held her crew for 11 months.

Threats of military strikes against the North's nuclear facilities are hollow, because we won't go down that road. They only inflame Pyongyang.

The Clinton Administration has not made clear to the North Koreans just how and when they would be better off if they gave up the bomb. Until it does, they are far more likely to cling to their nuclear program as the only high card they have.

Clearly, this week they thought they had something to gain by starting to remove nuclear fuel from a reactor at Yongbyon, before the arrival of inspectors from the International Atomic Energy Agency.

But they want something else, too: recognition from us, economic assistance from their neighbors and a chance to strengthen their economy.

One hopeful fact is that North and South Korea tacitly agree on one major issue: that it is better for both if the economic gap between them is narrowed.

North Korea does not want to be taken over by South Korea, as East Germany was taken over by West Germany, and South Korea does not want North Korea to collapse economically, imposing a staggering burden that the South cannot assume.

Narrowing the gap will require economic development in the North. Industrialists from the South visited the North in 1991 and 1992 to talk about projects that combine machinery and technology from the South with labor from the North.

Donald P. Gregg, Ambassador to South Korea from 1989 to 1993, is chairman of the Korea Society.

Trade the bomb for economic gains.

Both sides were enthusiastic and hopeful, but the problem of North Korea's nuclear intentions has blocked progress. Nevertheless, many North Korean officials want to open their country to development.

In recent years, South Korea has won diplomatic recognition from all of North Korea's former allies, including China and Russia. North Korea now gets aid from no one, which has worsened its economic situation.

Surprisingly, the Administration has taken only a step-by-step approach to Pyongyang, never letting it see more than one step ahead in the long process of developing a new relationship based on a nuclear-free Korean Peninsula.

The Administration's ill-conceived policy of linking the renewal of China's trade benefits with improvements in human rights prevents China from being as helpful as it might be on North Korea.

In 1992, Beijing sent Zhang Tingyan, China's leading expert on Korea, to Seoul as its first Ambassador there. He had spent 15 years in Pyongyang and told me how pleased he was to be in Seoul. He said China was well aware that South Korea had won the economic competition with the North, and predicted that when unification came it would be largely on the South's terms.

Mr. Zhang said that in a visit to China in 1991, Kim Il Sung, North Korea's leader, let it be known that he was in economic difficulty and was uncertain how to change things for the better. The Chinese suggested that he do what they had done: keep ideological control at the center but designate certain areas as special economic zones where more flexible rules could apply. Mr. Kim was taken to see one or more of those zones and seemed impressed.

After his return home, North Korean leaders began to talk about the Tumen River area, on the China-North Korea border, as a special economic zone. Today that area has a bustling cross-border trade, much of it barter, between Koreans and Chinese.

This pattern of development needs to be encouraged, and the Chinese are well-positioned to help. They do not favor sanctions against North Korea, and without their participation no sanctions will hold water.

Yes, the North Koreans are easy to dislike. They pose the most direct and dangerous conventional military threat we face anywhere in the world. Their army is tough, heavily armored and positioned for attack across the demilitarized zone. As if that were not bad enough, their record of assassinations and international terror, particularly from 1968 to 1987, has been appalling.

Still, nowhere in the region, including South Korea, is there any enthusiasm for a confrontation. Conventional deterrence, under our nuclear umbrella, has worked since 1953. The South Koreans have not lost faith in deterrence. Why should we? □

A Game of Shame in Albany

What will convince the dawdlers in New York State's Legislature that it is time for a budget? The fiscal year begins — *began* — 49 days ago, on April 1. Only once in the 12 years since Mario Cuomo became Governor has budget enactment been later than it is today. The people's elected representatives deserve nothing but contempt for their sorry performance.

The dawdlers took care of the Albany bureaucracy on time, voting appropriations for agency operations before April 1. But every city and hamlet, every county, school district and food kitchen that depends on state funds is still waiting, trying to plan its own budget without knowing what it will get from the state. School boards are shaping budgets for voters' approval without knowing where to peg next year's property tax rates.

Cash has gotten so tight in New York City that the Governor has had to ask for $660 million in emergency appropriations — more than half of it just to pass along Federal aid that is blocked by the Legislature's failure to authorize its disbursement.

Is this any way to govern?

The dawdlers' leaders — Assembly Speaker Sheldon Silver, a Democrat, and the Senate majority leader, Ralph Marino, a Republican — declared two weeks ago that they had reached agreement on a complete package. But Governor Cuomo said their calculations were off, their budget would not balance and he would have to veto it.

This week he made a counterproposal: The Legislature could either vote the unbalanced package and he would veto enough spending to make the numbers balance, or they could delete three major spending items and he would sign. The three deletions he proposes are fully warranted — a package of capital projects with no great urgency, $150 million of undisclosed pork-barrel "member items" and an expensive new hospital reimbursement formula on which there have been no public hearings.

If the people's representatives want any credibility — indeed, if they have any hope of public enthusiasm for their re-election in the fall — let them now stop dawdling. Right away.

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THE PRESIDENT HAS SEEN
5-19-94

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^EDWIN YODER COLUMN<

^(Advance for Wednesday, May 18, 1994, and thereafter)<

^(For Yoder Clients Only)<

^By EDWIN M. YODER, JR.=

WASHINGTON--After 37 days--by his own count--President Clinton has made a more conventional appointment to the Supreme Court than he had hoped to make. He clearly wanted a figure from political life like Senate Majority Leader George Mitchell or Interior Secretary Bruce Babbitt. What he ended up with is a highly regarded jurist, the chief judge of the First Circuit, with weighty friends and admirers of both parties on the Senate Judiciary Committee.

The latter friends may have been the strongest argument in Stephen Breyer's favor. The president said that he has ''a clear grasp of the law, a boundless respect for the constitutional rights of the American people, a restless and searching intellect''--important virtues, to be sure; but the same might be said of scores of notable American jurists.

The president went on to speak with telltale wistfulness of the men he had not chosen, Mitchell and Babbitt and his old friend Judge Richard Arnold of Little Rock, who is battling cancer.

Most of the president's recent predecessors have agonized less in broad daylight over the task of Supreme Court nomination than he, and have been distinctly less candid about their preferences. George Bush pretended that Clarence Thomas, a worthy candidate but hardly a jurist of paramount stature, was the ''best'' replacement he could find for Thurgood Marshall, an acknowledged giant of the law. Most observers thought the claim was absurd. Ronald Reagan presented one candidate with a statement written before the candidate was chosen.

The condescension Clinton is getting on this score is misplaced. It happens, as he noted with satisfaction, that constitutional law is a special interest of his. He has taught it and he probably knows more about

(more)

the history of the Supreme Court than any president since William Howard Taft, earlier in the century. He certainly knows enough to realize that the elaborate political calculations poured into recent appointments could prove historically irrelevant, even foolish. Supreme Court appointees are notorious for defying form sheets.

A good example is Harry Blackmun, the justice Breyer will replace if confirmed. President Nixon appointed Blackmun--also a third choice, by the way--after the attempt to name a ''Southern strict constructionist'' collapsed in the Harrold Carswell fiasco. Blackmun was heralded as a safe, sound and orthodox judge, cut from the driest fabric. He leaves the court as its most ''liberal justice,'' praised (or damned) for a tendency to follow his heart. Judge Breyer will come before the Senate with similarly starchy credentials--as a scholar and technician, with extensive experience in unusual areas of the law, like deregulation and the legislative veto. But who can say what he will be doing or thinking five, ten or 15 years hence?

As for President Clinton's wistful hope, temporarily thwarted, to reach into political life for a new justice, he should not abandon it. The curious fact, appalling to legal mandarins, is that the framers of the Constitution did not require legal training of Supreme Court justices. An earlier president might have set an interesting precedent by appointing an historian or physician or planter to the court. If that had happened the court would be a different, possibly a more interesting, institution.

The most spectacular ''political'' appointment of the recent past was wholly uncalculated, at least in its effects. President Eisenhower, who appointed Earl Warren chief justice, thinking him safe, found a judicial revolutionary on his hands. He called the appointment ''my biggest damned fool mistake.'' If so, it was a mistake of historic proportions; for Warren's special qualities of character made him a leader and a great jurist.

The present Supreme Court, almost the negation of the Warren Court, seems to be subsiding gradually into a gentle quietude, the lowered profile that critics of liberal activism had hoped for. Judge Breyer doesn't look like the sort of judge who will make it noisier. But who can say?

Somewhere around the corner may lurk the unanticipated constitutional issues that would suddenly make a leader of one of the unassertive lawyers now on the court. For as the president also knows, issues shape courts, not courts issues. But great judicial moments are relative rarities. For long stretches of the American past, the history book entries under ''Supreme Court, U.S,'' are less than explosive.

STATEMENT BY FIRST LADY HILLARY RODHAM CLINTON UPON THE DEATH OF MRS. JACQUELINE KENNEDY ONASSIS

Today our nation -- and our family -- have lost a dear friend, Jacqueline Kennedy Onassis. If Mrs. Onassis taught us anything, it was to know the meaning of responsibility -- to one's family and to one's community.

As a mother, she was selflessly devoted to her two children -- and remained so throughout her life. As First Lady, she understood that she could touch the nation, and her reach extended from the arts to civil rights.

- 3 -

I am especially grateful to Mrs. Onassis for being such a caring friend to me and my family. As soon as we arrived in the White House, her good counsel helped us adjust to our new roles -- and she remained a constant source of warmth and support.

- 4 -

Throughout her life, Mrs. Onassis never wavered in the value she placed on being a mother and, more recently, a grandmother. She once explained the importance of spending time with family: "If you bungle raising your children, I don't think whatever else you do matters very much."

- 5 -

Although she was brilliant and beautiful, her life was not easy. Mrs. Onassis suffered through family tragedies that few others could endure. But she knew how to persevere, even in the face of great personal setbacks.

To me, Jaqueline Kennedy Onassis will always be more than a great First Lady. She was a great woman. And a great friend.

- 6 -

I, my family, and the nation will miss her dearly.

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN

5·19·94

May 19, 1994

Ickes

talk w/ Gearan

etc - Pres. stories

Cheerleader to commentary

TV, Radio, Ptr -

MEMORANDUM FOR PRESIDENT CLINTON
HILLARY RODHAM CLINTON
MACK McLARTY
HAROLD ICKES
GEORGE STEPHANOPOULOS
PAT GRIFFIN

FROM: IRA C. MAGAZINER

SUBJ: DEJA VU ALL OVER AGAIN

Attached is a sampling of articles which appeared on the Social Security Bill in 1935 before it passed Congress. They have a ring of familiarity.

Copy Ickes
Gearan

HITS PAYROLL TAX FOR AGE PENSIONS

Emery of Manufacturers' Group Calls It Unconstitutional and a Threat to Jobs.

LEGALITY TO BE STUDIED

Protests Pour In Against Move to Exempt Farmers and Servants From Age Pensions.

Special to THE NEW YORK TIMES.

WASHINGTON, Feb. 7.—Through the National Manufacturers Association, most outspoken of New Deal critics, organized industry opened a rigorous attack today on the administration's social security program.

James A. Emery, general counsel, went before the House Ways and Means Committee equipped with legal and practical objections to condemn the measure as unconstitutional and bound to defeat its purpose.

He represented the manufacturers as favoring the general objectives of the program but unalterably opposed to the payroll tax through which it is to be financed.

Meanwhile, Abraham Epstein of the American Association for Social Security defended the aims of the administration in testimony before the Senate Finance Committee, but assailed the Wagner-Lewis-Doughton bill, which embodies the plan, as too ambitious and complicated.

"It would take nine Philadelphia lawyers to figure out what some of the sections in this bill mean," Mr. Epstein told the committee. "The bill seeks a good end by a bad means."

Members of both committees began to hear protests from church and civic organizations against amendments proposed by Secretary Morgenthau which would eliminate farmers, domestics and casual laborers from eligibility to old-age pensions.

Rise in Tax Is Opposed.

Another of the Secretary's suggestions, that payroll and earnings taxes provided in the old age insurance provisions of the bill be doubled at the start, was criticized by W. R. Williamson, representing the Travelers Insurance Company.

He contended that the proposed increase in the tax from 1 to 2 per cent at the beginning and the shortening of the period within which the maximum tax would be reached from twenty to twelve years would not make the plan any sounder from a financial standpoint than present provisions

Repeal of Income Publicity Demanded To Thwart 'Mendicants' and 'Rackete

Special to THE NEW YORK TIMES.

WASHINGTON, Feb. 7.—A petition to Secretary Morgenthau, urging repeal of the provisions for publicity on income taxes, was delivered to the Treasury today by Raymond Pitcairn of Philadelphia, National Chairman of the Sentinels of the Republic. It also asked for delay in enforcement of the clause until Congress "shall have time to retract the insult inflicted upon the tax-burdened citizens of the nation."

Mr. Pitcairn stated that presentation of the petition was "the opening gun of an intensive campaign for repeal of the 'Paul Pry' amendment which was written into the Revenue Act in April, 1934, by Senator La Follette."

He also made public a letter, generally distributed, urging the recipients to refuse to fill out the pink slip for publicity information which accompanies the tax blanks this year, but instead to pay the $5 fine provided for failing to do so, as well as to write letters to editors and members of Congress.

Protesting against compulsion of citizens "to give written statements of their private incomes to be posted for public scrutiny," the petition said:

"These public records will an incomplete, unfair, a temp and consequently untrue, pict citizens' financial status.

"The required publication come data of all citizens m tax returns will help undesir mendicants, professional and importunate collectors and come salespeople — scrupulo otherwise—to prey upon citize

"What is worse, it will serv ends of competitors, busines mies, private enemies and mailers of citizens whose p means are thus publicly and odically exposed.

"Worst of all, enforcement law by your department wi pose citizens to be victimiz criminal racketeers, kidn and gangs of the underworld

"We would ask whether th ministration favors this mis dus law, passed hastily by mer Congress, without thou its fearful consequences; a trust that you, sir, are o to it.

"May you lead in securing p repeal of this un-American fathered by the inquisitorial tor from Wisconsin."

INVOKE OLD CURB ON RESERVE BOARD

Senate Foes of Open Market Plan Talk of Reviving Proposal to Bar Treasury Head.

GLASS DENIES HOSTILITY

Saying That He Has Not Yet Studied Bill, He Assails Critic on Impugning 'Prestige.'

Special to THE NEW YORK TIMES.

WASHINGTON, Feb. 7.—Aroused by the program for open market operations proposed in the administration's new banking bill, conservatives in Congress are now seriously considering revival of the recommendation to eliminate the Secretary of the Treasury from ex-officio membership on the Federal Reserve Board.

An amendment of this character, which once succeeded in the Senate, may be put forward if the administration insists on its open market plan. The conservatives are waiting, however, to see if the open market plan will be retained in the legislation, which has been described by President Roosevelt as "tentative."

Under the bill, the governor of the Federal Reserve Board, two board members and two governors of Fed-

fifth of the bill in the most c way, nor have I had time e read any printed summary contents.

"I do not know at this time will be my attitude on the bil it shall have been considere it is rather impertinent for other persons to be assum state my attitude for me as ude to unfriendly criticism.

"As to the alleged assertion one source that I have bee ceeding on 'undeserved prest may say that whatever prest any, I may have, it was not by using my position as a m of a Banking and Currency mittee of either house of Co to gamble in foreign exchang a prison-convict partner nor attempt to influence the ac Federal Reserve authorities own pecuniary benefit.

"As to the authorship of th eral Reserve Act, I cannot s that fact is particularly perti this time, but I am perfect tent to rest that matter w Congressional Record itse upon the statements of outst persons intimately associate the circumstances of the tin

Rejoinder by Mr. Owe

Former Senator Robert L. of Oklahoma, president of t tional Monetary Conferenc on Tuesday used the phras deserved prestige" in "dep Senator Glass's attitude banking bill, issued a staten night in which he said:

"Of course, I would not Carter Glass with the und prestige of 'gambling' with on-convict partner,' or, f matter, of compounding w two thieves upon the cross, with them in paradise.

3/21/35

The New York Times

Reg. U. S. Pat. Off.

"All the News That's Fit to Print."

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Godfrey N. Nelson, Secretary.

THURSDAY, MARCH 21, 1935.

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Edition.	1 Yr.	6 Mo.	3 Mo.	1 Mo.
Weekday and Sunday	$50.00	$25.00	$12.50	$4.35
Weekday	32.00	16.00	8.00	2.75
Sunday	18.00	9.00	4.50	1.50

ANNALIST (Finance), Fridays. A year, $7 (U. S.); other parts Western Hemisphere, $7.50; other countries, $9.

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RAG PAPER edition for preservation, cloth bound, 3 volumes per month, $170 per annum; semi-monthly bound volumes, regular newsprint, $73 per annum.

LOUIS WILEY.

THE NEW YORK TIMES has suffered a great and grievous loss in the death of LOUIS WILEY, its business manager

ENCIRCLEMENT.

For two or three years before the ...ld War the German Government ...ned bitterly that it was being ...e victim of *Einkreisung* (encirclement) by hostile European Powers. England and France and Russia were striving to bind her in an iron chain. If anything like that is being done now, who is doing it? It is apparently true that France and Italy, Great Britain and probably Moscow, are agreeing upon diplomatic lines to be drawn against Germany. But was not this policy forced upon them by the rough and inept action of Germany herself? She set up as a judge and divider over Europe. Without waiting to consult with other nations, as she had promised to do, she announced her own conclusions with regard to depriving the Versailles Treaty of all binding power. What other result could she have expected than that they would at once draw together? They had to do it to save their own self-respect and to keep alive the questions, domestic and international, which they had agreed to discuss on an equality with Germany. If, therefore, the German people look around and see on all sides a circle of opponents, they have only to thank their own rulers for conjuring up such a spectacle. This time it is clearly the Germans who are doing the encircling.

TOO-LARGE A PROGRAM.

With both branches of Congress lagging behind schedule, a Washington dispatch to THE TIMES reports that the prospect for enactment at this session of the President's ambitious program of "social security" legislation is "diminishing daily." The soldiers' bonus and the Work-Relief Bill are the immediate matters to be dealt with. When they have been disposed of, both houses will have to tackle the moot question whether, and how, to prolong the life of NRA. In addition, there are appropriation bills which have not yet received attention, to say nothing of various Presidential proposals for public utility legislation and the establishment of a system of direct subsidies for American shipping. To make the outlook for the "social security" program still more doubtful, our dispatches note a marked "apathy" among members of Congress toward this plan and call attention to a division of opinion even among those who support the bill.

In these circumstances there is reported to be increasing sentiment in Congress in favor of splitting the old-age pension plan from the rest of the Administration's omnibus measure, acting on that section alone at the present

always the danger that the members of the Council, or the politicians behind them, will interfere with the manager's handling of administrative routine. Almost as much depends on the character of the Council as on the character of the manager. Cincinnati has been fortunate in both respects, as well as in the effective support given the experiment by influential groups in the community. Staunton, Va., in 1908, was the first city to adopt the Council manager form of government. At the last reckoning 432 American cities had city managers, not to mention Mount Royal, Quebec; Limerick, Ireland, and several other foreign cities.

INSTALMENT JUDGMENTS.

Swollen calendars and long delays in the branches of the Municipal Court of the City of New York, in Manhattan, Bronx and Brooklyn, have been the cause of much complaint. To remedy the excess of jury trials the Judicial Council approved a concurrent resolution to amend the Constitution by giving the Legislature power to restrict or abolish trial by jury in civil cases involving $250 or less in any courts of the State other than the Supreme Court, County Courts and City Court of the City of New York. This would apply mainly to the Municipal Court of the City of New York, since demands for a jury trial are seldom made in the inferior courts of other cities.

At present the application of this remedy seems distant. Meanwhile the Legislature, if it has the will, can deal effectually by statute with another great cause of the overcrowded calendars of the Municipal Court. A large proportion of the cases before it are collection cases. The plaintiff begins suit for the whole amount of his claim. The defendant has to file an answer, or judgment for the whole claim will be entered against him. In many cases he can't pay immediately the whole amount. He is forced to answer though he has no defense. The measure now before the Assembly, the Pack bill, proposes a procedure that has been used in England for sixty or seventy years.

The New York Law Society describes and recommends the process:

> The plaintiff would be permitted to serve his summons seeking the collection of his debt by instalments. If the defendant accepts this proposal he will file an acceptance in lieu of an answer. The case will then end. There will be cases in which the plaintiff will not elect to take out a summons asking for an instalment judgment. The right is also given to the defendant to make

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10/20/35

SECURITY ACT SEEN AS RAISING PRICES

T. E. Sherer Tells Credit Men Every Worker in Nation Will Have to Be Indexed.

CONSUMER TO PAY COST

Largest Bureau Ever Set Up in Washington to Handle the Paper Work Is Predicted.

Every employed person of the United States designated by a number, their careers of employment traced and recorded by the largest bureau ever set up in Washington and the threat of an avalanche of paper work of unprecedented size were aspects of the Federal Social Security Act discussed and considered yesterday by credit men in convention at the Hotel Commodore.

The occasion was the final day of a two-day, tri-State conference of the National Association of Credit Men. The delegates attending were from New York, New Jersey and Eastern Pennsylvania.

The meaning and the operating significance of the Social Security Act were presented to the credit men by Thomas E. Sherer of the Prentice-Hall Labor and Unemployment Insurance Service of New York.

Common Sense Urged as Guide.

Mr. Sherer urged common sense as a practical guide for business in venturing upon this new social experiment, warning that even if the existing act were ruled unconstitutional by the Supreme Court the social advantages of the act have become so generally fixed in the public consciousness that they would reappear in some other legislative form.

"I do not know," said Mr. Sherer, "of any national legislation which will so profoundly affect the entire business structure of the country as a whole. The task is enormous, but it can be handled, although it will entail the creation of work records for millions of people."

~~Mr. Sherer, while expressing doubt that an original proposal to fingerprint every employed and employable person in the United States would be carried out, said that to maintain the records of eligibility of long-term workers for old-age and unemployment benefits under the terms of the act it would be necessary to develop some system of employment cards and payment stamps to be attached thereto covering the working populace of the entire country.~~

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Higher Prices Predicted.

Mr. Sherer emphasized that business must begin at once to find ways and means of meeting its assessments under the Social Security Act, and said that it appeared inevitable that this must result in higher prices to consumers.

Preceding the consideration of the business problems involved in the administration of the Social Security Act, the credit men participated in a four-way "shop talk" discussion of credit problems today.

The discussion was carried out under the leadership of the National Institute of Credit. The speakers were: Harry J. Delaney of Meinhard, Greff & Co.; Samuel Bertcher of Edmund Wright-Ginsberg Company, Philip A. Mitchell of the Cullen Fuel Company, and by Charles Weisberg of Henry Rosenzweig & Co.

The two-day conference was concluded with two addresses on legislative problems by A. Rothschild of Weiss & Klau Company and William Randolph Montgomery, counsel of the association.

7 FIREMEN INJURED IN A GAS EXPLOSION

Manhole Cover Blows Off as They Fight Long Island City Warehouse Blaze.

Gases backing up through an underground conduit in front of the Long Island Waste Paper Company's warehouse at 44-21 Tenth Street, Long Island City, at 7:30 o'clock last night were believed responsible for an explosion that injured one fireman seriously and six others slightly.

The crews of Engine 261 and Hook and Ladder 115 had gone to the scene in response to a single alarm. As they were pouring water into the building, filled with waste paper, a manhole cover in the street blew off. Flames shot several feet into the air. The five slightly injured received first-degree burns of the hands and face.

Fireman John Middlecamp, 29 years old, of 37-33 Eightieth Street, Jackson Heights, attached to Engine 261, suffered, in addition to burns, a possible skull fracture. He was taken to St. John's Hos-

6/16/35

THE NEW YORK

BUSINESS TO PRESS ITS RECOVERY PLANS

U. S. Chamber of Commerce Opposes More Government Intrusion Into Business.

FOR SOCIAL SECURITY HALT

Insists on State Regulation of Utilities, Sound Monetary and Budget Policies.

Special to THE NEW YORK TIMES.

WASHINGTON, June 15.—A broad program for recovery and re-employment was adopted today by the board of directors of the Chamber of Commerce of the United States to guide members of the organization during the year.

The program covers a wide range of topics, ranging from NRA to "combating subversive activities," and embodies largely a restatement of the resolution adopted at the May meeting here. At the same time the chamber made public a list of thirty-six industries which have taken action or enunciated a policy concerning cooperation with the new NRA regarding provisions of the former codes.

The program follows:

National Industrial Recovery Act.

"Upon this subject the chamber has commitments, but the recent Supreme Court decision and new legislative enactments and other proposals pending make necessary a re-examination of the entire question of means for establishing and maintaining fair business practices, as well as requiring further exploration of the field of labor relations.

"Therefore, the board has authorized the appointment of a special committee of representative business men to make a thorough study of the subject and to report to the board.

Durable Goods Industries.

"The chamber will use every effort to make effective the resolution of the annual meeting in May which declared that the investment of the large sums necessary to restore operations in the capital goods industries is delayed because of existing laws and also by threatened legislation which would permit the further intrusion of government into business.

"The chamber holds that the return of capital to normal investment in these enterprises would bring improvement in quarters where depression and unemployment have been most acute.

Social Security Legislation.

"The chamber will continue to advocate that enactment of the major features of the pending social security legislation be postponed until there can be further examination by a Congressional committee. If a study of this character is made, the chamber will present to such a committee its views as to the constitutionality of the legislation as proposed and will emphasize the fact that the proposals now pending would double the entire present volume of Federal taxes.

Work Relief Program.

"Committed to the policy that public action should not be substituted for private enterprise, the chamber will urge that the government, in its use of the $4,000,000,000 relief appropriation, should avoid disturbance of existing employment in private occupation.

Agricultural Policies.

"Support will be given by the chamber to policies looking toward diversion of submarginal agricultural lands to uses more beneficial to the public interest. It will give further examination to the present policy of adjustment of agricultural production, with the purpose of making recommendations in the national interest.

Power Utilities.

"The chamber has vigorously opposed the destruction of the value of investments in the power utilities. It will continue to advocate proper development of State regulation of these utilities and will insist upon a clear definition of the field to which Federal regulation should be limited.

Transportation Legislation.

"Federal legislation for equitable and appropriate regulation of the different forms of transportation has had chamber support. The organization will continue to press for such legislation.

Railroad Consolidations.

"The membership of the chamber, as users of railroad transportation, have a legitimate interest in proposals for railroad consolidation. The chamber therefore, during the year, will examine government policies respecting consolidation, including the question of how far competition should be maintained, having in mind the placing of recommendations before its membership.

Flood Control.

"The chamber will consider the allocation of Federal and State responsibilities for flood control on interstate streams, giving attention to the question of the extent, if any, to which the Federal Government is justified in exceeding expenditures necessary for flood control and improvement of navigation to provide for development of hydroelectric power.

Federal Reserve and Banking.

"Maintenance of fundamental principles of the Federal Reserve System is a desire of the chamber. It, therefore, will give attention to any legislation that may be enacted in this field during the present session of Congress and will have recommendations to make.

Federal Finance.

"Federal expenditures have reached unprecedented proportions. Since funds expended can only be raised through eventual taxation, it is an obligation on the part of business to give consideration to such questions as the handling of the national debt and that of balancing the national budget. To these questions the chamber will address itself.

"If new revenue legislation is passed in this session of Congress, such changes as may be made will be scrutinized. The chamber also will continue its efforts to bring about an improvement in the budgetary procedure of the Federal Government.

Monetary Policies.

"The chamber has stood firmly for sound monetary policies. It proposes during the year to turn its attention to the situation existing in international exchange, and to take a look also at the possibilities of improving our own currency system.

State and Local Finances.

"Improvement in methods of taxation and expenditure in the States and in localities is needed, as pointed out on many occasions by the chamber. During the year it is hoped that it may be possible to go deeper into this problem and that further recommendations may be made.

Capital Financing.

"The subject of capital financing is one of great importance to business. During the year this field will be thoroughly explored by the chamber, with especial reference to the possible mechanisms for supply of intermediate and long-term capital for business enterprise, especially for those of small and moderate size. This study will include the operations of the Federal Securities and Exchange Commission, together with the prospects of elimination of the Federal Government from the field of capital financing of private enterprise.

Distributive Trades.

"Problems of fair competition among merchants will be canvassed under the chamber's program. Examination will be made of such subjects as elimination of misleading advertising, use of loss leaders and relations of users to suppliers of merchandise.

Commercial Treaty Policy.

"Examination of the government's program of reciprocal trade agreements and their effect upon both foreign trade and domestic industry will be made.

Subversive Activities.

"The chamber will continue its efforts in combating subversive activities, urging new Federal legislation to that end.

Business Organization.

"Recognizing new opportunities and responsibilities for business men's organizations under present conditions, the chamber will give attention to these questions for the benefit of its meml
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SECURITY MEASURE AGAIN UNDER FIRE

Hastings and Treadway Call It 'Loosely Drawn Hodge-podge' at House Hearing.

TOWNSEND INQUIRY ASKED

Senators Told They Should Investigate Financing and Promotion of Pension Plan.

WASHINGTON, Feb. 6 (AP).—Two Republicans attacked today the administration's Social Security Bill on the ground that it was a "loosely drawn hodge-podge" and would stir up a taxpayers' rebellion. But both added that they were in sympathy with the objectives of the program.

Despite the criticisms, Democratic leaders maintained that, with what they called "minor" amendments, the bill would become a law.

One of the Republican critics was Senator Hastings of Delaware. Before the House Ways and Means Committee he commented that the taxes imposed would "not take effect until after the next general election," and asserted those taxed would not get back what they put in.

"When you get 40,000,000 people to paying a tax to the Federal Government, I care not how little it may be, I think you'll find a resentment that will be felt by every person in public life," he declared.

The other critic was Representative Treadway of Massachusetts. He predicted that, when the committee later this week takes up the bill with its own legislative clerk, numerous changes will have to be made.

Before the Senate Finance Committee, Abraham Epstein, secretary of the American Association for Social Security, suggested that the committee investigate both the financing and "propaganda" behind the Townsend pension plan. The House committee already has sought such information from Dr. F. E. Townsend, who promised to submit later a statement about his aides and the funds raised by his organization.

Mr. Epstein called the Townsend drive "the finest promotion job in American history."

"Where is the rake-off in the Townsend plan?" Senator Clark asked.

"It's for your committee to find out," Mr. Epstein replied. "Congress has a duty to investigate the source of the propaganda behind the Townsend plan."

Senator Gore said he understood Townsend organizers made as much as $10 and $15 a day.

The Postoffice Department has looked into the promotion of the Townsend plan, but no results have been revealed.

New York Times
Tuesday 4/9/35

CONFERENCE BACKS SOCIAL SECURITY

Passage of the Present Bill in Congress Urged by Speakers at St. George's Church.

NATIONAL POLICY SOUGHT

Shortcomings of Measure Are Conceded, but Defended as Laying a Foundation.

Miss Frances Perkins, Secretary of Labor, was publicly accused of spreading propaganda to "sovietize" the United States at the end of an address she made last night in St. George's Protestant Episcopal Church, Sixteenth Street and Stuyvesant Square.

Invited by Suffragan Bishop Charles K. Gilbert to occupy the pulpit to explain the Federal administration's social-security program, Secretary Perkins outlined the provisions in the bill for old age pensions, unemployment insurance and unprotected children.

She was addressing the regional conference on the church and social security under the auspices of the Department of Christian Social Service of the National Council of the Episcopal Church with the cooperation of the Department of the Church and Social Service of the Federal Council of Churches of Christ in America.

Several hundred persons occupied pews in the church, of which J. P. Morgan is a member. At the end of Miss Perkins's address she descended from the pulpit and consented to answer questions.

Questioned From Audience.

A young woman in the audience asked the Secretary of Labor:

"Have you read Karl Marx's Manifesto?"

Before Miss Perkins could answer the young woman asked all present who had read the manifesto to raise their hands.

Bishop Gilbert overruled her on that point, and then the young woman said:

"Karl Marx's Manifesto, Page 30, proposes the same program of unemployment insurance and old age pensions that you have just outlined. How can you support such a program when you know that it is the same as Marx's?"

"I am supporting it," Miss Perkins replied, "because I'd rather see it a reality than on page 30."

Another woman asked Miss Perkins how she "could paint such a rosy picture when the crop-reduction program had brought about the destruction of crops and livestock while people were starving."

"No One Starved," Says She.

Miss Perkins replied that no one had starved in the United States.

At this juncture Bishop Gilbert intervened and warned that he would stop the questioning "unless the ladies were courteous to their visitor."

One of the questioners insisted that she was within her right in asking the Secretary of Labor about "things she ought to know."

The first young woman rose and asked:

"Doesn't Madame Perkins know that we are not going to be sovietized if it takes my life to prevent it?"

Another woman wanted to know whether the social security program would benefit aliens who lingered here "when they ought to be deported."

At the end of the discussion Bishop Gilbert asked those present if they did not think it appropriate to vote their gratitude to Miss Perkins for her address.

Vote Is Opposed.

"No, we don't," replied one of the opposition.

The group who took issue with the Secretary of Labor refused to give their names, and others present could not identify them.

In her address Miss Perkins explained that a public works program was separate from, but complementary to, the proposed economic security legislation. She defended the Ways and Means Committee against criticism of undue delay in revising the draft of the bill, and said they were making it broader rather than narrower.

She said that some form of disability insurance would be recommended in the measure, if not this year, possibly next year.

The enactment of a definite Federal program of social security, not only to relieve unemployment but as a permanent feature of American life, was urged by speakers earlier.

The Social Security bill now before the House of Representatives was the chief topic of discussion, and though it was criticized as inadequate, all the speakers urged its passage as the foundation on which later may be erected a comprehensive and permanent program.

Edwin E. Witte, executive director of President Roosevelt's committee on Economic Security and Professor of Economics at the University of Wisconsin, asserted that if the bill fails of passage, the social security movement will receive a serious setback.

Delay Is Criticized.

Criticizing the President for having delayed his social adjustment program and the measure as imperfect, Dr. John B. Andrews, Secretary of the American Association for Labor Legislation, nevertheless advocated its adoption.

"The Social Security Act now before the House of Representatives for action is the only Federal social security measure which has the slightest chance of passage," Professor Witte said.

"A bill of this kind doubtless could have been passed much more easily a year ago. Being now out of the red, there is a strong demand on the part of many business men to be left alone. At the same time, there has developed an unthinkable radicalism on this subject.

"The President's program," said Dr. Andrews, "under which he sidetracked the promising Wagner-Lewis unemployment compensation bill of one year ago with the promise of a well-rounded social insurance program for action by Congress this Winter, has had the unfortunate effect of delaying action by State Legislatures."

Taking as his topic "The Church's Concern with Social Security," the Rev. C. Rankin Barnes, executive secretary of the department of Christian social service of the national council of the Episcopal Church, asserted that this concern reaches down into the depths of Christian doctrine. Other speakers were Spencer Miller Jr., also of the council; Bradford B. Locke, executive vice president of the church pension fund, and the Rev. Dr. R. Ernest Johnson, secretary of research and education, Federal council of churches.

GRIFFIN, LAWYER, FREED.

Wins Directed Acquittal on Charge of Deserting Son.

William H. Griffin, 51 years old, said to be a special counsel in the Federal Department of Justice in NRA code violations, was acquitted by order of Judge Collins in General Sessions yesterday at the close of the State's case on an indictment charging he deserted his son, then 12 years old, in 1932. He was rearrested as he left court on a warrant accusing him of non-support, obtained by his former wife, Mrs. Grace W. Griffin of 131 East Ninety-third Street, but was paroled by Justice Panken in the Family Court for a hearing on April 29.

Mrs. Griffin, who obtained a divorce in 1924, was the complainant against the lawyer on the desertion charge. He was married to Zella Barnett in Natchez, Miss., the year following the divorce.

THE WHITE HOUSE

WASHINGTON

5/19/94

94 MAY 19 P2:07

John:

Please review and return at your earliest convenience.

Thanks

Dan Burkhardt

x65507

Rm 457

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: May 17, 1994

Date of Request:	3/17/1994
Request for:	POTUS/FLOTUS/CHELSEA
Type of Request:	Honorary Co-chair Family
Requestor Name:	Mr. Ronald S. Mezo
Title:	10k Run Director
Organization:	Capital Area Community Food Bank 645 Taylor Street, N.E. Washington, D.C. 20017-2063
Contact Tel. #:	202/526-5344
Event Date:	6/11/1994
Event Description:	Third Annual Capital Area Community Food Bank 10K Run - BEAT HUNGER '94.
Notes:	Writer claims that the food bank distributes 800,000 meals each month in the D.C. metropolitan area. The group wants the First Family to co-chair the run with a family that was once hungry.

Recommendations:

MW ______ PL ______ JP ND

5.19.94

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: May 17, 1994

Date of Request:	4/27/1994
Request for:	POTUS
Type of Request:	Honorary Dinner Committee
Requestor Name:	Mr. Larry King
Title:	
Organization:	820 1st Street, N.E. Washington, D.C. 20002
Contact Tel. #:	
Event Date:	9/10/1994
Event Description:	Dinner at which broadcaster Larry King will be presented with the 1994 International Humanitarian Award by the World Union for Progressive Judaism.
Notes:	Mr. King claims that the World Union operates in 40 countries on five continents and has taken a leadership position in establishing and nurturing new congregations and educational programs in reemerging Jewish communities.

Recommendations:

PL ______ JP yes

5.19.94

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: May 17, 1994

Date of Request:	4/18/1994
Request for:	POTUS/FLOTUS
Type of Request:	Honorary Members
Requestor Name:	Mr. Dean J. Woodrich
Title:	Membership Director
Organization:	Western New York Olds Club 543 Seabrook Drive Williamsville, New York 14221
Contact Tel. #:	716/631-9455
Event Date:	
Event Description:	
Notes:	Club covers the Buffalo and Rochester metropolitan areas.

Recommendations:

MW _______ PL _______ JP NO _______

5.19.94

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

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Recommendations:

MW ______ PL ______ JP no

5.19.94

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: May 17, 1994

Date of Request:	4/29/1994
Request for:	POTUS/FLOTUS
Type of Request:	Honorary Co-chairs
Requestor Name:	Mr. Josh Taylor
Title:	Director of Community Relations
Organization:	The Partnership for the Homeless, Inc. 305 Seventh Avenue 13th Floor New York, New York 10001-6008
Contact Tel. #:	212/645-3444
Event Date:	9/25/1994
Event Description:	Special gala performance of Broadway show <u>Showboat</u>.
Notes:	<u>Governor Cuomo and Mayor Giuliani already are honorary co-chairs. The group also is requesting that Senators Moynihan and D'Amato serve as honorary co-chairs.</u> The group claims to be the largest network of private shelters in the nation.

Recommendations:

MW ______ PL ______ JP NO

5.19.94

THE PRESIDENT HAS SEEN
5.19.94

THE WHITE HOUSE

WASHINGTON

May 17, 1994

MEMORANDUM FOR THE PRESIDENT OF THE UNITED STATES

FROM: J. VERONICA BIGGINS JVB
RE: GEORGE HALEY

In response to your note on the US Postal System Board of Governors memo: "What did we do with George Haley?" in September of 1993 you approved him to be a member of the Postal Rate Commission for a term expiring on October 14, 1998. He currently retains that position.

Chron

THE PRESIDENT HAS SEEN
5.19.94

The Washington Post Writers Group

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^bc-yoder-column adv18<

^EDWIN YODER COLUMN<

^(Advance for Wednesday, May 18, 1994, and thereafter)<

^(For Yoder Clients Only)<

^By EDWIN M. YODER, JR.=

WASHINGTON--After 37 days--by his own count--President Clinton has made a more conventional appointment to the Supreme Court than he had hoped to make. He clearly wanted a figure from political life like Senate Majority Leader George Mitchell or Interior Secretary Bruce Babbitt. What he ended up with is a highly regarded jurist, the chief judge of the First Circuit, with weighty friends and admirers of both parties on the Senate Judiciary Committee.

The latter friends may have been the strongest argument in Stephen Breyer's favor. The president said that he has ''a clear grasp of the law, a boundless respect for the constitutional rights of the American people, a restless and searching intellect''--important virtues, to be sure; but the same might be said of scores of notable American jurists.

The president went on to speak with telltale wistfulness of the men he had not chosen, Mitchell and Babbitt and his old friend Judge Richard Arnold of Little Rock, who is battling cancer.

Most of the president's recent predecessors have agonized less in broad daylight over the task of Supreme Court nomination than he, and have been distinctly less candid about their preferences. George Bush pretended that Clarence Thomas, a worthy candidate but hardly a jurist of paramount stature, was the ''best'' replacement he could find for Thurgood Marshall, an acknowledged giant of the law. Most observers thought the claim was absurd. Ronald Reagan presented one candidate with a statement written before the candidate was chosen.

The condescension Clinton is getting on this score is misplaced. It happens, as he noted with satisfaction, that constitutional law is a special interest of his. He has taught it and he probably knows more about

(more)

the history of the Supreme Court than any president since William Howard Taft, earlier in the century. He certainly knows enough to realize that the elaborate political calculations poured into recent appointments could prove historically irrelevant, even foolish. Supreme Court appointees are notorious for defying form sheets.

A good example is Harry Blackmun, the justice Breyer will replace if confirmed. President Nixon appointed Blackmun--also a third choice, by the way--after the attempt to name a ''Southern strict constructionist'' collapsed in the Harrold Carswell fiasco. Blackmun was heralded as a safe, sound and orthodox judge, cut from the driest fabric. He leaves the court as its most ''liberal justice,'' praised (or damned) for a tendency to follow his heart. Judge Breyer will come before the Senate with similarly starchy credentials--as a scholar and technician, with extensive experience in unusual areas of the law, like deregulation and the legislative veto. But who can say what he will be doing or thinking five, ten or 15 years hence?

As for President Clinton's wistful hope, temporarily thwarted, to reach into political life for a new justice, he should not abandon it. The curious fact, appalling to legal mandarins, is that the framers of the Constitution did not require legal training of Supreme Court justices. An earlier president might have set an interesting precedent by appointing an historian or physician or planter to the court. If that had happened the court would be a different, possibly a more interesting, institution.

The most spectacular ''political'' appointment of the recent past was wholly uncalculated, at least in its effects. President Eisenhower, who appointed Earl Warren chief justice, thinking him safe, found a judicial revolutionary on his hands. He called the appointment ''my biggest damned fool mistake.'' If so, it was a mistake of historic proportions; for Warren's special qualities of character made him a leader and a great jurist.

The present Supreme Court, almost the negation of the Warren Court, seems to be subsiding gradually into a gentle quietude, the lowered profile

(more)

that critics of liberal activism had hoped for. Judge Breyer doesn't look like the sort of judge who will make it noisier. But who can say?

Somewhere around the corner may lurk the unanticipated constitutional issues that would suddenly make a leader of one of the unassertive lawyers now on the court. For as the president also knows, issues shape courts, not courts issues. But great judicial moments are relative rarities. For long stretches of the American past, the history book entries under ''Supreme Court, U.S,'' are less than explosive.

THE WHITE HOUSE

WASHINGTON

May 19, 1994

The Honorable Jacqueline Roberts
105 34th Avenue
Pine Bluff, Arkansas 71613

Dear Jackie:

Thanks for the card you sent and for your kind words of encouragement. Your support, as always, means so much to Hillary and me. I especially appreciate what you said about the passage of the ban on assault weapons. It really was a great victory for our nation.

I've shared your note with Veronica Biggins, Director of Presidential Personnel, to let her know you remain interested in working with the Administration.

Sincerely,

Bill

cc V Biggins

"see me re this"

An image from the Delta Cultural Center's exhibit,
The Arkansas Delta: A Landscape of Change.

Black Arkansas legislators featured in an 1891 issue of a popular African-American newspaper.
Courtesy National Archives.

DELTA
CULTURAL CENTER

95 Missouri Street
Helena, Arkansas 72342
(501) 338-8919
An Agency of the Department of Arkansas Heritage

P.S. I am still waiting to hear from your personnel director. I hope to hear from her very soon.

Bill

Dear Mr. President,

Just a note of congratulations on your gun legislation victory. I take this opportunity to apologize for the ignorance of some fellow Americans. I encourage you to keep the faith during these trying times. This recent attack on your character will not be succesful. "No weapon formed against you shall prosper."

Thank you for a job well done as our President. May God continue to bless and protect you and your family is my Prayer.

Jackie

THE WHITE HOUSE
WASHINGTON

DATE: 5/19/94

[redacted]

TO: VERONICA BIGGINS

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

Will you please prepare a draft?

cc: Lee Ann Inadomi

[redacted]

[redacted]

DIANNE FEINSTEIN
CALIFORNIA

COMMITTEE ON APPROPRIATIONS
COMMITTEE ON THE JUDICIARY
COMMITTEE ON RULES AND ADMINISTRATION

United States Senate

WASHINGTON, DC 20510-0504

May 16, 1994

The Honorable William J. Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Mr. President:

It is my understanding that, in the near future, you will be nominating a new Ambassador to Indonesia.

I strongly recommend Don Gevirtz for that position.

I have known Mr. Gevirtz for the last 20 years socially as a friend, as one of my economic advisors, as a very successful business man and a community leader.

Most importantly, he has a deep familiarity and hands-on knowledge of Asia. In India, in January and February of 1993, he lectured at six of the country's major business schools and for prestigious business and government audiences on entrepreneurship, economics and on "An Optimistic View of the Clinton Era." Sponsored by The People's Bank of China, Mr. Gevirtz is scheduled to lecture for 17 days in June of 1994 in China on similar subjects. He will also be speaking on related subjects in Jakarta, Indonesia, to government, academic and business groups in early July of 1994, as well as meeting with senior government officials.

Mr. Gevirtz has substantial government experience. He served in the Carter Administration on "The Commission to Set an Agenda for the '80's"; has frequently testified before Congress on entrepreneurial economic issues; chaired the six county Southern California private-public regional government organization for two years; and participated as a member of the California Commission on Industrial Innovation during Governor Jerry Brown's Administration. When Vice President Gore was in Los Angeles recently, Mr. Gevirtz chaired a meeting of business leaders where he emphasized your Administration's massive response after the earthquake. He was also an active participant in the Southern California Economic Summit you chaired earlier this year.

An excellent, substantive public speaker, Mr. Gevirtz has lectured throughout the world. He has written widely on public policy and his book <u>Business Plan for America: An Entrepreneur's Manifesto</u> was chosen by <u>Business Week</u> as one of the ten best business books of 1984. MacMillan, India is preparing to publish a book he has co-authored comparing entrepreneurship in India and the United States.

Having co-founded The Foothill Group, Inc. in 1970, he has built this highly profitable financial institution, listed on the New York Stock Exchange, to over $1 billion in assets. Foothill provides credit to businesses all over the United States and manages money for major institutional pension fund clients like General Motors, DuPont, Nynex, City and County of San Francisco, State of Michigan and IBM.

Mr. Gevirtz would bring a combination of solid business, political, government and academic experience to Indonesia, a country that could be a much larger customer for U.S. goods and services. He has discussed with me the emphasis he believes should be placed on trade with Indonesia and he has an understanding and sensitivity to the human rights issues and copyright and patent protection controversies.

Mr. Gevirtz has indicated a strong interest in this Ambassadorship in preliminary discussions with Phil Lader, Veronica Biggins and John Emerson.

I look forward to having a personal discussion with you on this appointment and appreciate your serious consideration.

Thank you so much for your attention to this matter.

Sincerely yours,

Dianne Feinstein

Dianne Feinstein
United States Senator

DF:lmb

DIANNE FEINSTEIN
CALIFORNIA

United States Senate

WASHINGTON, DC 20510-0504

FAX COVERSHEET

Senator Dianne Feinstein
331 Senate Hart Building
Washington D.C. 20510
(202) 224-3841

DATE: 5-16-94 TIME: 5:00 pm

TO: President Clinton Attn: Nancy Hernreich

FAX: 456-6703 PHONE:

FROM: Liza Bearman w/ Sen. Feinstein

COMMENTS:
FOR THE PRESIDENT'S IMMEDIATE ATTENTION.
ORIGINAL WILL FOLLOW VIA MAIL.
THANK YOU.

TOTAL NUMBER OF PAGES (INCLUDING COVERSHEET): 3

THE WHITE HOUSE
WASHINGTON

DATE: 05/17/94

TO: LEE ANN INADOMI

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

Will you please prepare a reply?
Thanks.

cc: Phil Lader
Pat Griffin
Veronica Biggins
John Emerson

5/18
Lee Ann
normally
does not do
ltrs of recomm.
she sends to
Pres't'l Personnel.
OK to do on this one?

NO Lets send to Veronica with Lee Ann as cc.

THE WHITE HOUSE
WASHINGTON

94 MAY 19 P2:32

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: Bob Bennett

Fax Number: 371-7813 **Phone Number:**

FROM: John Podesta

SUBJECT:

DATE: 5/19/94

NUMBER OF PAGES (including cover sheet): 4 pages

MESSAGE:

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

L Cutler/ Gergen/ Gearan/ GS
Mark/ cc BBennett

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YODE09 i
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THE PRESIDENT HAS SEEN 5/18

^bc-yoder-column adv11<
^EDWIN YODER COLUMN<
^(Advance for Wednesday, May 11, 1994, and thereafter)<
^(For Yoder Clients Only)<
^By EDWIN M. YODER, JR.=

WASHINGTON--Many unpleasant currents converge in the ''sexual harassment'' charges filed against President Clinton last week in Little Rock by a former Arkansas state employee, Paula Corbin Jones. She claims that in May 1991 then-governor Clinton called her to a hotel suite and made unwanted sexual advances.

Jones first told her story in February at a Cliff Jackson special--yet another press conference called by the self-styled former ''friend'' who for years has merchandised one tale after another in his tireless crusade to besmirch Bill Clinton. Since there were no witnesses to the alleged incident, Jones' word is all we have to go on. Robert Bennett, the president's lawyer, has categorically denied the charges in his behalf.

No doubt Clinton's partisan enemies rejoice at yet another trashy shot at him. But their turn will come, for it requires no great depth of imagination to see where the politics of character assassination is leading. If Paula Jones succeeds only in making a nuisance of herself, her case will offer a tempting precedent for any foe of any officeholder anywhere. A sitting president is merely the biggest imaginable target.

Unfortunately, the American press tends to be cowed by the talismanic words ''sexual harassment,'' which rank next to ''child abuse'' as a self-validating accusation. The response therefore is boilerplate legal pieties. If Richard Nixon had to answer a subpoena for his tapes, or Clarence Thomas face Anita Hill's charges, shouldn't a president be obliged to do likewise? The easy answer is yes. ''There seems no satisfactory or honorable alternative to its being resolved in the judicial system'' says The Washington Post.

(more)

But the easy answer is too easy. There are abundant distinctions to be made; and some constitutional evidence that those who wrote the United States Constitution intended these sideshows to be deferred during a president's term of office.

Richard Nixon was not charged with a pre-presidential personal indiscretion. He was charged with abusing the powers of the presidency as an ''unindicted co-conspirator'' plotting to corrupt the course of justice--a suspicion eventually confirmed by the White House tapes. Clarence Thomas was accused of abuses related to his performance as head of the Equal Employment Opportunity Commission, which makes rules about behavior in the workplace. Not that Anita Hill's tittle-tattle warranted Thomas' public humiliation by a Senate panicked by a tidal release of pent-up feminine fury.

Like 98 percent of the vulgar personal detraction of Bill Clinton, Jones' charges date from the Arkansas years. The usual excuse for the attention these charges get today is the ''character issue,'' a term invented by reporters and pundits to justify prurient probing of the private lives of public persons. And the venting of that prurience is injecting a terrible savagery into American political life--the ''politics of moral annihilation,'' as E.J. Dionne has called it.

A clear line connects the Robert Bork hearings (his detractors, please recall, tried to dig up dirt on him by prying into his video rentals) to John Tower's kangaroo-court trial by the Senate Armed Services Committee on vague insinuations of ''womanizing'' and excessive drinking, and in turn to the Clarence Thomas ordeal, and now to the relentless denigration of the Clintons.

Jones' suit may be dismissed on grounds of presidential immunity, and should be. If it isn't, Congress has clear authority under its Article III powers to deprive character assassins and fortune hunters of their capacity to drag a president into the gutter of private civil litigation. An ex-president enjoys no immunity to prosecution for crimes committed in office; nor should he. But that constitutional provision implies that while a president is serving at the pleasure of the voters he should be reached only by impeachment--not by private suits like Jones'. Sexual harassment suits (and what others to follow?) could turn the presidency into a circus and bring the executive branch to a standstill.

That is the practical side of the issue. The other side of it, in some ways more important, is the continuing slide of public life into the gutter, through the licensing of prurience, the waning of reticence, and the tendency to forget that government is a community enterprise, not a life-and-death struggle. When partisan zealots have had their way and we are all in the muck together, who will have won or lost?

THE PRESIDENT HAS SEEN 5/19

THE WHITE HOUSE

WASHINGTON

May 18, 1994

94 MAY 18 P7:24

RECOMMENDED TELEPHONE CALL

TO: Senator Breaux, Senator Bradley, Senator Boren, Senator Conrad

DATE: May 18, 1994

RECOMMENDED BY: Patrick Griffin

PURPOSE: To call select Democratic Members of the Finance Committee to encourage them to work with Democrats (and the Republicans who are still committed to universal coverage) to get a bill out of Committee.

BACKGROUND: Earlier today, in Senator Mitchell's meeting with you, he indicated that he planned to lay down a Mitchell (and hopefully Mitchell/Moynihan) mark for the Democratic Finance Committee meeting tomorrow morning. Senator Mitchell indicated that he thought it would be a good idea for you to call Senators' Bradley, Boren, Bradley, and Conrad to get them in a more receptive frame of mind.

Senator Mitchell does not want you to indicate any knowledge of his intention to lay out a proposal tomorrow. Rather, he would like you to stress your desire to work for a bipartisan bill as long as the Republicans are committed to universal coverage. However, in recent days/weeks, the Republicans (even Senator Chafee and his allies) are sending signals that they may oppose any mandate, even one on individuals only.

Since CBO has concluded that an individual and/or employer mandate is the only way to achieve universal coverage (other than a broad-based tax), such an outcome would mean that Republicans are effectively opposing universal coverage. If that occurs, Senator Mitchell believes it is important that you stress Democratic resolve/unity on getting to universal coverage, (while leaving open the options on how best to achieve the goal.)

TOPICS OF DISCUSSION

Mitchell
Bradley
Conrad
Breaux
Boren
Pryor

Chafee

1. Pleased that the Finance Committee is meeting and working out options, and hopeful that they can work out a package that attracts some moderate Republicans while still assuring universal coverage.

2. Concerned that Republicans, even Chafee and Packwood, sending signals that they may be going away from the universal coverage commitment and may be unwilling to compromise in the context of a Finance Committee mark-up

3. Importance of the Democrats on the Committee to develop a consensus position of their own, from which negotiations are likely to occur with Republicans.

CONTACT PERSON AND TELEPHONE NUMBERS:

Senator Breaux/Susie Owens 224-9756
Senator Bradley/Meg Hawthorne 224-8562
Senator Boren/David Cox 224-0257
Senator Conrad/Mary Wakefield 224-7538

DATE OF SUBMISSION: May 18, 1994

ACTION:

(1) Conrad
→ ND - fav. GOP - ee over ee
91% coverage
in trust god
→ fav. abandon. univ coverage
you want -
→ don't want to be told

(2) Boren → Moy in want to be goal
→ want chance to put together a bill
→ chair's mark

(3) Breaux → Will talk
w/ Dur, Chafee

(4) Bradley - discussions in serious yet
Bryant better than 11
Sen GOP [illegible]

Will talk w/ Seniors, Chafee, Simpson, D'Amato, Packwood

cc: Lin Lester Memoir [illegible]
[illegible]

THE WHITE HOUSE

WASHINGTON

May 18, 1994

Albert F. Gollnick, Jr.
Post Office Box 285
Union Springs, New York 13160

Dear Albert:

I want to thank you for your wonderful letter of May 4 and for sharing with me the excerpt from your mother's diary. I got a kick out of reading it, and I appreciate your sending it along to me. When I visit Oxford next month perhaps I'll see those old fields where my sideburns got me into trouble!

Thanks so much for thinking of me.

Sincerely,

Bill Clinton

Greatly enjoyed
Mom - Thanks

recd
5/17/94

ALBERT F. and ALICE B. GOLLNICK
88 South Cayuga Street
P.O. Box 285
Union Springs, New York
13160-0001

May 4, 1994

President William J. Clinton
The White House
Washington, D.C. 20500

Dear Mister President:

I am taking the liberty of sharing with you an anecdote of your days as a Rhodes Scholar at Oxford University. If you are like every other Rhodesman I have met, it will evoke fond memories of a particularly happy time in your life, and one during which you developed and matured in many ways.

Enclosed is an excerpt from the diary kept by my mother, Dr. Hilda Woodruff Gollnick, during a trip which she, my father, and I made to Oxford in November, 1968. Like yourself my father, Albert F. Gollnick, Sr., was a Rhodes Scholar, earning that distinction upon his graduation from Middlebury College, in Vermont. He was a member of Christ Church from 1922 to 1925, during which time he completed all the requirements for an M.A.(Oxon), but without actually taking the degree. Under an amendment of the University statutes, he was invited in early 1968 to receive the degree - by mail or in person at one of the University's Degree Days - and thereby restore his name to the books of the University, from which it had lapsed some thirty-six years previously. We decided to make the trip to Oxford as a family, not just to see him receive the degree, but also to visit all of his old haunts, and to relive with him (at least vicariously) his many experiences at "The House" and University.

The references to Australia stem from the fact that from 1932 until 1957 we lived out there. After Oxford Dad joined Swift International Meatpacking Corp., and after about six years in London, Rotterdam, and Hamburg was transferred to Chicago, and thence to Brisbane, where I was born. He married my mother, his college "sweetheart", in 1931, before leaving Chicago. She completed her contract as head of the English Department at Niagara Falls (NY) Senior High School, and together with her English-born mother, joined Dad in 1932. I was born in Brisbane the following year.

My mother, who is now ninety-three, played a very active role (remarkably so for a "foreigner") in public and civic affairs in Brisbane and beyond. In September of 1948 she was invited to be the American representative to the First Pacific Assembly, hosted in Brisbane by the National Council of Women of Australia. In 1957 Middlebury College awarded her an Honorary Doctor of Humane Letters, in part for being - to quote her Australian friends - "for over twenty-five years an unofficial ambassadress to Australia".

To return to Oxford, it appears to me that events in the past weeks would suggest you have not forgotten how to "bloody some noses on your own account", though now you do have a lady, and no longer need to defend your sideburns.

I hope you derive some pleasure from the reminiscence , as well as the poem, which I found with the diary.

Sincerely yours,

Albert F. Gollnick Jr.

Albert F. Gollnick, Jr.

Sunday, November 17, 1968:

We went to the Cathedral for the service at ten..most unimpressive sermon, which was really a report on the recent Lambeth Conference. The music was lovely.

A cold, damp, miserable day.

Rhodes Warden and Mrs. Williams had invited us to Rhodes House for sherry after the service. There were about twenty new Rhodesmen there..plus the American Ambassador to Switzerland and his loud, brassy, typically American-abroad wife. Every nation has them but ours are the worst. Rhodes Scholars from Maine, California, Arkansas, Mississippi, South West Africa, Rhodesia, New Zealand (he was at Christ Church), and Australia - Fenwick from Brisbane and his altogether charming wife. Bill Clinton from Arkansas was most attractive. He had longish hair and luxuriant side burns! He said he went out for soccer and seemed to end up with his own blood on his face. He felt the attacks were personal and put it down to his side burns. He showed his injuries to the Coach who said that if he found the game too rough perhaps he should try something else.. "So", says Bill, "I went back and bloodied some noses on my own account". I said he reminded me of a knight who charged forth to battle wearing his lady's glove or scarf on his sleeve.. "Yes'm," says Arkansas, "but I have no lady, just my side burns." He was a great admirer of Senator Aiken. Altogether a pleasant, international gathering. Mrs. Williams is just as charming as I remember her in Brisbane many years ago.. but she hasn't the grace of dear old Lady Wylie.

We left at two and had tea and sandwiches at the hotel.

At three-thirty we started out for an afternoon's drive... down the Ifley Road to see Dad's old digs then returned to the Woodstock Road to Wulvercote, to notorious Port Meadow and the famous Trout Inn on the Thames and to Wytham, to Botley; through Eynsham, Stanton-Harcourt to Bablock-hythe Ferry... which wasn't working... to North Moor. At Swinford before Eynsham we had crossed the Thames on a toll bridge; now we crossed again at New Bridge, through Appelton, Eaton, Cumnor.. back to Botley and Oxford from the west. Somehow the Thames Valley of Oxfordshire was not so attractive as the country we had passed through on our way to Stratford. The country we saw today is rolling but there is a bleakness and a loneliness about it... and much of the old forest is gone. It rained off and on all day, but driving was pleasant.

OXFORD...

"I came to Oxford in the light
Of a spring-coloured afternoon
Some clouds were grey and some were white,
And all were blown to such a tune
Of quiet rapture in the sky,
I laughed to see them laughing by.

I had been dreaming in the train,
With thoughts at random from my book.
I looked and read and looked again,
And suddenly to greet my look
Oxford shone up with every tower
Aspiring sweetly like a flower.

Home turn the feet of men that seek
And home the hearts of children turn
And none can teach the hour to speak
What every hour is free to learn;
And all discover, late or soon,
Their golden Oxford afternoon".

(Author unknown)

MAY 17 '94 09:15 FROM TO 912024561121 To 1 PAGE.001/003

5/18 To THE PRESIDENT
FROM MACK

Per Mack – Marcia Hale
THE PRESIDENT HAS SEEN
5.18.94
Ricki Seidman

Office of the Governor

Office of the Governor, State Capitol, Sacramento, CA 95814 (916) 445-2841

Emergency Stay
Am meeting
Discuss this
B

94 MAY 18 A8:24

Date: Facsimile Phone Number:

To: Mr. McLarty, Chief of Staff

Ricki
Rahm

At:

From: Governor Pete Wilson

Number of Pages (Including this cover page): 3

Special Instructions:

per our conversation

If you do not receive all pages of this facsimile, please contact:
Name: Phone:

GOVERNOR PETE WILSON

May 14, 1994

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

Dear Mr. President:

As I understand you will be visiting Northern California next week, I would like to formally invite you to Sacramento to meet with a bipartisan group, including myself and our legislative leadership, to discuss the federal government's approach to solving the crisis of illegal immigration in California.

With the state's new fiscal year fast upon us, California once again faces the prospect of reducing state services for legal residents, because we are forced to spend more than $3 billion on illegal immigration. This state cost, for what should be a exclusively federal responsibility, is now approaching ten percent of our General Fund budget.

Our nation's immigration policy is a failure. But as you so accurately said on a past visit to our state, "One of the reasons the federal government has not been forced to confront this . . . is that the states of California, Texas and Florida have had to bear a huge portion of the costs for the failure of federal policy."

You have expressed a willingness to fix that failed policy. Your words of support for California, the working group you established with Budget Director Leon Panetta, and your pledge to reimburse states for at least part of the cost of incarcerating illegal immigrants are all important and positive signals.

But now is the time to match words with deeds. With Congress debating the federal budget, we face a critical juncture in our push for reform. We cannot afford to put this off. California's congressional delegation has worked tirelessly to enact reform in Congress, but fixing this national problem this year will require presidential leadership.

STATE CAPITOL · SACRAMENTO, CALIFORNIA 95814 · (916) 445-2841

California cannot afford to wait until next year. The cost of illegal immigration grows day by day. Providing emergency health care alone has become 18-times more expensive since Fiscal Year 1988-89. The number of illegal immigrants in our state prisons since 1988 has increased more than 200 percent. And if something is not done before next year, we will be forced to spend $1.7 billion educating illegal immigrants in public school.

We are bearing these costs, moreover, as California struggles to recover from lingering recession. We are rebuilding our economy job by job, but it takes 750,000 jobs just to support these costs.

Please take this opportunity, as the California Legislature wrestles to balance the state budget, to hear face-to-face, the tough choices that the failure of the federal government's immigration policy is forcing us to make.

In the past, you have often said America cannot recover until California recovers. Well, California cannot recover until we resolve this fiscal crisis caused by illegal immigration. I urge you to meet with a bipartisan group of Californians in an effort to do so.

If you are unable to travel to Sacramento, I would be pleased to work with your staff to find a mutually agreeable alternative. Please feel free to contact me, or have a member of your staff contact my Deputy Chief of Staff, Pat Clarey, at 916/445-8612 to discuss how we can best coordinate our schedules.

I eagerly await your reply.

Sincerely,

Pete Wilson

PETE WILSON

MAY-18-94 WED 10:17 WILLIAMS & CONNOLLY P. 01

THE PRESIDENT HAS SEEN
5-18-94

LAW OFFICES
WILLIAMS & CONNOLLY
725 TWELFTH STREET, N.W.
WASHINGTON, D. C. 20005
(202) 434-5000
FAX (202) 434-5029

EDWARD BENNETT WILLIAMS (1920-1988)
PAUL R. CONNOLLY (1922-1978)

TELECOPY

HRC

Fyi

TO: The ~~President~~ c/o Betty Currie

FIRM: The White House

TELECOPY NUMBER: 456-6703

FROM: Robert B. Barnett

TELEPHONE: (202) 434-5034

DATE: May 18, 1994

CLIENT CHARGE: 5

NUMBER OF PAGES INCLUDING THIS PAGE

MESSAGE: Mr. President -- Following up on our conversation this morning, I spoke with the folks at Simon & Schuster. They report that 85,000 copies have been printed. All but 1500 have been distributed to bookstores. So far, the bookstore reorders have been small. If they receive significant reorders, they will print more copies for distribution. As I expected, they say that it is too early to tell how the book is selling in the stores. They hope that the overwhelmingly favorable reviews will spike sales, result in bookstore reorders, and trigger the need to print more copies. The Good Housekeeping excerpt is on the stands. The second serialization will appear next week. I will keep you informed.

BRB.

WILLIAMS & CONNOLLY TELECOPY NUMBERS:

(202) 434-5029 (202) 434-5324 (202) 434-5325
(202) 434-5326 (202) 434-5327 (202) 434-5328
(202) 434 5330

Clinton's mom open, funny

Her story a believable, good read

LEADING WITH MY HEART. By Virginia Kelley. Simon & Schuster, 286 pp., $22.50.

By Lois Blinkhorn

If the state of politics — especially the Whitewater mess — is giving you a headache, it's hard to think of a better remedy than "Leading With My Heart," the autobiography of President Clinton's mother, Virginia Kelley, who died in January.

Written with free-lancer James Morgan from Little Rock, the book is astonishingly good reading, presented in a believable, true voice. It is also deliciously funny.

Musing about the day her son was inaugurated, Kelley recalls that she made the bed and watched CNN while her makeup dried, hoping to see Bill.

"Sometimes when I watch him, I can separate the man from my son," she writes. "In those moments I see him as the world

BOOK REVIEW

'Leading With My Heart'

leader he is, the eloquent speaker and erudite thinker and earnest consensus builder. Other times, especially when he's hurting, he's just a big old gray-headed version of my little boy.

"Speaking of Bill hurting, I also tune in so I can see what awful thing Bob Dole has said about my son since yesterday. Bill's above this sort of thing, but I'm keeping a list."

This fierce and loving mother didn't spare anyone in recounting her life — except maybe her boys, Bill and Roger. Without apologies, she draws an unself-consciously honest picture of herself that isn't always flattering, but is never boring.

Here was a little girl from tiny Hope, Ark., who moved to Hot Springs and took to the flashy life there, with gusto. Someone who loved to slap on the makeup, paint her nails, garden in a tube top and short-shorts, drink, smoke Pall Malls, party and play the horses.

The type who would jump up on the bandstand and sing along with

Virginia Kelley: "Sometimes when I watch (President Clinton), I see him as the world leader he is. . . . Other times, he's just a big old gray-headed version of my little boy."

the vocalist. Who fell for Elvis Presley, big time, the first moment she saw him on "The Ed Sullivan Show" in 1956. (And was buried on Elvis' birthday, a fact she undoubtedly would have loved.) Who confessed that Hillary — who was not the classic Arkansas beauty whom Kelley had planned on as a daughter-in-law — had been "a growth experience."

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And who fought her final bout of cancer quietly, keeping the facts from her sons for a long time so as not to disrupt their lives — and also to keep people from "blubbering all over me, dropping tears on my clothes, smudging my makeup."

Her hometown minister and friend said this about her at her gravesite:

"Let me tell you what Virginia Clinton Kelley was like. She was like a rubber ball. The harder life put her down, the higher she bounced. She didn't know what the word 'quit' meant."

Blinkhorn wrote this review for the Milwaukee Journal.

Real-life soap opera

President Clinton's mother, Virginia Kelley, recalls a life of highs and lows

Leading With My Heart
By Virginia Kelley, with James Morgan
Simon & Schuster, 704 pages, $22.50

Reviewed by Jon Anderson
A Tribune writer

One gets the sense, while reading this remarkable memoir, that a lot of modern child-rearing theory is bunk. Forget stability. Forget cookies and milk after school. Give a child a home with marital turmoil, considerable drinking and occasional gunfire and the kid could grow up to be president. Or a lounge singer.

Virginia Kelley, the mother of Bill and Roger Clinton, raised two sons of differing achievements, but she treats them evenhandedly. Telling her story to Little Rock freelance writer James Morgan, she begins with a lengthy description of her thoughts while putting on her makeup in a Washington, D.C., hotel suite just before "my son became President of the United States." Later, in one of the book's photo captions, she notes that "the day Roger got out of prison was one of the happiest of my life."

For Kelley, who died of breast cancer in January, that's how life was, a roller-coaster ride of highs and lows that left her with a permanent distaste for country music. She lived, she says, most of its lyrics. The kind of woman often referred to as "a pistol," Kelley "lost" three husbands. She fought, and also lost, what she calls "a war" with medical doctors in Hot Springs while struggling to retain her practice as "a lowly nurse anesthetist." She tried to raise children in a town filled with topless bars, prostitutes and Hell's Angels who biked up from Dallas for weekend sprees.

"During the campaign," Kelley says, "a lot was written about my life and much of it was made out to be a real-life soap opera. I'll admit I've been dealt my share of tough hands. I had a mother who met every day with anger and took it out on me and my father. My first-born son [Bill] never knew his father, because a blowout on a Missouri highway took him from us when I was six months pregnant. My second-born son [Roger] grew to hate his father, for his alcoholism and the way he treated me. My third husband, a good, good man, was never the same after he made a mistake and had to go to prison."

What shines through in these pages is the fierce love Kelley put into her motherhood, along with her devotion to friends. "I've had the joy of raising the two kindest, dearest sons a mother could ask for," she writes. "I have wonderful friends, whom I see or talk to every day, and who have stood by me through all the crises." Not the least was the time when "my precious Roger, for God only knows what reasons, turned to drugs and alcohol, and I had to watch while he was handcuffed and taken off to the penitentiary."

Virginia Kelley waves to the crowd on the night her son won the race for president.

Curiously, however, much of Kelley's material deals with a Clinton-like theme—lengthy, and often unconvincing, explanations of eyebrow-raising events. Examples: Not knowing, until after he died, of her first husband's three prior marriages. Her version of the deaths of several patients. Her side of why Roger's release from prison was delayed a month, causing him to miss Christmas with her. Not knowing her second husband was still married when they started dating. Dismissing tales of her third husband's past.

"When I met Jeff, he had just come to Hot Springs to open a beauty shop," Kelley relates. "He was the first male hairdresser in town, a distinction that naturally brought out the boor in most of the local males. Jeff was a tall, handsome man with movie-star looks and the flashy clothes to match. It's no wonder that there were rumors, awful rumors, about Jeff—that he'd grown up in a whorehouse in Louisiana, or that his shop was a front for prostitution. Actually, I never heard these rumors until later, when Jeff got into some trouble with the law. And I never believed them for a moment."

The trouble with Jeff, she says, had to do with helping friends raise money for a movie that was never made, then taking the rap when the others spent it freely. The trouble with Roger (husband No. 2) had to do with alcohol. He took to drinking tumblers of whiskey at Sunday lunch, clobbering Kelley with fists and, on one occasion, firing a shot at her. He missed by two feet. "In fact, I don't believe he was shooting at me, but just to scare me," Kelley writes. But she had him arrested and jailed for a night, anyway.

The trouble with Hot Springs, she says, started with then Gov. Winthrop Rockefeller, who in 1967 "put the kibosh on illegal gambling," causing the big spenders to move on, the fancy hotels to board up and bad characters to move in. And that business about a patient dying during an operation while nurse Kelley, working the gas machine, took time out to shine her shoes—totally untrue.

"Before the crisis occurred, I'd noticed a little blood had splattered on to my shoe. I had leaned over for a second to wipe it off," Kelley explains. "The patient was breathing fine at that point, everything was under control."

But, as it turned out, her career was over. Times were changing. Surgeons were opting for anesthesiologists, trained in medical schools. In what she claims was a plot, her hospital fired her. She tried, and failed, to stop son Roger from driving to the hospital, storming past the receptionist, breaking down the door of the administrator, throwing him into a chair and briefly choking him. She also failed in a lawsuit against the hospital's doctors. "Their strategy was to humiliate me," she explains. "Their attorney began asking me medical questions that I would have no way of knowing the answer to."

In 1981, Kelley retired, but with much to be grateful for, she says. After a rough beginning, she developed close ties with daughter-in-law Hillary. She loved granddaughter Chelsea. She found a fourth husband, Richard Kelley, a successful businessman. On Jan. 20, 1993, she got to sleep in the White House, in the Queen's Bedroom "where Winston Churchill always stayed." At home, each afternoon, her husband would pour her "a Scotch and water or two" and she would lie on the couch and watch the news. "Since Bill's been President, CNN is my home movies," she writes, in the last chapter.

She was, Kelley says, a woman "known for my weird hair, my heavy makeup, my loud colors and my penchant for playing the horses." She was obsessed with Elvis Presley, owned a guitar-shaped necklace Elvis once wore, rode in one of his cars, visited the grave of his manager and kept a bust of Elvis in her dining room.

"Virginia died in her sleep on January 6, 1994. She was buried two days later, on Elvis's birthday," writer Morgan notes in a postscript. "No church in her hometown of Hope, Ark., was large enough for her funeral. The minister said he thought about having it at the race track." It was held, instead, at the civic center. Three thousand people attended, most of them "just folks, the kind of people Virginia herself had come from. Roger buried memories of his new recordings with her, and held the family together, as always."

Those seeking to understand the Clinton Years should not ignore this book.

From Socrates to Perot: Garry Wills on leadership

Certain Trumpets:
The Call of Leaders
By Garry Wills
Simon & Schuster, 336 pages, $23

Reviewed by Thomas E. Bell
Biographer of Admirals Raymond Spruance
and Ernest King

Garry Wills, professor at Northwestern University and author of the Pulitzer Prize-winning "Lincoln at Gettysburg," has in "Certain Trumpets" undertaken a sweeping treatise on types of leaders. His title is derived from I Corinthians 14:8, "For if the trumpet give an uncertain sound, who shall prepare himself to the battle?" Identifying historical figures whom he considers successful leaders, Wills ranges from Socrates to Carl Stotz, the founder of Little League baseball.

"To sound a certain trumpet," writes Wills, "does not mean just trumpeting one's certitudes. It means sounding a specific call to specific people capable of response." A leader, in Wills' view, "is one who mobilizes others toward a goal shared by leader and followers."

To test these criteria Wills has identified 16 "types," or categories, of leaders. The structure of his analysis is a two-model case study. The principal is discussed, the "type" (i.e., prototype), receiving 10 or so pages of discussion. The other is termed the "antitype," somewhat resembling the prototype but with shortcomings that should further illuminate the strengths of the type. (However, given only a few pages of superficial treatment, the antitype is redundant.)

Readers may well dispute the author's choices, but Wills is open to alternatives. "In choosing the examples of leadership," he explains, "I was not looking for the greatest or best leaders but those who can be seen, at some point in their career, exemplifying a distinctive kind of leadership." For example, Franklin D. Roosevelt is the Elected Leader type.

See Wills, Page

Books

Larry Kart, Books editor
[illegible], Assistant editor
[illegible], Art director
[illegible], Design editor

(Books, related correspondence and review copies: write to Tribune Books, The Chicago Tribune, 435 N. Michigan Ave., Chicago, IL 60611)

Photographs by [illegible]

First Mom had last laugh in book on life

"SOMETIMES . . . I see him as the world leader he is, the eloquent speaker and erudite thinker and earnest consensus builder," Virginia Kelley says of her son Bill Clinton. "Other times . . . he's just a big old gray-headed version of my little boy."

By LOIS BLINKHORN
of The Journal staff

IF THE STATE of politics — especially the Whitewater mess — is giving you a headache, the best remedy I can think of is "Leading With My Heart," the upcoming autobiography of President Clinton's mother, Virginia Kelley, who died in January.

Written with free-lancer James Morgan from Little Rock, Ark., the book is astonishingly good reading, presented in a believable, true voice.

It is also deliciously funny.

Musing about the morning of Clinton's inauguration, for instance, does Kelley rhapsodize about her son becoming the leader of the free world? Nope. Instead, she slips into a riff about how she applies her makeup!

Applying makeup apparently was a kind of meditative exercise for Kelley, a way of looking herself straight in the eye and figuring out how to deal with life.

In the meantime, entertainer that she was, she couldn't resist a chance to amuse us. A sample:

"The first thing I do when I sit down is put on my hairnet; I pay too much at the hairdresser's every week to ruin it all by getting makeup in my hair. Then I put in my contacts. I don't have eyebrows so I have to draw them on, and I've found that contacts make putting on my eyebrows a lot easier. After the contacts, I wash my face. Fortunately, I have oily skin, so I don't have to waste time with creams. I've saved a million dollars by having oily skin. Speaking of money, I use the cheapest astringent I can find — it's called O.J. Beauty Lotion, and it costs about a dollar and eighty cents. So I clean my face with that, and then I open my drawer and get my base: Max Factor, as cheap as you can buy. But it does the job, so I put that on and go over it with a wet sponge that has some pancake makeup on it."

It is this kind of down-to-earth attention to detail that is the mark of all good storytellers.

Back on that inauguration day, Kelley continues, she made the bed and watched CNN while her makeup dried, hoping to see Bill.

"Sometimes when I watch him, I can separate the man from my son," she wrote. "In those moments I see him as the world leader he is, the eloquent speaker and erudite thinker and earnest consensus builder. Other times, especially when he's hurting, he's just a big old gray-headed version of my little boy. Speaking of Bill hurting, I also tune in so I can see what awful thing Bob Dole has said about my son since yesterday. Bill's above this sort of thing, but I'm keeping a list."

This fierce and loving mother didn't spare anyone in recounting her life — except maybe her boys, Bill and Roger. Without apologies, she drew a picture of herself that isn't always flattering, but is never, ever boring.

Here was a little girl from tiny Hope, Ark., who moved to Hot Springs and took to the flashy life there, with gusto. A gal who loved to slap on the makeup, paint her nails, garden in a tube top and short-shorts, drink, smoke Pall Malls, party and play the horses. The type who would jump up on the bandstand and sing along with the vocalist. Who fell for Elvis Presley, big time, the first moment she saw him on "The Ed Sullivan Show" in 1956. (And was buried on Elvis' birthday, a fact she undoubtedly would have loved.) Who confessed that Hillary — who was not the classic Arkansas beauty whom Kelley had planned on as a daughter-in-law — had been "a growth experience."

Kelley also was a serious nurse-anesthetist who worked hard at her profession. A woman whose first husband was killed in an auto accident when she was six months pregnant with their first child. Who clung to a second marriage even when that husband, the father of her second son, was abusive. Who buried her gentle third husband and watched her son Roger go to prison for drug dealing.

And who fought her final bout of cancer quietly, keeping the facts from her sons for a long time so as not to disrupt their lives — and also to keep people from "blubbering all over me, dropping tears on my clothes, smudging my makeup."

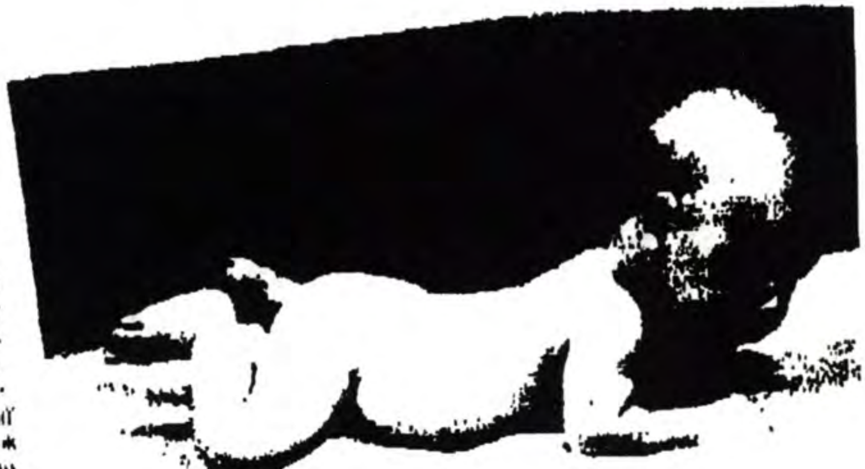
Her hometown minister and friend said this about her at her grave site:

"Let me tell you what Virginia Clinton Kelley was like. She was like a rubber ball. The harder life put her down, the higher she bounced. She didn't know what the word 'quit' meant."

"Leading With My Heart" is scheduled to be published Friday by Simon & Schuster. Price is $22.50.

THE WEEK

BARE BUBBA BILL: An early photo of William Jefferson Blythe III, a.k.a. President Bill Clinton



NONFICTION

THE I HATE MADONNA HANDBOOK Ilene Rosenzweig *(St. Martin's Press, $19.95)* Her book (*Sex*) was an embarrassment. Her movies are *expected* to bomb. Her recent appearance on David Letterman's show was pathetic. Now that Madonna's career seems a shadow of its former self, is it still fun to pick on her? Absolutely. This clever, snaky, well-researched poison at the Queen of Pomp is part entertainment and part earnest attempt to put an end to her raunchy reign once and for all. Brilliantly comparative chapters include "Desperately Seeking Stardom," in which Madonna's ex-managers and lovers are issued one to five go-go-boot, whip, or teardrop symbols to indicate how much she abused them, "Justify My Love Life," offering fact-filled Madonna Lover Trading Cards, and "The Madonna Hall of Shamelessness," which showcases her shrewd but heartless career moves. But, interestingly, rather than killing off the Material Woman, the book displays her truly uncanny powers of manipulation. Translation: Don't count her out—not just yet. ▲ —*KA*

LEADING WITH MY HEART: MY LIFE Virginia Kelley with James Morgan *(Simon & Schuster, $24.00)* "I...never liked country music: My life was too much like a country song." Bill Clinton's mom, a good old Arkansas gal, was appropriately nicknamed "Ruffian" after a racehorse that wouldn't quit the race even after breaking a leg. Virginia, who was no quitter, passed that virtue on to her son and inspires us with it in this unpretentious story of her life. And what a story! Five marriages to four men, one of whom was an alcoholic (she once blacked out a tooth and donned ragged clothes to try to shame her husband out of a bar), breast cancer, an abusive husband (whom young Bill finally confronted), gambling, and coming to terms with another woman as forceful as herself: Hillary. Virginia once threatened to blow the whistle on some corrupt Arkansas troopers. (Might that have ignited a grudge?) Co-writer Morgan says that while working with Virginia, "We didn't have to go through chapter after chapter of dull stuff to get to the lively parts." Neither will the reader. Virginia died early this year; once you've read her book, you'll miss her. ▲ —*D.A. Ball*

SCOTT FITZGERALD: A BIOGRAPHY Jeffrey Meyers *(HarperCollins, $27.50)* Meyers knows how many beers a day (37) Scott Fitzgerald was up to when he briefly tried to give up gin. He knows about a mistress or two neglected by previous biographers. He has a firm grip on all the parties and pranks that marked the giddy ascent of Scott and his wife Zelda in the '20s, and all the breakdowns and binges that marked her descent into madness and his into alcoholism and debt in the '30s. But he's particularly good on the nuances of Fitzgerald's literary influences, friendships, and accomplishments. Meyers has already written excellent lives of Joseph Conrad and Ernest Hemingway, and here he shows how crucial Conrad's influence was on *The Great Gatsby* and sorts out the defensive dynamics of Hemingway's constant bullying of his slightly older friend and rival.

LEGACY

THE WHIMSICAL WORLD OF RICHARD SCARRY

RICHARD SCARRY, who died on April 30 at 74, was one of the most popular authors in the world among people who don't yet know what an author is. His hundreds of children's books, translated into 28 different languages, have sold more than 100 million copies. Per-

ty. His characters can also be seen on the Showtime animated TV series *The Busy World of Richard Scarry*.

Scarry's own world was in Switzerland, where he suffered his fatal heart attack. He and his wife, children's book author Patricia Scarry, and their son, Huck—who also writes for children—

[redacted]

Tony

good work

[illegible]

B

[redacted]

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b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
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SUITE 400
WASHINGTON, D.C. 20036

Lloyd Cutler

THE PRESIDENT HAS SEEN 5/18

NANCY HEINREICH

[redacted]

[redacted]

Date: 5-16-94

From:

Vernon E. Jordan, Jr.

Nancy

Please share this with President. I have also shared it with Bob Bennett and Lloyd Cutler

[redacted]

Best,

V

[redacted]

THE PRESIDENT

The News & Observer
Thursday, May 12, 1994

Other Opinion

Lawsuits damage the presidency

By Daniel Pollitt

CHAPEL HILL

Paula Corbin Jones last week charged in a lawsuit that in 1991 President Clinton, then governor of Arkansas, summoned her to a Little Rock hotel room and there urged her to engage in a sexual act. The charges were aired last February at a Conservative Political Action Conference, and before that ballyhooed by the president's right-wing political enemies. An older sister says Paula Jones "smells money." The president's counsel denies the episode ever happened, dismissing the accusations as "tabloid trash."

Did the president harass a state employee with sordid sexual requests? The titillating question bulldozed all other issues off the Sunday morning talk shows. Anita Hill, lamenting her brutal treatment in the Clarence Thomas hearings, hopes Jones will get a fair hearing.

Will there be an open trial: a face-to-face confrontation between accuser and accused? The legal odds are against it. For constitutional reasons, for reasons of public urgency, the president has an immunity from lawsuits, both civil and criminal.

This is our history. This is our Constitution.

• • •

The Framers of our Constitution were aware that someday a "President, Vice President, or other Civil Officer of the United States" might engage in "Treason, Bribery, or other High Crimes and Misdemeanors." But the Framers did not want to subject the president to the political ambitions of any partisan prosecuting attorney the country over, and crafted an exclusive congressional impeachment process requiring action by both Houses, and a "super majority" vote in the Senate.

The sentence in impeachment extends no further than removal from office; but the "Party convicted" is thereafter subject to "indictment, trial, judgment and punishment according to law." Simply put, the president has immunity from criminal trial until the Congress completes the impeachment process.

But not so the vice president. The Nixon administration turned on Vice President Spiro Agnew; belittled the significance of the vice presidency; and successfully contended that he was subject to criminal trial (for failing to report bribes on his income tax) without prior impeachment. But if jailed, how could the vice president perform his constitutional mandate to preside over the Senate? Work release? The results seem wrong.

The Constitution is silent about civil suits, but here as well, history augurs for presidential immunity.

Some at the Constitutional Convention worried that even impeachment would impair the president's capacity to perform his duties of office and warned against subjecting him "to the distraction of suits by disappointed private citizens." John Adams (later President John Adams), for example, thought the president should not be "the subject of any process whatever" for this would "put it in the power of a common justice to stop the whole machine of Government."

Thomas Jefferson agreed that the executive must be free from the designs of the judiciary and asked rhetorically if the "Executive would be independent of the Judiciary if the several courts could bandy him from pillar to post, keep him constantly trudging from north to south and east to west, and withdraw him entirely from his constitutional duties."

Oddly, the issue of presidential immunity from civil suits did not reach the Supreme Court until 1982, when the court held that Richard Nixon, then out of office, could not be sued in damages for wrongs he committed while president.

Ernest Fitzgerald, a civilian employee of the Air Force, testified to a Senate committee about huge cost overruns in the procurement of an airplane desired by his superiors. The superiors decided to rid themselves of this "whistleblower." Two months later his department was "reorganized" with Fitzgerald out of a job.

The press and members of Congress took up the cudgels on his behalf with the White House. Staffers there recommended that "we should let him bleed." The president agreed, and admitted personal responsibility for the dismissal. Fitzgerald then sued the president for damages.

Fitzgerald alleged that his dismissal violated two federal laws protecting the rights of congressional witnesses, as well as his constitutional rights under the First Amendment. Despite this, the Supreme Court held for Nixon.

The president can be sued "when judicial action is needed to serve broad public interests," as when President Truman, in direct violation of congressional mandate, "seized" the steel mills during the Korean War to head off a nationwide strike. The president may be required to submit evidence in an ongoing criminal trial. Chief Justice John Marshall subpoenaed President Jefferson's correspondence during the treason trial of Aaron Burr. But the president cannot be sued by a private citizen for damages.

The court noted in the Fitzgerald case that the president is "an easily identifiable target for suits for civil damages" and that "because of the singular importance of the president's duties, diversion of his energies by concern with private lawsuits would raise unique risks to the effective functioning of government."

The presidential immunity from damages liability was thus established, but only "for acts within the 'outer perimeter' of his official responsibility." One would think that sexual harassment is beyond the outer perimeter of such responsibilities. On the other hand, the Supreme Court held that Nixon's violation of two federal laws and the Constitution was not beyond the outer limits of his responsibilities.

Sexual harassment, while of extreme importance, certainly shouldn't pose any more legal vulnerability for Clinton than Nixon's violations did for him.

Clinton's alleged activities took place prior to taking presidential office. The timing is not significant. What matters is the burden on the president's abilities to carry out his heavy responsibilities.

• • •

Our history affirms, in the words of Jefferson, that the courts are not to "bandy" the president from "pillar to post" and thereby "withdraw him entirely from his constitutional duties."

Reason affirms that should Paula Jones prevail in her lawsuit, copycat suits would surely follow, hounding the president from coast to coast. The need to defend against even frivolous suits takes a heavy toll in money (The president's legal bill reportedly runs at $400 per hour) and the energy necessary if the president is to guide us through troublesome internal and foreign affairs.

Does immunity from private suit for damages put the president "above the law"? "No," said the Supreme Court. Other checks protect us from presidential misconduct: a vigilant press, the threat of impeachment, the incentive for re-election and the concern for an honored role in history.

Daniel Pollitt is Kenan professor of law, emeritus, at UNC-Chapel Hill.

THE NEWS & OBSERVER
THURSDAY, MAY 12, 1994

5/18

Cutter

I advise and enjoin those who direct the paper in the tomorrows never to advocate any cause for personal profit or preferment. I would wish it always to be "the tocsin" and to devote itself to the policies of equality and justice to the underprivileged. If the paper should at any time be the voice of self-interest or become the spokesman of privilege or selfishness it would be untrue to its history.

— from the will of Josephus Daniels, Editor and Publisher 1894-1948

Clinton's real duties

Should President Clinton be subject to the time-consuming, expensive chore of defending himself against a suit for civil damages when so many official duties burden him? Thomas Jefferson rightly said, 'No.'

There will be those who view UNC-Chapel Hill law professor Daniel Pollitt's essay on the opposite page as the desperate defense of a liberal by a liberal. Pollitt contends, based on his considerable expertise on constitutional law and on his own recent research, that President Clinton may well be immune from civil lawsuits like the one filed by Paula Corbin Jones.

Jones, who says then-Arkansas Gov. Clinton exposed himself and asked her to perform a sexual act in a hotel room in 1991, has grabbed TV time and headlines lately by filing a civil suit seeking $700,000 in damages from Clinton. Her sponsors are, of course, the Clinton administration's most bitter political enemies.

The prospect of a president of the United States going to the witness stand in what would surely be a lurid trial should be troubling for all Americans — no matter whether Jones' allegations are true or false. The president is the guardian of our freedom at home and abroad. He should not have to find time to defend himself against such charges.

That fact was recognized over 200 years ago by two of Clinton's predecessors, John Adams and Thomas Jefferson. Adams and Jefferson believed — as Pollitt notes — that the president needed protection from such legal action because he simply had many other more important things to do.

When the president is preoccupied, the country is preoccupied, and that is both an inconvenient and dangerous circumstance. In this case, it's complicated even more by the fact that this president hasn't the means to pay for hundreds of thousands of dollars in legal help from his own pocket. That has prompted some to suggest that a private "defense fund" be established — which might well subject the White House to pressure from special interest contributors.

And what's to stop another person, a hundred, a thousand other persons, from filing similar suits? Nothing. Filing a civil suit, baseless or legitimate, is as easy as walking to the corner courthouse.

If presidents are protected from such suits, as Pollitt believes they are by the Constitution, then is there any way they can be held accountable for their actions? Yes — by Congress, through the process of a trial of impeachment; by individuals in court before or after they serve; and by the American people when they run for re-election.

Pollitt's argument is persuasive indeed, and the country would be better off — though the president would feel political heat — if Clinton's attorneys succeeded in getting this matter disposed of quickly. That would enable the president to get back to duties that Thomas Jefferson wisely saw as more important to his high office and the people it serves.

THE PRESIDENT HAS SEEN 5/18

THE WHITE HOUSE

WASHINGTON

May 17, 1994 MAY 17 P4:43

MEMORANDUM FOR THE PRESIDENT

FROM: **BILL GALSTON** WAG

SUBJECT: **VALUES AND CHARACTER EDUCATION**

On the attached Wall Street Journal article about values and character education, you asked whether we should do more. In my judgment, the answer to your question is an emphatic "Yes."

Secretary Riley and I have been discussing this issue for some months, and he is very supportive. In fact, he met a delegation of character education proponents in his office a few weeks ago.

To move this issue forward, I have undertaken two steps.

1. I have directed the Department of Education to look for responsible ways of incorporating character education into the Elementary and Secondary Education Act reauthorization, which is being marked up by the Senate Labor and Human Resources Committee this week.

2. For the past month, I have been working with the noted communitarian thinker Amitai Etzioni to plan a full-day White House meeting on character education. This meeting is tentatively scheduled for the end of July. If you wish, I will be happy to provide you further information on this event.

I will continue to look for ways in which you and the administration can build on current concerns about declining values to reinforce a positive public consensus about character formation.

Good

at some point I shd be heard on this

B

THE PRESIDENT HAS SEEN 5/18

THE WHITE HOUSE

WASHINGTON

May 16, 1994

94 MAY 17 A10 : 31

MEMORANDUM FOR THE PRESIDENT

FROM: HAROLD ICKES (HI)

SUBJECT: Suggested Healthcare Events For Memorial Day Recess

Attached is a booklet entitled "Delivering The Message - Healthcare" which describes suggested healthcare events for the Memorial Day recess. The table of contents begins on the 3rd page of the booklet.

The booklet, which was prepared by the "war room" staff, has been distributed to Members of Congress and others.

Also attached is a copy of "A Compilation Of Remarks By the Clinton Administration On Health Care Reform", dated 12 May 1994, which has also been distributed to Members of Congress and others.

cc: Maggie Williams
Melanne Verveer

Looks good

THE WHITE HOUSE

WASHINGTON

94 MAY 18 P2:56

Thanks

su nun ni: This

B.

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Access talk —

THE WHITE HOUSE
WASHINGTON

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94 MAY 18 P2:56

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U.S. Peacekeeping Troops in Macedonia Beefing Up Presence

BY LARRY FOGEL—THE WASHINGTON POST

By Steve Vogel
Special to The Washington Post

OBSERVATION POST 51-E, Macedonia—Early one recent morning, Serbian soldiers set up a machine gun on a brush-covered ridge overlooking this U.S. Army border outpost. More Serbs arrived and dug in positions on the ridge during the day. As the American soldiers watched with growing alarm, the Serbs set up an 82mm mortar, within easy lobbing range of the U.S. camp just half a mile downhill.

This encounter on April 23, which sparked tensions that lasted five days, underscored the delicate position of the lightly armed U.S. troops in this former Yugoslav republic as they undertake an increased presence and responsibility in the U.N. peacekeeping operation in the Balkans.

The presence of the U.S. soldiers is aimed at preventing the bloody 25-month-old conflict in Bosnia from spilling into Macedonia and triggering a general Balkans war.

Macedonia, which declared its independence from Yugoslavia in 1991, is surrounded by Bulgaria, Greece, Serbia and Albania, which have various claims on Macedonia's territory, people, culture, religion and even its name.

Macedonia's ethnic mix—about 30 percent of the population is Albanian— most resembles Bosnia's explosive brew, and a domestic dispute could spark a war across international borders. Furthermore, the explosive Serbian region of Kosovo is on Macedonia's border. As a result, the United Nations has sent more than 1,000 peacekeepers there to patrol Macedonia's frontiers with Albania and Serbia. The U.N. force includes U.S. troops, who began arriving in January 1993.

From an original force of 300, the blue-bereted American presence in Macedonia has increased in the past month to more than 520 troops and now represents close to half the total U.N. force here. A second infantry company from the Germany-based 3rd Infantry Division was deployed here in mid-April, and three Army Blackhawk helicopters and 30 aviators were also dispatched.

During the recent incident, the U.S. troops at this 12-man outpost, located on a scrubby hill 30 yards from the Serbian border, took to their fighting positions behind sandbags for several hours, donned flak jackets, grabbed their weapons and trained a 50-caliber machine gun on the Serbian mortar position during the encounter. Anti-tank weaponry was available although not put in position.

"Whatever they did, we did," said Sgt. Michael Carr, the observation post commander. "Our 50-cal was laid right on them. It was a mirror effect. We didn't overreact, but we didn't underreact."

Across the Tabanovce Valley, a second U.S. observation post in the hilly northern Macedonia frontier also encountered a Serbian buildup. Lt. Col. Carter Ham, the U.S. commander in Macedonia, moved some troops closer to the outposts ready to respond if needed. U.N. helicopters flew by.

After five tense days and U.N. consultations with Belgrade, the Serbians pulled back and the U.S. soldiers here breathed easier.

Commanders at the U.S. and U.N. headquarters for the peace-keeping force in the Macedonian capital of Skopje play down the seriousness of the incident, and the Serbs called it a training exercise. But for the soldiers at OP 51-E, it was deadly serious.

The Serbian activity began a day after NATO issued its ultimatum on April 22 for Bosnian Serbian forces to end their attacks on the Bosnian Muslim city of Gorazde, and as far as soldiers here are concerned, this was no coincidence. "I think if we had bombed, they would have retaliated," said Carr. "That's my guess."

Following the encounter at the observation posts, the U.N. and U.S. commanders in Macedonia made an unusual trip into Serbia to discuss the matter with Serbian corps commanders. Serbian commanders told them that the border activity was training for a reserve unit, and that the Serbian soldiers who set up the mortar had merely been curious about the new American presence in this border sector.

"I told them if we see weapons systems aiming at us, it creates tension," said Brig. Gen. Tryggve Tellefsen, a Norwegian commanding the U.N. troops in Macedonia. "I told them it would be a good idea to avoid this." The general said the Serbs agreed to inform him in advance of future exercises.

Ham, the U.S. commander, said the Serbian actions likely resulted from an overzealous local commander and were not part of an effort by Serbia to threaten the American troops. "I think once it became known in Belgrade, probably more senior officials interceded and said, 'This is not what we want to do,' " he said.

Until last month, the U.S. force was relegated to patrolling a 15-mile border sector in a remote mountainous region in the east, not far from Bulgaria, where virtually nothing ever happened. But the American reinforcements were sent to free a Swedish contingent for duty in Bosnia.

Now that they have taken over the old Swede border sector, which straddles the Belgrade-Athens highway, U.S. troops patrol 45 miles of border and have far more sitings and occasional contact with Serbian forces. The Serbs also conduct regular patrols in this more populated, strategic area and sometimes cross into Macedonia. "We saw more in the first three days here than the entire time in the east," said Carr.

With a mission only to patrol and observe along the border, the U.N. troops have no capability or authority to defend Macedonia in the unlikely event of a Serbian invasion. "Unless they're actually shooting at us, we can't do anything," said 1st Lt. Robert Bennett, commander of the border sector on which OP 51-E sits.

But the U.N. presence, and in particular that of the United States, is aimed at warning Serbia about moving against Macedonia. "We are a thin blue line, having no fire power, no artillery or tanks, showing the will of the world community," said Tellefsen.

Although a number of Serbian patrols or troops in the border region have increased in recent weeks, Tellefsen said, "I don't see any military threat on Macedonia for the time being."

In the meantime, U.S. forces are upgrading the observation posts they have taken over from the Swedes. Army engineers are busy building underground bunkers in which soldiers could seek cover from shelling. More fighting positions are being added, and all are being improved to include overhead cover.

Tony are we OK on this? – Need to discuss – [illegible]

THE PRESIDENT HAS SEEN
5-18-94

THE PRESIDENT HAS SEEN 5/18

THE WHITE HOUSE

WASHINGTON

L Cutler

[redacted] — contrary argument
— may be worth a discussion
B.

13 May 1993

Dear Bill,

This letter from George Reedy is intended for you and includes some ideas worth consideration, I think.

Is the June 17th World Cup Soccer Ceremony an event that Chelsea might attend with you? If she/or you needs a knowledgeable escort, I bet Devin &/or Adrian would volunteer.

[redacted]

Hope you're all holding up. You look great from our vantage point. Best,

Brooke

George E. Reedy
Nieman Professor of Journalism

MU Marquette University

Milwaukee, WI 53233
414-224-7089

May 7,1994

Dear Brooke:

I was both shocked and appalled by the headline in this morning's MILWAUKEE SENTINEL that the President might plead Presidential immunity to the suit on sexual harassment filed by Paula Jones. If he does, he might as well submit his resignation with the plea and turn the White House over to Albert Gore at once. I am hoping and praying that the story is based on academic musings by a lawyer and that the President never considered it at all.

Right here, I wish to make an important--really crucial--point. Never,never,never trust a good lawyer for advice on a political issue. A few lawyers are good at politics but if you check them, you will find out that they are not very good lawyers. The problem is that good lawyers become enamoured of legal technicalities which do not stand up outside a courtroom.

One of LBJ's greatest problems as President grew out of trusting the advice of one of the best lawyers in Washington--Abe Fortas. There was a tie between Baker and Johnson which was innocent on the latter's part. But LBJ had engineered Baker's selection as Secretary to the Majority in the Senate and the Press referred to him as LBJ's "protoge" when he was caught with his hands in the cookie jar. Fortas advised Johnson to deny that there was any hook-up between the two of them because Baker had been elected to the Senate post by the vote of the Senate Democratic Caucus. It was a distinction without a difference and the only result was mockery by the Press which took up the theme that Johnson claimed he "barely knew Bobby Baker". This was so obviously phony that it dogged LBJ throughout his term. Incidentally, Johnson did not consult me or any of his political advisers on the Fortas statement in advance. Had he done so, we would have prevented him from making it even if we had been forced to hogtie him and insert a gag in his mouth.

The best tactic here is the opening move made by the President--a refusal to discuss it as unworthy of President discussion but a firm denial issued by a White House spokesman. This suit is going to hurt and the hurt will be painful. But it is not necessarily disastrous unless Presidential immunity is invoked. Many people are going to believe Paula Jones regardless of the facts. But others will not believe her and they will be in a majority as long as the Clinton Presidency is going well.

Right now, it is going <u>very</u> well. The vote to ban killer guns is welcome in every large and middle-sized city and the President will get the credit in the public mind. Furthermore, success breeds success when dealing with Congress and the gun control measure can well be the prelude to success in other fields.

Another point of importance is that the TV conferences with Mrs. Clinton are being well received. She is really making a "hit". Of course, there will be some negative comments. But there were negative comments about Eleanor Roosevelt also and the obvious fact was that she enhanced FDR's popularity.

One minor point. I noticed that the President was reported as being "testy" over critical questions about his foreign policy at a news conference. I don't blame him if the reporting was valid. Anyone who has experienced the complicated realities of foreign policy groans at the public attitude. President Clinton's response--outside of the testiness--was very good. What he said is that Presidents, when they enter the office, soon discover that their powers in this field are strictly limited and that many campaign promises go by the board because of their impossibility. The only difficulty here is that the Republicans are desperate in their search for issues and any testiness displayed by the President will lead to a redoubling of their efforts to make him look bad on some specific issue.

Sincerely

George

Brooke Shearer, Director
President's Commission on
White House Fellowships
712 Jackson Place, N.W.
Washington, D.C. 20503

PS: I was the guest speaker at a Distinguished American luncheon given by the John Fitzgerald Kennedy Library last week. It had an excellent audience which included people like Tony Lewis, Marvin Kalb and other top journalists. Most of them were rather favorable in their estimates of the President although all of them also thought that he still has to learn some things about the Presidency.

GER GER

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

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^EDWIN YODER COLUMN<
^(Advance for Wednesday, May 11, 1994, and thereafter)<
^(For Yoder Clients Only)<
^By EDWIN M. YODER, JR.=

WASHINGTON--Many unpleasant currents converge in the ''sexual harassment'' charges filed against President Clinton last week in Little Rock by a former Arkansas state employee, Paula Corbin Jones. She claims that in May 1991 then-governor Clinton called her to a hotel suite and made unwanted sexual advances.

Jones first told her story in February at a Cliff Jackson special--yet another press conference called by the self-styled former ''friend'' who for years has merchandised one tale after another in his tireless crusade to besmirch Bill Clinton. Since there were no witnesses to the alleged incident, Jones' word is all we have to go on. Robert Bennett, the president's lawyer, has categorically denied the charges in his behalf.

No doubt Clinton's partisan enemies rejoice at yet another trashy shot at him. But their turn will come, for it requires no great depth of imagination to see where the politics of character assassination is leading. If Paula Jones succeeds only in making a nuisance of herself, her case will offer a tempting precedent for any foe of any officeholder anywhere. A sitting president is merely the biggest imaginable target.

Unfortunately, the American press tends to be cowed by the talismanic words ''sexual harassment,'' which rank next to ''child abuse'' as a self-validating accusation. The response therefore is boilerplate legal pieties. If Richard Nixon had to answer a subpoena for his tapes, or Clarence Thomas face Anita Hill's charges, shouldn't a president be obliged to do likewise? The easy answer is yes. ''There seems no satisfactory or honorable alternative to its being resolved in the judicial system'' says The Washington Post.

(more)

But the easy answer is too easy. There are abundant distinctions to be made; and some constitutional evidence that those who wrote the United States Constitution intended these sideshows to be deferred during a president's term of office.

Richard Nixon was not charged with a pre-presidential personal indiscretion. He was charged with abusing the powers of the presidency as an ''unindicted co-conspirator'' plotting to corrupt the course of justice--a suspicion eventually confirmed by the White House tapes. Clarence Thomas was accused of abuses related to his performance as head of the Equal Employment Opportunity Commission, which makes rules about behavior in the workplace. Not that Anita Hill's tittle-tattle warranted Thomas' public humiliation by a Senate panicked by a tidal release of pent-up feminine fury.

Like 98 percent of the vulgar personal detraction of Bill Clinton, Jones' charges date from the Arkansas years. The usual excuse for the attention these charges get today is the ''character issue,'' a term invented by reporters and pundits to justify prurient probing of the private lives of public persons. And the venting of that prurience is injecting a terrible savagery into American political life--the ''politics of moral annihilation,'' as E.J. Dionne has called it.

A clear line connects the Robert Bork hearings (his detractors, please recall, tried to dig up dirt on him by prying into his video rentals) to John Tower's kangaroo-court trial by the Senate Armed Services Committee on vague insinuations of ''womanizing'' and excessive drinking, and in turn to the Clarence Thomas ordeal, and now to the relentless denigration of the Clintons.

Jones' suit may be dismissed on grounds of presidential immunity, and should be. If it isn't, Congress has clear authority under its Article III powers to deprive character assassins and fortune hunters of their capacity to drag a president into the gutter of private civil litigation. An ex-president enjoys no immunity to prosecution for crimes committed in office; nor should he. But that constitutional provision implies that while a president is serving at the pleasure of

(more)

the voters he should be reached only by impeachment--not by private suits like Jones'. Sexual harassment suits (and what others to follow?) could turn the presidency into a circus and bring the executive branch to a standstill.

That is the practical side of the issue. The other side of it, in some ways more important, is the continuing slide of public life into the gutter, through the licensing of prurience, the waning of reticence, and the tendency to forget that government is a community enterprise, not a life-and-death struggle. When partisan zealots have had their way and we are all in the muck together, who will have won or lost?

THE PRESIDENT HAS SEEN 5/18

With the Arts And Entertainment

TB VP

Fgr - B

Science Times

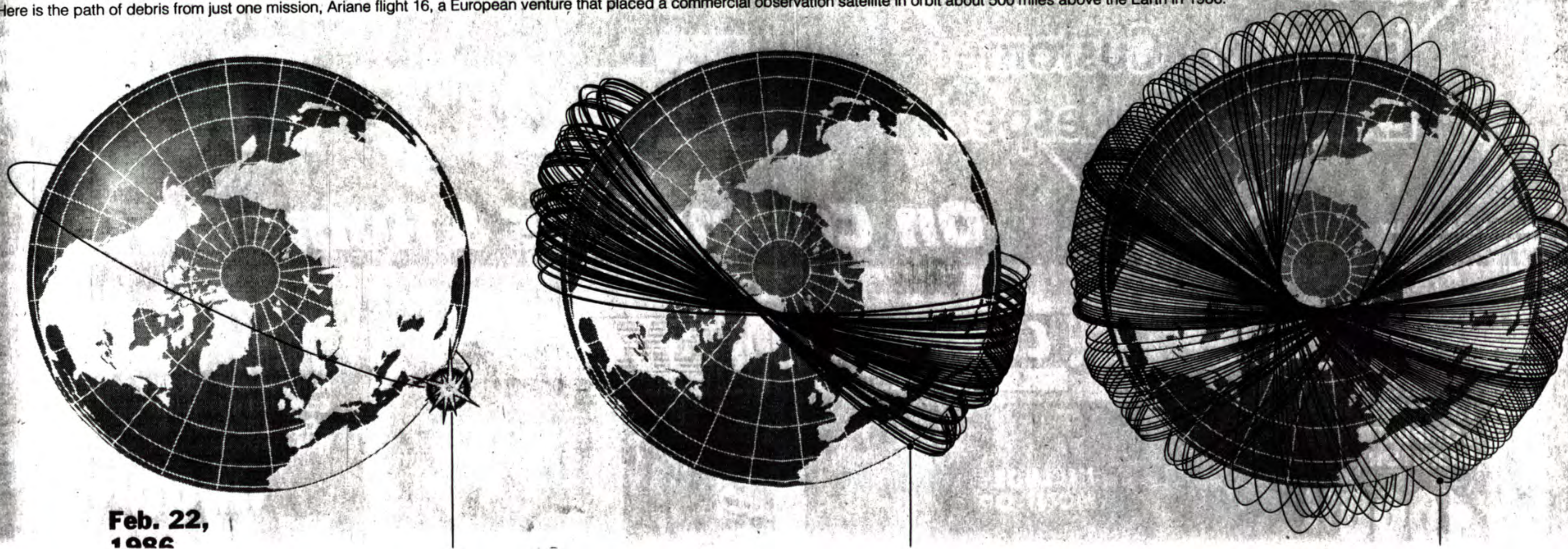
TUESDAY, MAY 17, 1994

The New York Times

C1

Fragmenting Space Debris Could Put Satellites at Risk

Space Explosion: a Case Study More than 7,000 pieces of trackable debris are circling the Earth, creating hazards for spacecraft now in orbit and for new missions. Here is the path of debris from just one mission, Ariane flight 16, a European venture that placed a commercial observation satellite in orbit about 500 miles above the Earth in 1986.



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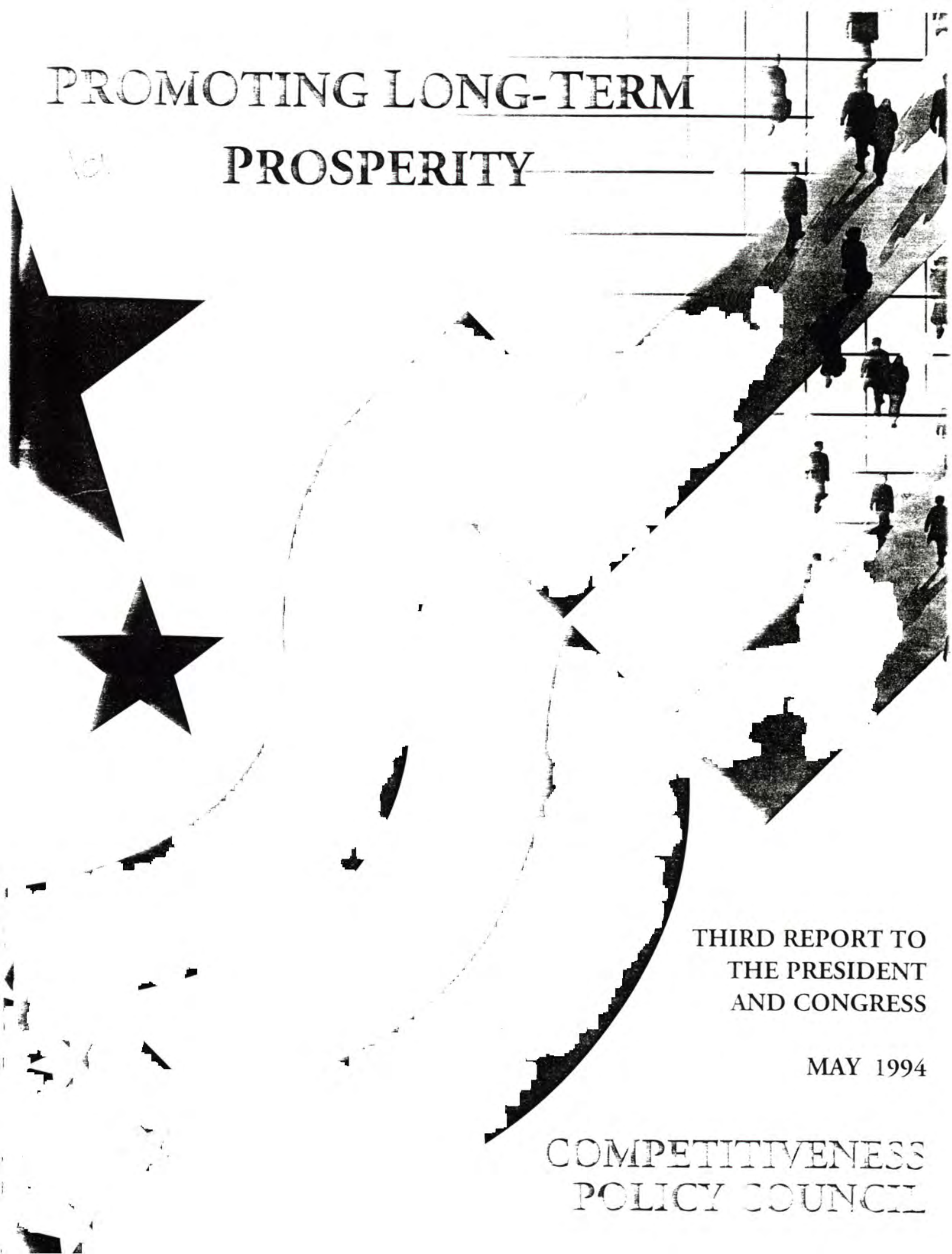

PROMOTING LONG-TERM PROSPERITY

THIRD REPORT TO
THE PRESIDENT
AND CONGRESS

MAY 1994

COMPETITIVENESS
POLICY COUNCIL

Competitiveness Policy Council

Appointed by the President

Albert Shanker *(Labor)**
President
American Federation of Teachers

Alexander Trowbridge *(Business)**
President
Trowbridge Partners

Laura D'Andrea Tyson *(Government)*
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Edward O. Vetter *(Public Interest)**
President
Edward O. Vetter and Associates

*appointed by President Bush

Appointed by the Bipartisan Leadership of the US Senate

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Chairman and CEO
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John Barry *(Labor)*
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of Electrical Workers

William Graves *(Government)*
Secretary of State, State of Kansas

Bruce Scott *(Public Interest)*
Professor of Business Administration
Harvard Business School

Appointed by the Bipartisan Leadership of the US House Representatives

C. Fred Bergsten, Chairman
(Public Interest)
Director
Institute for International Economics

John J. Murphy *(Business)*
Chairman and CEO
Dresser Industries, Inc.

Edward V. Regan *(Government)*
Former Comptroller
State of New York

Lynn R. Williams *(Labor)*
Retired President
United Steelworkers of America

PROMOTING LONG-TERM PROSPERITY

THIRD REPORT TO
THE PRESIDENT
AND CONGRESS

MAY 1994

COMPETITIVENESS POLICY COUNCIL

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Competitiveness Policy Council

Washington, DC

May 1, 1994

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

Dear Mr. President:

The Competitiveness Policy Council is pleased to deliver its Third Report to the President and Congress. In it we discuss the current state of US competitiveness and make recommendations for needed policy changes.

In its first report, the Council called for a comprehensive strategy to address the steady erosion in America's competitiveness. In its second report, the Council presented detailed policy recommendations in the areas of capital formation, corporate governance and financial markets, critical technologies, education, manufacturing, public infrastructure, trade policy and training. During the past year, we have focused on key specific policy issues and how they relate to US competitiveness, and have worked with the Administration and Congress in seeking implementation of the Council's previous recommendations.

In addition to commenting on recent developments in education, training, technology, public infrastructure and trade policy, this year's report focuses on the impact of health care reform on the nation's competitiveness and ways of improving how the government budgets for public investment.

The Report represents a consensus of the Council members though not every member agrees with every word in the text. The Council members have been appointed as individuals and their concurrence in this report does not necessarily reflect the position of the institutions with which they are associated.

Honorable William J. Clinton
Page 2

The Competitiveness Policy Council is a 12-member federal advisory committee with representatives from business, labor, government (both state and federal) and the public. The group is comprised equally of Democrats and Republicans. All of our meetings are open to the public. One-third of our members were appointed by the President, one-third by the Speaker and the Minority Leader of the US House of Representatives acting jointly, and one-third by the Majority and Minority Leaders of the US Senate acting jointly. The Omnibus Trade and Competitiveness Act of 1988 (P.L. 100-418), as amended by the Customs and Trade Act of 1990 (P.L. 101-382), created the Council "to develop recommendations for national strategies and on specific policies intended to enhance the productivity and international competitiveness of United States industries."

We look forward to discussing the findings and recommendations of this report with you as we all seek to build a more competitive nation.

Sincerely,

C. Fred Bergsten
Chairman

Enclosure

NOTE: Identical letters were sent to Albert Gore, Jr., President of the Senate, and Thomas S. Foley, Speaker of the House of Representatives.

Table of Contents

List of Figures

Introduction

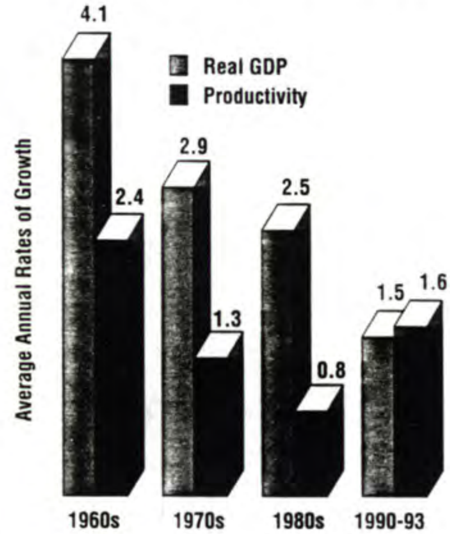
The latest news about the US economy is encouraging. But its recent strength is not enough to reverse the long run erosion in the nation's competitiveness — defined as our standard of living. There has been improvement in some of the macroeconomic indicators but little progress is evident in many of the underlying economic fundamentals that are critical to improving our competitiveness: saving and investment, research and development, and education and training. Without improvement in these fundamentals, we are unlikely to translate the current pickup into long-term gains in our standard of living.

On the other hand, the current environment provides a good framework from which to attack our long-run needs. Between 1972 and 1987, after taking cyclical factors into account, productivity grew by only 1.3 percent per year, compared with an average of 2.5 percent during the previous twenty years. Between 1987 and 1993 productivity growth was still only 1.2 percent per year.[1] The higher numbers in the early 1990s are largely due to the normal productivity recovery from the recession. As the Council indicated in its First Report in 1992, high productivity and economic growth rates are critical ingredients for enhancing our competitiveness. In order to improve our standard of living we need to restore the productivity growth rates that we experienced prior to 1973. [Figure 1]

Productivity growth is a necessary, but not sufficient, condition for improving US competitiveness. Higher economic growth is needed to reemploy the human resources freed up by increased productivity. Accordingly, the Council set a second goal of achieving a lasting growth rate of 3 to 3.5 percent for the overall economy by the end of the decade. The US economy surpassed this target in 1993, posting 4 percent growth. In response, unemployment, which has been too high for too long, fell from 7.7 percent in June 1992 to 6.4 percent by the end of 1993. This pickup in economic growth in 1993 was highly welcome.

But we are doubtful that such rapid growth can be maintained. Although net private investment moved up slightly to 4 percent of gross domestic product (GDP) in 1993, it is still well below its 1973 level of 8 percent of GDP and continues to be the lowest of all the industrialized nations. Investment in plant and equipment, which has

Figure 1
Growth of GDP and Productivity



Source: Department of Commerce

The "Competitiveness" Debate

In its First Report to the President and Congress, the Council defined competitiveness as the "ability to produce goods and services that meet the test of international markets while our citizens earn a standard of living that is both rising and sustainable over the long run." The Council has consistently relied upon this broad definition, as opposed to more narrow ones based on the trade deficit or market shares that are used by others. Nations are not corporations and thus cannot be judged in the same manner. A nation's primary economic objective is to provide a rising standard of living for all its citizens.

Increasing economic integration has made national economies more interdependent. In spite of this increased economic integration, improvement in our competitiveness need not come at the expense of others. On the contrary, nations can raise their living standards simultaneously, just as occurred during the 1950s and 1960s. The global economy serves as the source of future economic growth.

Productivity growth is the key to long-term improvement in our standard of living. Investment in plant and equipment, R&D and infrastructure, and education and training are critical ingredients to improving productivity growth. Earning the resources with which to make these investment, rather than borrowing them, will insure that the resulting increases in living standards are sustainable over the long term.

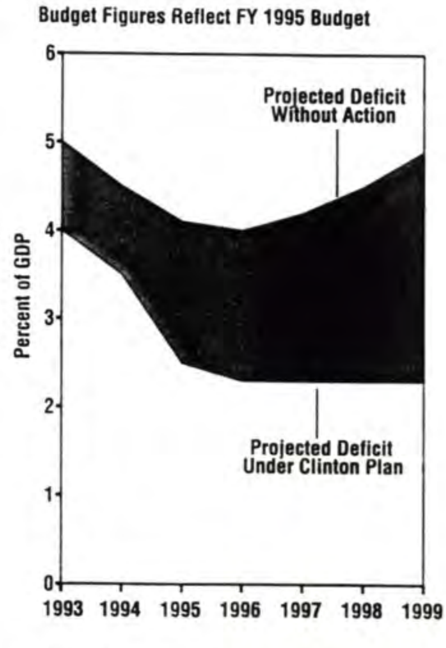
the highest payout in terms of productivity, also remained relatively flat at 9 percent of GDP in 1993, its lowest level in over 30 years. The Council calculates that national investment would have to increase by at least 4 to 6 percentage points of GDP, or about $300 billion annually at current prices, for the economy to achieve our ambitious productivity target and thus maintain growth at 3 to 3.5 percent per year.

In order to finance the needed increase in national investment without additional foreign borrowing, the national saving rate would have to rise by 5 to 7 percentage points of GDP, restoring national saving to the level that prevailed prior to 1973. One of the most troubling developments in 1993 was that net national saving (gross saving minus federal and state government deficits) fell to 1.5 percent of net national product (NNP), continuing its downward trend from 11 percent of NNP in 1973. [Figure 2]

This fall in net national saving occurred in spite of the Administration's success in securing Congressional approval of a five-year budget reduction package. The Congressional Budget Office (CBO) recently reported that, due in large part to the agreed package, the federal budget deficit is expected to fall to approximately 2.5 percent of GDP by 1998, down from close to 5 percent of GDP in 1992. [Figure 3] This is a substantial move in the right direction but is only half way to eliminating the deficit. Under current policies, moreover, the budget deficit is expected to begin increasing again after 1999.

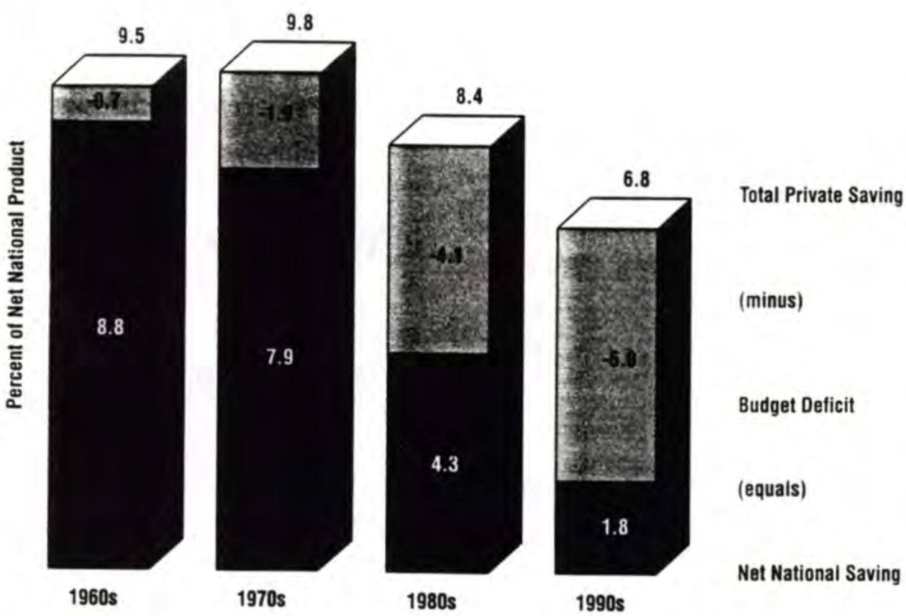
Total private saving fell one percentage point of NNP, caused in large part by a large drop in household saving from a peak of 7 percent of NNP in 1973 to a historic low of 3 percent of NNP in 1993.[2] As the Council noted last year, increases in private saving, while desirable, are extremely difficult to engender; thus most of the improvement in nation-

Figure 3
Deficit Reduction Under the Clinton Plan



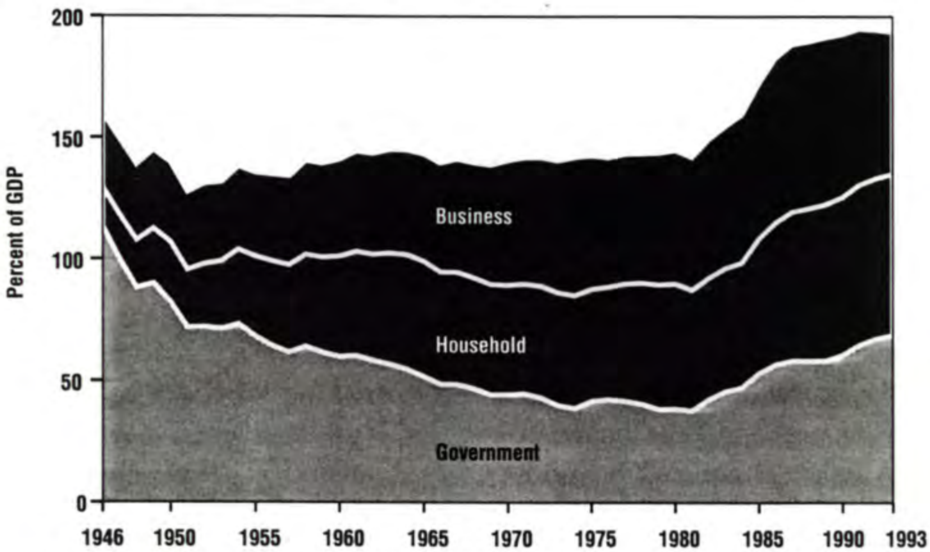
Source: Office of Management and Budget and Congressional Budget Office

Figure 2
US National Saving



Source: Department of Commerce

Figure 4
Level and Composition of US Debt



Source: Federal Reserve System

al saving will have to come from correcting the federal budget deficit.

Increases in public and private saving are critical to achieving a sustainable improvement in our living standards. Economic improvements built on debt-financed consumption will not translate into permanent gains for all Americans. Aggregate non-financial debt is close to twice the nation's GDP, higher than any time since the Second World War. [Figure 4] In spite of the fact that the economy has been improving, government and household debt has continued to grow to record levels. Business debt has returned to its mid-1980s level, but remains at almost 60 percent of GDP. The only way we can hope to achieve lasting improvements in our economy is to *earn* our standard of living, through domestic saving and investment, and not continue to borrow, as we have been doing since 1980.

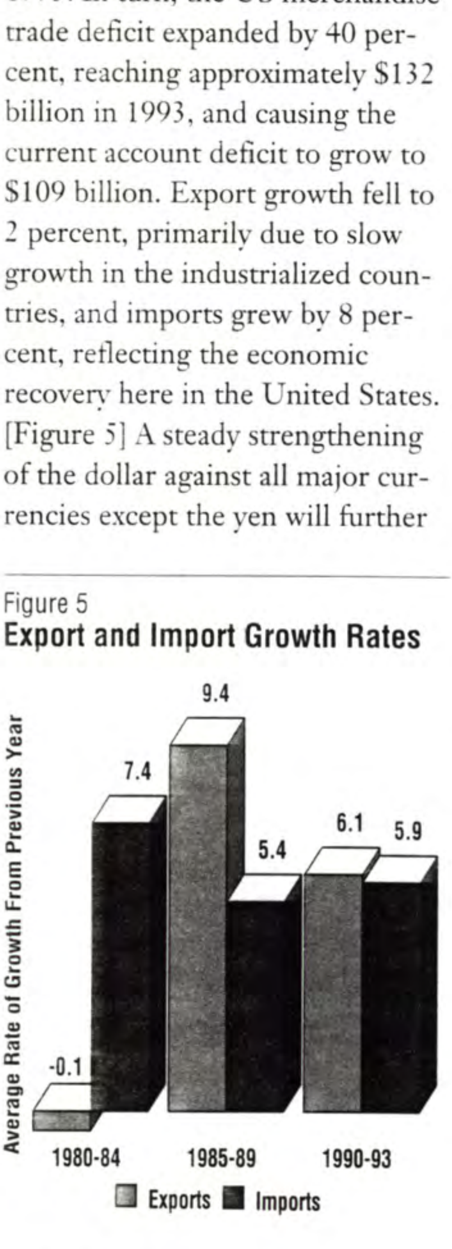
The recent upturn in the economy camouflages another troubling development. The widely cited economic indicators report national averages which do not correspond to individual experience. The Council is concerned about raising living standards for *all* groups of Americans. While average personal income has been rising, the percentage of people living below the poverty line has been increasing. Furthermore, the average annual growth of mean family income has been falling in the lowest two quintiles, basically constant in the third quintile, and has been rising only in the top two quintiles. The worsening distribution of income is not only a manifestation of our competitiveness problem but also contributes to many of the problems plaguing our society today.
More job creation and investment in education and job training are necessary to help American workers achieve rising living standards.

How is the United States Performing Relative to Others?

When looking at US competitiveness relative to our major trading partners, the most relevant measure of comparison is productivity growth. While the United States remains the most efficient economy in the world, the gap between the United States and the other industrialized countries is closing. Productivity growth rates in Japan and Germany have tended to be above those for the United States until recently.

However, productivity growth in Germany fell to almost zero and in Japan actually fell to below zero in 1992. Japan, correcting for its investment bubble in the 1980s and having failed to take the necessary expansionary measures, experienced a decline of half a percent of GDP in 1993. Germany, which has yet to fully adjust to the challenges of unification and new realities in the international economy, experienced a decline of 1.5 percent of GDP in 1993. In turn, the US merchandise trade deficit expanded by 40 percent, reaching approximately $132 billion in 1993, and causing the current account deficit to grow to $109 billion. Export growth fell to 2 percent, primarily due to slow growth in the industrialized countries, and imports grew by 8 percent, reflecting the economic recovery here in the United States. [Figure 5] A steady strengthening of the dollar against all major currencies except the yen will further exacerbate the deterioration of the US trade deficit.

Figure 5
Export and Import Growth Rates



Source: Organization for Economics Cooperation and Development

The fact that the US economy outperformed Germany and Japan in 1993 has led some observers to suggest that the United States has solved its competitiveness problem. The Council does not share this optimism predicated upon a narrow view of competitiveness. We should not take comfort from the fact that other nations are performing worse economically than the United States. Nations can and should seek to raise their living standards simultaneously, as was the case for most of the period following World War II. Furthermore, declines in European or Japanese growth rates do not imply that the US economy is operating more efficiently. The best measure of our nation's ability to compete is our ability to maintain rising living standards here at home. Strong growth abroad is necessary in order for US producers to sell their products and hence boost US income.

Between 1870 and 1973, real per capita income in the United States grew at an average of 1.9 percent per year, enabling incomes to double every thirty-two years. US living standards in 1973, measured by real income, were ten times greater than they were a century earlier. At the current anaemic growth rate of 3 percent per year between 1973 and 1993, it will take another fifty-five

"The key to stemming the erosion of US competitiveness lies with reversing recent trends in long-run economic fundamentals. Although the current economic recovery does not in itself achieve this, it does provide an excellent opportunity to act decisively in shifting national priorities toward investing in human and physical capital."

years, until the year 2050, to double current incomes. The key to stemming the erosion of US competitiveness lies with reversing recent trends in long-run economic fundamentals. Although the current economic recovery does not in itself achieve this, it does provide an excellent opportunity to act decisively in shifting national priorities toward investing in human and physical capital. It is precisely during times of economic growth that we should begin saving and investing for the future.

The Council's Role

The Competitiveness Policy Council was established by Congress in 1988 to address the long run decline in the nation's standard of living. The Council brings together representatives of business, government, labor, and the public — both Democrats and Republicans — to analyze the causes of the erosion in our competitiveness and to make recommendations to reverse this trend. In its First Report to the President and Congress, issued in 1992, the Council stated that "America's economic competitiveness ... is eroding slowly but steadily in spite of the fact that the United States continues to maintain the highest living standards and levels of productivity in the world." In its initial report, the Council identified six issues relating to improving US competitiveness deserving of priority attention: saving and investment, education, technology, corporate governance and financial markets, health care costs and trade policy. In 1993, the Council presented detailed recommendations in each of these areas. Many of these recommendations, especially in the areas of technology, trade policy, education and worker training, have already been adopted by the Clinton Administration and enacted by the Congress. This year's report focuses on the implications for America's competitiveness of health care reform, public investment in technology, education, training, and infrastructure and trade policy. This report also outlines our recommendations on investment budgeting and our current work program in the areas of capital allocation and social issues.

Health Care Reform and US Competitiveness

As a sector responsible for 14 percent of GDP, health care influences every aspect of the US economy. Accordingly, in its First Report, the Council identified health care reform as an area deserving priority attention. Because of its enormous and growing impact on the economy and the federal budget, the Council concluded that the "national objective should be the achievement of world-class health care for all Americans at a cost to the economy that is comparable to other major industrial countries."[3] Given the rapidly shifting nature of the policy discussion, the Council decided to defer its consideration until the Administration's reform proposal and other detailed proposals were was presented for policy debate.[4]

The Council is interested in the impact of health care reform on the economy as a whole as well as on the labor market, the trade balance, and particular industries. Each of these is discussed below.[5]

Health Care and the Economy

Health care costs in the United States are higher and are rising more rapidly than in all of our major trading partners. Unfortunately, there is no evidence that our citizens are commensurately healthier. Although there is no apparent relationship between health care expenditures and predicted life expectancy among the industrialized countries, the United States is a clear outlier with extremely high health care expenditures and lower than average predicted life expectancy.[6]

This leads the Council to believe that health care costs are diverting resources from other parts of the private economy where they could be used more productively and thereby improve the overall competitiveness of the country. In the absence of reform, the health share of GDP is projected to rise from its current 14 percent level to around 17 percent in 2000. None of the reform proposals being discussed, including the Administration's, promise to freeze the current share of GDP devoted to health care. They would only slow the rate of growth beginning in 2000, resulting in a lower health share of GDP after 2000 than would occur under present law. This would be a significant achievement, but the Council believes that the nation may eventually have to aim to *reduce* the share of GDP devoted to health care. In addition, all budget estimates on health care reform are subject to a great degree of uncertainty.

Evaluating the impact of health care reform requires a consideration of both the short term and the long term. In the short term, the federal deficit is likely to rise slightly higher with reform than it would under current law. This could further reduce national saving. In the long run (after 2004), the various plans being discussed aim to reduce the federal deficit below the current-law baseline and contribute to raising national saving and investment. As we stated in our First and Second Reports, federal policy often has a built-in bias against long run considerations. For health care reform, we believe that the proper target is getting control of the system's costs over the long run. Therefore, in comparing reform alternatives, Congress and the American people should give more weight to the long term deficit implications than to the impact on the deficit over the next few years.

If health care costs were frozen at approximately the current level of spending, averting a projected increase to 16 percent of GDP by 1997, $125 billion (in 1997 dollars) could be redeployed to non-health purposes. Such a reduction in projected health care spending would not change national income but the "reform dividend" could have a significant positive effect on competitiveness, depending on the extent to which the freed-up resources were reallocated to productivity-enhancing investment. Companies could invest some of their reform dividend in research, while individuals could devote some of their ensuing higher wages to personal saving. The reduction in the share of employee compensation attributed to health care could be matched by an increase in the share going to pensions, further increasing national saving. Lower federal spending on health could enable the federal government to reduce the deficit, leading to a further improvement in national saving. Lower health care costs could also make the United States more attractive to job-creating foreign investors.[7]

In the absence of changes in individual saving, business investment, or government dissaving, large effects on competitiveness cannot be anticipated. But the way in which the reform is carried out could lead to some effects on competitiveness.

Given the large size of the health care sector, even small effects can be significant when amplified across the economy.

Health Care and the Labor Market

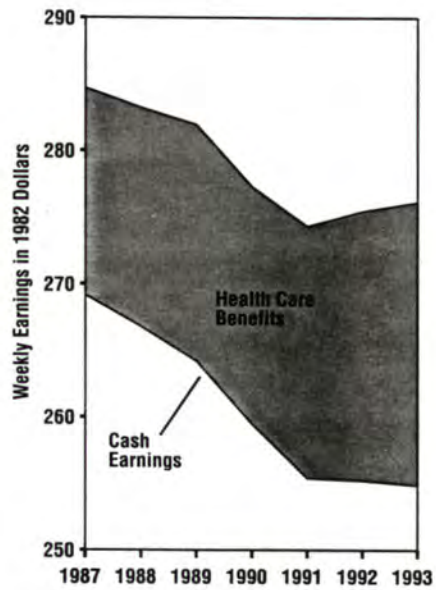
The biggest stake workers have in health care reform is in gaining access to quality health care. There is enormous benefit to such health security, both to workers and to the long-term efficiency and flexibility of the US economy as a result of the greater mobility of workers no longer dependent on their current employers for health care benefits. The Administration and Congress need to ensure that any further health insurance subsidies provided for low-income individuals do not create new disincentives preventing the poor from taking jobs.

If the rate of increase in total health costs is reined in, workers will also benefit as consumers. Health care reform may also permit unionized workers and management to shift their focus to other workplace issues; disputes over health care benefits have been a leading cause of labor-management disputes and strikes.

Most analysts now agree that the burden of the current employer-based health care system is borne primarily by workers in the form of lower wages. Increases in health care costs in recent years have eaten into employee wages and other benefits.[8] In fact, rising health care costs in recent years may help explain some of the decline in real wages over the same period. Had employer spending on health care been considered as "imputed income," the fall in cash earnings would not have been as steep. [Figure 6]

In addition to its impact on wages, the current health care system has contributed to a two-tier job market. While employers are not currently required to provide health insurance, many do. To avoid incurring greater costs, employers sometimes hire new workers as temporaries or via temporary worker services to avoid incurring current and future health care obligations. The increased use of temporary workers can be a result of many factors, such as industry restructuring, a desire for more flexible work teams or the choice of individuals who do not wish to work full time. But to the extent that health insurance plays a role, the reliance on temporary workers is a negative factor for the labor market as a whole. In addition to working with little security and few benefits, temporary workers often do not receive adequate training, are not fully integrated into the workplace, and therefore are not able to contribute fully. A national workplace distorted by the health insurance system cannot meet high performance standards.

Figure 6
Cash Earnings and Employer-Paid Health Care Benefits



Source: Bureau of Labor Statistics

The health care system may also exacerbate problems with the current welfare system. Under the existing system, some low-income individuals may face a perverse disincentive, preventing them from taking a job lest they lose their Medicaid benefits. According to the CBO, the Administration's proposal is projected to increase the labor force participation of welfare recipients. Such a "liberating" effect could assist in the welfare reform process. On the other hand, an employer mandate, by raising labor costs (at least temporarily), could reduce the demand for workers.

The current health system causes large cost shifting. The firms that provide health insurance pay not only for their workers, but often also for spouses working elsewhere without health insurance. In addition, small companies that provide insurance may pay very high rates due to the absence of community rating. Both forms of cost shifting may distort competitiveness in favor of firms that do not pay health care costs. Thus, the current situation is unsustainable.

Reform of the magnitude needed will certainly have an impact on health care-related industries, for example, the health care equipment and pharmaceutical industries, which are among the strongest export industries. The Council believes that the competitiveness impact of systemic reform on the health care industry should also be considered.

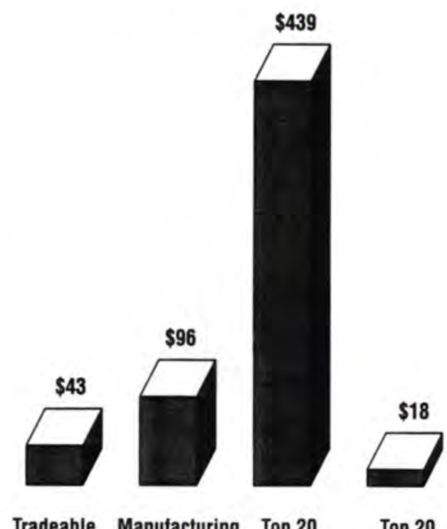
Health Care and International Trade

The effect of health care reform on international trade will occur mainly through its effect on federal spending and national saving. If health reform prevents the budget deficit from rising in future years, that will boost saving and should improve the balance of trade. If, as analysis suggests, increases in health care costs are borne primarily by workers, then US exports do not carry a higher price due to health care costs.[9]

In addition to any overall effect on the trade deficit, the composition of the economy and trade could change under reform. The present system of rising, uncontrolled health care costs falls most heavily on large firms, many of which are strong exporters. Industries such as mining, primary metal, transport equipment, chemical products and petroleum products spend more than twice the national average of health care costs per worker.[10] Reform of our current health care system could help ease the burden being placed on these industries.

Most of the cost savings resulting from reform are concentrated in the top twenty export industries, where firms could gain an average of $439 per worker. Manufacturers that currently offer insurance would gain an average of $263 per worker, as many of these industries already provide health care coverage both to their own workers and to their workers' relatives who are not covered by smaller employers. Manufacturing firms which do not currently insure their workers will have to pay an additional $1,726 per worker. This is compared to the average net cost per worker for all firms, which is estimated to be $319.[11] It is not clear what effect health reform will have on health-care related export industries such as equipment and pharmaceuticals which may benefit from the increasing spending on health services and may be hurt by utilization controls. Import-sensitive industries are expected to experience a modest cost saving under the Administration's plan. [Figure 7]

Figure 7
Net Savings Per Worker Under Health Care Reform



Council's Observations

Although the Council has not taken a position on pending health care bills, there are several points that it wants to make about the current debate.

First, the Council supports the availability of affordable high quality medical services for all Americans. The current system whereby some people cannot obtain coverage has negative economic, health, and social implications. Any serious health care reform must address the problem of cost shifting and aim toward a more equitable distribution of the costs of providing health care for all our citizens.

Second, many of the reform proposals, including the Administration's, are projected to achieve a lower growth path of federal health spending in the long-run (despite a higher path in the short run) than the current course. Cost containment through efficiency gains and true cost reductions, while preserving the ability of the industry to continue innovating, is key to insuring that reform does not come at the expense of our competitiveness. By better controlling the share of government spending going to health, the reform would free up public resources for important public investments and/or lowering the federal deficit. Either of these outcomes would contribute to American competitiveness.

Third, the current health care system is not a static entity. Too many analysts assume that the features that they like about the current system are fixed and therefore find fault with some features of the Administration's reform model. The public should compare the various reform plans not to the current system but rather to what the current system will evolve into if left unmanaged. The problem of medical overspending and inflation is a national problem requiring a national solution. At present, employers who do provide health insurance have to spend an inordinate amount of time trying to reduce their costs to the extent possible.[12] Many employers have cut back health services and without reform more will do so. The Council does not believe that the present system can cure itself without changes in the law.

Fourth, the Council has adopted no position on whether employers should be required to pay a portion of wages or salaries in the form of health care, but we are very troubled with the current system whereby some employers provide health care and others do not. This leads to distortions in our labor markets, the structure of our economy, and our medical system. Ultimately it is the worker who pays for most of the health care system, through lower wages and the quality of health care

"Health care costs are diverting resources from other parts of the private economy where they could be used more productively and thereby improve the overall competitiveness of the country."

received, and thus the competitiveness concerns over an employer mandate may be exaggerated.[13] Many of the large companies involved in the tradeable goods sector are already providing health care to their employees. An employer mandate would not hurt these companies; indeed it might help iron out some of the distortions which disadvantage these companies and may reduce future costs of providing health care insurance.[14]

Mandating firms which do not currently provide health care coverage may result in some short-run effects for these firms, but these can be softened in a variety of ways. Thus, the Council believes that the proposal for an employer mandate should be decided on other grounds such as practicality, equity, ease of administration, and most importantly, its contribution to improving productivity and US living standards. An employer mandate should not necessarily hurt our firms as they compete in international markets.

Fifth, the Council is concerned about proposals which would treat small and large firms differently. Government policies should avoid creating incentives for firms to be small, stay small or become small. Of course, the current system puts many small firms that provide health benefits at a disadvantage relative to larger firms because the costs per worker are disproportionately large due to the absence of large group rates.

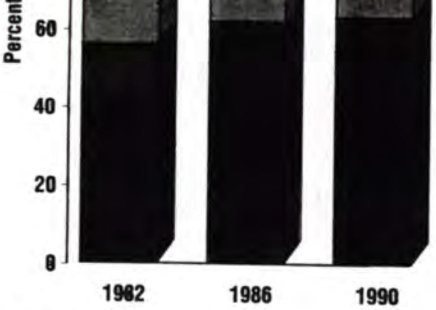
Sixth, the Council believes that whatever financing system is chosen should attempt to improve access and utilization of preventative health care services. By employing more cost effective preventative measures, we can avoid higher costs of treating illnesses. In spite of this, childhood immunization rates for certain diseases have actually fallen in recent years. A significant part of our current health care expenditures are directly affected by drug abuse, smoking, violence, AIDS, teen-age pregnancies, premature births and other life-style and behavioral issues. Ultimately, preventative health measures can go a long way toward achieving the difficult goal of containing costs.

Education and Training

The US economy has proven to be significantly more successful than other industrialized countries in creating jobs. The United States created over 40 million jobs over the past twenty years. Most of these new jobs were filled by new entrants into the labor force, including women, immigrants and members of the baby-boom generation. This enormous growth in jobs was also accompanied by changes in the composition and structure of employment in the United States. Virtually all of the new jobs created over the last twenty years were in the service sector (96 percent). In fact, employment in the service sector almost doubled from 47 million in 1970 to 88 million in 1993, while manufacturing employment declined from 19.4 million to 17.7 million over the same period. At the same time that the economy was creating jobs in order to absorb these new entrants into the labor market, real wages for production workers actually declined. Real average wages were $254.66 per week in 1993, 24 percent below their 1973 level of $315.38 per year.[15]

The United States has an enviable track record in job creation and absorbing new entrants into the labor force. But the economy has difficulty assisting people move from one job to another. Structural change, defense conversion, and trade liberalization have resulted in large numbers of dislocated workers over the past two decades. The high cost of moving these workers into more productive and growing sectors in the economy places large burdens on workers and communities. A flexible labor market benefits the economy as a whole, but we cannot ignore the costs which may result from such flexibility. The challenge is to preserve the benefits for the many without ignoring the costs to the few. If our aim is to improve the living standards, we must be concerned with the quality, as well as the quantity, of the jobs we create. In addition to creating high productivity, high income jobs, we must also make the proper investment to prepare our workers so that they can perform well in them.

Figure 8
Composition of the Student Body



Source: Department of Education

The Council made a series of recommendations in its 1993 Report to improve the competitiveness of the US labor market within the context of a system of life-long learning. There are four major aspects: basic education, school-to-work transition, active worker training and reemployment of dislocated workers. Each builds upon the others. Our ability to train students and workers for high skilled jobs depends on a solid foundation of basic education. Devoting additional resources to worker training will only be effectacious if we improve the quality of our basic education system.

Basic Education

President Clinton recently signed Goals 2000: Educate America Act, which establishes eight national education goals (see box) and a process for stimulating the nation, states and localities to achieve these goals. The Act codifies a bipartisan National Educational Goals Panel (NEGP) responsible for building a national consensus for improvement in education, reporting on progress made in reaching the goals, and reviewing standards and assessment criteria. It also establishes a National Education Standards and Improvement Council (NESIC) responsible for certifying national content, student performance and opportunity-to-learn standards. All these standards are voluntary; states may adopt NESIC-certified standards, submit their own standards for certification, or choose not to submit their standards to the NESIC. However, in order to receive some of the $400 million in Goals 2000 school improvement funds, states must submit plans to the Secretary of Education that address content and student performance standards and opportunity-to-learn strategies based on those standards.

Also included in the Act is the creation of a National Skill Standards Board made up of business, labor, education and training, government and community representatives. This Board is charged with developing a framework for a national system of voluntary standards for the knowledge and skills needed to perform successfully in the workplace.

As we noted in our Second Report, improving the education system must begin with the establishment of rigorous standards for what students should know and be able to do as a result of their schooling — standards for academic content and student performance. The Council therefore applauds passage of Goals 2000 in accordance with the recommendation included in its Second Report. Expectations must change from minimum competency to high achievement both for students who go on to college and for those who go directly to work. We strongly urge all states and local school districts to adopt the National Education Goals and to use them as the basis for curriculum and assessment, textbook and other materials adoption, teacher licensing and professional development requirements and accountability systems.

We also strongly urge that NESIC adopt a rigorous standards-certification process, that states either adopt those standards or submit their own standards to NESIC, and that the quality of this process and its effects on improving education be monitored.

National Education Goals

Goals 2000 had its origins in a meeting of the nation's governors convened in September 1989. In March 1990, President Bush and the governors announced eight education goals for the year 2000 and created an Education Goals Panel to develop indicators for measuring progress and issue an annual report card on the nation's progress in meeting the goals. The eight national education goals included in the bill signed by President Clinton prescribe that by 2000:

- All children will start school ready to learn.
- At least 90 percent of students will finish high school.
- Students will leave grades four, eight and twelve with demonstrated competence in English, math, science, foreign languages, civics and government, economics, arts, history and geography.
- Teachers will have access to programs for the continued improvement of their skills.
- The United States will be first in the world in math and science achievement.
- Every adult will be literate and possess the skills to compete in a global economy.
- Every school will be free of drugs and violence.
- Every school will promote involvement of parents in their children's education.

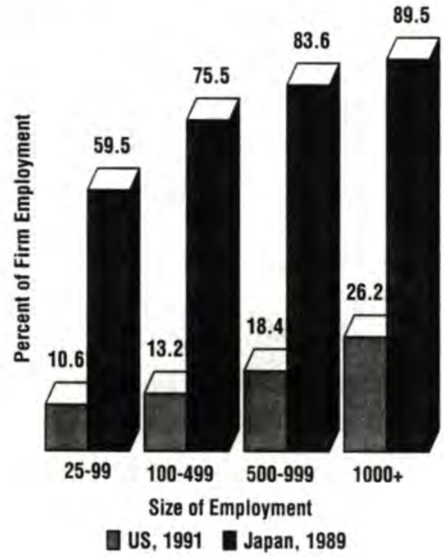
School-to-Work

President Clinton also recently signed the School-to-Work Opportunities Act, which reflects many of the Council's recommendations in this area. The Act provides $300 million in FY 1995 as seed money to states and local school systems to develop school-to-work transition programs. Aimed squarely at reclaiming the "forgotten half" of American youth who do not go on to college [Figure 8], the initiative includes many of the elements that the Council recommended as essential components: mentorship and jobs provided by employers; integration of academic and vocational learning; provision of wages to protect against exploitation of student-workers; and provision of certificates of occupational skill mastery upon completion. Particularly gratifying is the spread of interest in this program on the part of an increasing number of states which are developing their own approaches, including apprenticeships, tech-prep education, cooperative education, and career academies. The Council applauds the cooperative efforts of the Departments of Labor and Education in making $100 million in funds available this fiscal year for the program and in working cooperatively to move this initiative forward.

Training

Active worker training is the one area within labor market policies in which the United States lags behind and there has been no progress. [Figure 9] During the campaign, President Clinton suggested a "play or pay" scheme, which would have required firms to spend at least 1.5 percent of payroll on training of active workers, or else pay that amount into a government training fund. Concern from the business community caused the Administration to back off from this proposal. In its Second Report, the Council recommended that the government encourage firms to increase job-related training through grants, tax credits or pay

Figure 9
Private Sector Training



Source: Organization for Economic Cooperation and Development

roll requirements. The Administration has not yet put forward its proposal to promote greater job-based training, and the Council encourages it to do so soon.

Reemployment of Dislocated Workers

The Administration recently proposed to overhaul the nation's programs for dislocated workers. This proposal, incorporated in the Reemployment Act of 1994, makes several innovations in the confusing web of current labor programs. First and foremost, the Administration proposes a single program for all workers, regardless of the cause of their dislocation. Second, the new program would expand the opportunities available to dislocated workers to improve their skills and find new jobs. Individuals could participate in long-term meaningful training and receive income support for up to two years while they are enrolled in training. The Administration also wants to create a system of "one-stop" centers for providing services and improve the collection and dissemination of labor market information to make it easier for people to find new jobs.

The Council supports the Administration's efforts to improve government programs designed to help workers adjust to the new economic realities. The Council also has several concerns in light of the Administration's proposal.

The Reemployment Act aims to eventually terminate Trade Adjustment Assistance (TAA), a program dating back to 1962, aimed at assisting those workers who lose their jobs due to trade. While there are strong arguments in favor of maintaining a program tailored for trade-impacted workers, the major objection in rolling this program into a general program is that it would result in a net reduction of benefits provided for those workers.

A core issue in the debate over dislocated worker programs is whether these programs should provide guaranteed benefits (an entitlement) or have spending limits. Currently, TAA is an entitlement and general assistance for all dislocated workers (under the Economic Dislocated Worker Adjustment Assistance program) has a spending cap. The Administration has attempted to make some in-roads in this debate. On the one hand, the Administration is concerned that the quality of benefits may be compromised under strict spending limits. On the other hand, the Administration realizes that longer training and income maintenance for those in training are critical to promote serious adjustment. The Reemployment Act proposes income support for those undertaking training, but does not go far enough in ensuring adequate benefits for *all* workers in need. Furthermore, there is insufficient effort at designing a secure funding base to insure the long-term viability of the program.

Most people agree on the importance of training the nation's workforce, both while employed and between jobs. Yet during a time of limited public resources, there is heightened awareness of the costs of such programs. We need to better spend the resources we currently devote to training while at the same time expand these programs to encourage labor market flexibility.

"If our aim is to improve the living standards for all Americans, we must be concerned with the quality, as well as the quantity, of the jobs we create. In addition to creating high productivity, high income jobs, we must also make the proper investment to prepare our workers so that they can perform well in them."

Critical Technologies

In its Second Report published last year, the Council recommended that the Administration adopt a new technology policy to improve US competitiveness. The main features of this policy, as developed by our Critical Technologies Subcouncil, chaired by Erich Bloch, a former Director the National Science Foundation, include:

- Moving $4-7 billion per year from defense R&D to civilian and dual-use R&D. [Figure 10]
- Significantly increase funding for industry-driven R&D programs (where industry shares in the cost and sets the direction of the R&D).

Figure 10
Civilian/Dual Use Industrial Technology Programs

	FY93	FY94	FY95	Percent Change FY94-FY95
		($ in millions)		
Advanced Technology Program (NIST)	68	200	451	128
Technology Reinvestment Project (ARPA)	472	554	625	13
Manufacturing Extension Program (NIST)	18	30	61	103
Technology Transfer (CRADAs, several agencies)	384	551	865	57

Percentage Distribution of Civilian and Defense R&D

	FY93	FY94	FY95
Dual Use Counted as Defense			
Civilian R&D	41	44	44
Defense R&D	59	56	56
Dual Use Counted as Civilian			
Civilian R&D	43	47	46
Defense R&D	57	53	53

Source: Budget of the United States, Fiscal Year 1995

- Focusing federal procurement and R&D projects in areas that would help drive commercial technologies, such as in defense procurement and initiatives to develop a national information infrastructure or intelligent vehicle/highway system.
- Improving the financing of the commercialization of technology.
- Improving the infrastructure for manufacturing and technology commercialization, including programs to help small manufacturers modernize.
- Restructuring the priority setting and management of federal R&D, and increasing private sector input to this process.

The Administration has begun to implement a new technology policy largely reflecting the Council's recommendations. These steps are promising, but many of the changes needed to develop an effective US technology policy are structural in nature and cannot be fixed in a single year. For our technology recommendations to accomplish their goals several things must happen over the next several years:

- Congress must appropriate funds for programmatic increases in the President's budget request in FY 1995.
- The work must continue, both in the Administration and the Congress, in the FY 1996 and FY 1997 budgets. This promises to become increasingly difficult under the caps in the budget agreement.
- The government and private sector must work together to ensure that the new and expanded programs work as intended, and that they are evaluated and modified as necessary.

Although the Administration has adopted an ambitious new approach to managing its R&D budget, the nation will not have a well-managed R&D program until comparable, and more difficult steps are taken to improve the management of science and technology in the Congress.

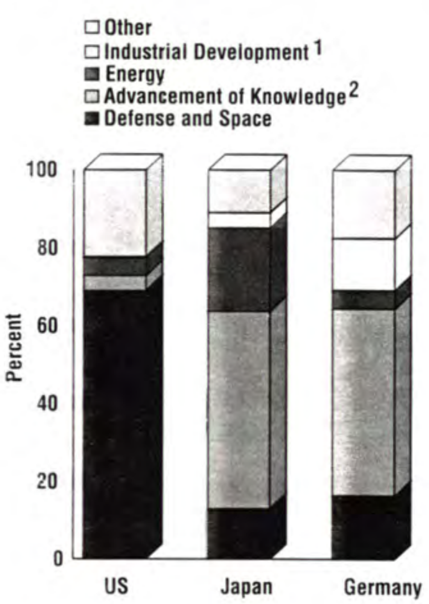
The R&D budget is highly fragmented in Congress, divided among nine appropriations subcommittees. The authorizing committee that has the clearest focus on the R&D budget, the House Committee on Science, Space, and Technology, authorizes less than 30 percent of the R&D budget. This fragmentation makes it very difficult to set priorities, especially for multi-agency programs.

In its recommendations last year, the Council noted the need to establish a better process in Congress to make decisions on science and technology, such as realigning appropriations subcommittees to bring more key technology programs under a smaller number of subcommittees, or by establishing a process by which authorizing and appropriating committees together can examine the whole R&D budget. These recommendations are increasingly important.

The Council is encouraged by the recent passage of technology legislation by the House and Senate. The legislation includes many of the Council's recommendations. We hope that Congress will act promptly in addressing the differences in the two versions. The legislation would establish a program by which the federal government would make loans to technology development finance corporations, which would then invest in early stage financing for new technology ventures. Although there is support for the federal government helping to correct market failures in the financing of technology, the Subcouncil has two concerns with the specific proposals.

First, the Subcouncil believes that although there may be a need for increased early stage financing, the main problem is in later stage financing for capital intensive projects. A variety of federal, state, and private sources currently provide funding for early stage development, although more funds could be used. Funding is very limited,

Figure 11
Composition of Federally Funded R&D



1 The US spends 0.3 percent of its R&D on industrial development.

2 Includes only research for the US. The US does not have general university funds.

Source: National Science Foundation, OECD, National Sources

"The Administration has begun to implement a new technology policy largely reflecting the Council's recommendations. These steps are promising, but many of the changes needed to develop an effective US technology policy are structural in nature and cannot be fixed in a single year."

however, for capital intensive projects. Venture capital funds can individually support ventures that require $3 to 4 million; several funds working cooperatively can support ventures of up to $30 million. Some technologies, however, require significantly greater amounts of funding to become successful, and it is in some of these technologies (such as flat panel displays or lithography for semiconductor manufacturing) where US industrial competitiveness is the weakest.

Second, venture capital firms, as currently structured, may have difficulty taking advantage of the loan provisions in the House version. Venture capital firms can not transfer liabilities across investment projects, since it would expose the partners to a liability greater than their investments. This makes it particularly difficult for venture capital firms to receive government loans. The Council continues to strongly support prompt final passage of this legislation and hopes that the Department of Commerce will seek private sector input as it refines this proposal, as called for in the current legislation.

The federal government's role in promoting research primarily through the tax code has been recently supplemented by serving as a more active participant in promoting American leadership in emerging technologies. This expanded role raises the question of what eligibility criteria should govern participation by US and foreign firms in federally-funded technology programs. Presently, different federal R&D programs have different, and sometimes ambiguous, criteria. In actuality, it would be difficult to develop a rigid set of requirements applicable in every situation. For example, some firms may perform their R&D at home even though they manufacture their products abroad. It may be counterproductive to deny such companies the opportunity to participate in federally-funded R&D.

The Council has asked the Critical Technologies Subcouncil to take a careful look at recent developments in this area. The Subcouncil is studying the various criteria currently being employed and will recommend guidelines for developing a coherent and flexible set of criteria aimed at maximizing the benefit of federally-funded technology programs to the US economy.

Public Infrastructure

The devastating impacts of the earthquake in Los Angeles provide another example of how dependent our economy is on the nation's infrastructure and how much we take that infrastructure for granted. No more glaring example of transportation's impact on the economy could be imagined than the collapse of the nation's busiest highway, the Santa Monica Freeway, and the attendant losses related to freight, commuting, and commerce. The astonishing rebuilding of the freeway in six weeks time is testament to its enormous role in the region's economy. Investment in infrastructure, which the Council has strongly recommended in its earlier reports, is crucial to support and enhance economic value, create jobs, and sustain the long-term competitiveness of the national economy.

The LA earthquake showed in the starkest of terms how infrastructure serves as an economic life-line linking communities, states, and the nation. In light of the central role infrastructure plays in productivity, economic growth, urban renewal, and job creation, and in light of the overlapping interests in infrastructure on the part of numerous government agencies, the creation of a White House committee or federal interagency task force on infrastructure is needed to coordinate a national strategy for infrastructure renewal and responses to high priority infrastructure needs.

Budget Proposals

The Council is encouraged by the positive attention given to investment in transportation infrastructure in the President's proposed FY 1995 budget. Recognizing the importance of public infrastructure in the national economy, the budget requests full funding of highway programs at the levels authorized in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA).[16] The proposed increase in Amtrak's capital improvement funds is also long overdue.

In its Second Report, the Council noted its concern with the "pork barrel" approach to infrastructure embodied in a series of Congressionally-mandated highway demonstration projects. These projects are singled out for special treatment by federal officials and lawmakers rather than competing at the state level for the limited resources available. We are pleased therefore to see the Administration's proposed rescission of funding for these highway demonstration projects.

Financing Proposal

Although the budget proposals for FY 1995 and beyond reflect a renewed attention to capital investment in infrastructure, the increases are barely large enough to make a dent in the decades-old deterioration of infrastructure. Chief among these problems is the practice by state and local officials of deferring maintenance on infrastructure to the indefinite future. The practice is so widespread that the category of "deferred maintenance" has taken on the connotation of an actual program item in state and local budgets. But deferred maintenance is not a program, it is a liability, and the public needs to be continually aware of the deferral of its responsibilities to maintain its own economic lifelines.

To tackle these problems head-on, Edward Regan, a member of the Competitiveness Policy Council recently proposed a large, fiscally sound, public infrastructure investment program.[17] The program includes the following components:

- A one-time major upgrading and renovation of the nation's deferred maintenance needs, on the order of $80 billion over a two-year period.
- Creation of taxable state and local infrastructure bonds to finance the program; such bonds would be able to attract investments from pension funds as well as other sources.
- Federal subsidies of the interest payments on these bonds over a 15-year period.
- Use of bond covenants that are enforceable in the courts and that require preventive maintenance of the infrastructure, thus locking in the benefits of the program.

There are several advantages of this proposal. First, it concentrates on preventive maintenance of existing infrastructure, a continuing priority for our nation. Second, it advocates paying for long-term infrastructure investment through appropriate long-term debt instruments, rather than through increases in operating funds. Third, this proposal would only minimally impact the federal deficit. It would require state and local governments to share in the costs, and it would schedule the federal share over the useful life of the projects. The federal government would collect taxes on the interest payments on the taxable bonds, thus offsetting some of the costs of these interest payments. Finally, the program would create tens of thousands of jobs, a highly beneficial public purpose. The Council commends this proposal for serious consideration on the part of Congress and the Administration.

National Transportation System

Congress has the opportunity to establish a strategic basis for the nation's highways and transportation system as a whole and to link the transportation system to the goal of improving US competitiveness. The occasion for this is the submittal by the Department of Transportation in December 1993 of a proposed National Highway System (NHS) to Congress for review and adoption.[18] The proposed system of 158,000 miles of highways carries over 70 percent of the nation's commercial traffic, and connects to hundreds of ports, airports, terminals, and border crossings.

In announcing the NHS, the Secretary of Transportation placed it within the context of the development of a National Transportation System intended to fully integrate passenger travel and freight movement by air, rail, water, pipeline, and transit.

Congress has until September 30, 1995 to complete the adoption of the NHS. In the event that Congress does not act, the Department of Transportation will not be able to distribute FY 1996 funds in the NHS category and the NHS concept will disappear.

We urge Congress and the Department of Transportation to avoid this possibility, and go further in the direction of strengthening the NHS. This would mean extending to the NHS the high safety and quality standards of the Interstate system and enhancing the ability of the NHS — and the larger National Transportation System — to serve the nation's strategic competitiveness interests. One clear example of the strategic directions to be taken is the need — already identified by the Department of Transportation — to address infrastructure problems associated with the movement of international trade. Reaping the full benefits from the commercial opportunities resulting from the North American Free Trade Agreement, will require improvements in waterborne highway, aviation, and rail systems and their multiple connections in order to reduce border bottlenecks. More

"Investment in infrastructure, which the Council has strongly recommended in its earlier reports, is crucial to support and enhance economic value, create jobs, and sustain the long-term competitiveness of the national economy."

generally, the National Transportation System may become an appropriate framework for the reauthorization of federal transportation programs after ISTEA expires in 1997. Ultimately it could serve as a strategic basis for integrating not only transportation modes but also related communications systems.

Trade Policy

The Council notes that many of its specific recommendations on trade policy made in the Second Report have been implemented by the Administration.

In particular, the Council welcomes the conclusion of the Uruguay Round trade negotiations of the General Agreement on Tariffs and Trade (GATT). Taken as a whole, the new trade agreements and the institutional reforms in the GATT will provide a real economic stimulus to the United States and all countries which trade. The Administration, and in particular the Commerce Department, is doing a good job in coordinating export policy. Although there were delays in making several key appointments, the mechanisms being used — in particular the Trade Promotion Coordinating Committee — now seem to be working well.

We commend the Administration's recent decision to remove the requirement for shipment-by-shipment advanced approval for virtually all civilian telecommunications and computers exports to China and the countries of the former Soviet Union. This action is in accordance with the Council's recommendation to remove unilateral export controls. We hope that the Administration will continue working to eliminate all remaining export disincentives and that the Administration and Congress will agree on reform and rationalization of the Export Administration Act soon.

We note that the Administration is seeking higher budget authority for many export-related programs and we applaud this shift in priority. Although the Administration does not envision the Export-Import Bank program reaching as high as the $20 billion level recommended by the Council, the Administration estimates that it will increase from $16.7 to $17.5 billion in FY 1995.[19] The Council's recommendation for a unified budget function has not yet been followed, but the Office of Management and Budget (OMB) has put together a table of Export-Related Expenditures (Table 3B-13 in the FY 1995 Budget). We are encouraged by the prospect that a unified budget function may be employed in FY 1996.

With regard to international trade, the Council recommends the following: First, we urge the Administration to submit the GATT implementing legislation as soon as possible now that the GATT Agreement has been signed.

Second, we urge the Congress to renew the President's trade negotiating authority (which expired on December 15) for new multilateral, regional and bilateral agreements. The President should not be handicapped in foreign economic policy in a rapidly changing world.

Third, we again reiterate the importance of assuring a competitive exchange rate for the dollar. Maintenance of the recent appreciation of the yen is an essential element in reducing Japan's huge and disruptive global surplus.

Improving the Policy Process

In our earlier reports, the Council called for more effective approaches at the federal level to design and implement a national competitiveness strategy. We note that some progress has been made in the past year, but we believe that further steps are needed. This section will discuss four relevant areas in the federal budget process: (1) investment budgeting; (2) budget caps; (3) competitiveness impact statements; and (4) industry baselines.

Investment Budgeting

The federal budget process lacks any systematic way to assess the appropriate trade-off between current consumption and investment. The President's budget is put together with recommendations from each department. The Congressional budget committees review the budget according to CBO function categories and aggregate outlays and deficit. The House and Senate appropriations committees divide the budget up by subcommittees, usually along agency lines. Even though the budget is assembled in three different ways, none of these ways directly analyzes compositional issues such as investment versus consumption.

In prior reports, the Council has recommended that the US government establish an investment budget to highlight the share of federal spending going to public investment and to permit careful consideration of whether that share is adequate. By an investment budget, the Council is not referring to a capital budget that separates physical capital and credit flows from the rest of the budget. An investment budget is a far simpler reform to accomplish.

Defining Investment

There is no simple definition of public investment. Generally, these are government programs to purchase goods and services which provide significant positive externalities over a long period of time.[19] Investments typically have lengthy payoffs and produce tangible results. They lengthen the productive life or increase the productivity of labor and/or capital.

The General Accounting Office (GAO) has suggested that any investment budget should probably exclude most defense expenditures (but include defense R&D), most federal civilian buildings, and major equipment for carrying out federal functions. OMB has taken a broader view in its analysis of investment. There will never be complete agreement about the definition of public investment. Since our proposal does not relax budget disciplines (as a capital budget might), there is no need for full agreement as long as the investment budget is clear about what it includes and is consistent over time.

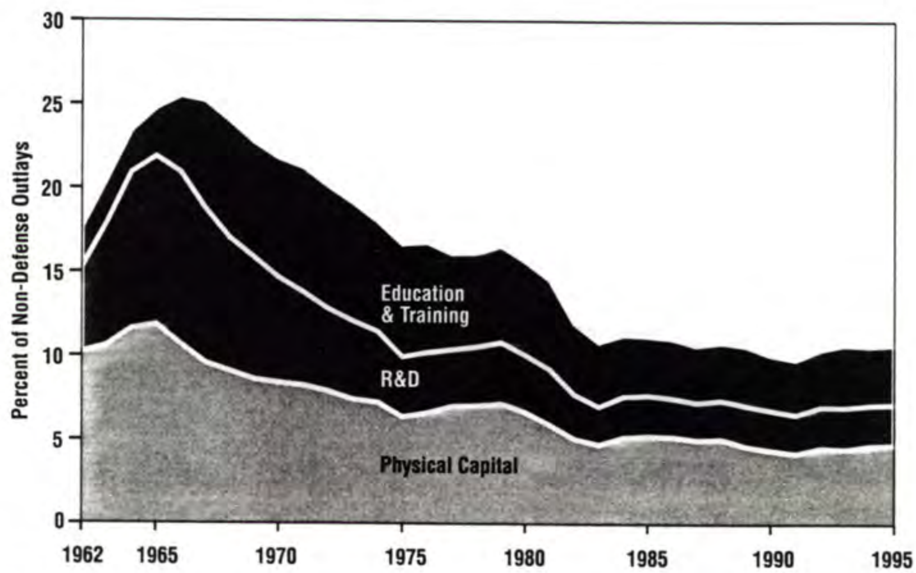
The value of an investment budget lies not only in knowing the percent of spending that goes for investment, but also in looking at trends and using the data to establish investment targets. There would also be great benefit in estimating how much investment is needed in future years so that the US government will be able to consider in advance whether sufficient funding will be available.

The Council strongly supports the Clinton Administration in its efforts to increase federal investment but we urge further action. By making the consideration of investment an explicit part of the budget process, the Administration can develop a more coherent investment plan. By monitoring public investment more transparently, the Administration and Congress may have an easier time persuading the public that such investments must be preserved and, if possible, increased.

For many years the President's budget has included a breakout of investment expenditures, including physical and non-physical investment, and both defense and non-defense investment. But there is no evidence that this presentation influences decisionmaking. It appears that it is put together by the OMB after all of the individual budget decisions are made. No Congressional committee uses it for policy making. There is little public attention to these numbers.

Based on OMB's categorization of investment programs, the Council has examined federal investment levels over the past thirty years. [Figure 12] We note that the Clinton Administration's FY 1995 budget does call for an increase in non-defense investment over last year's level. But taking a thirty-year perspective, we find that the share of non-defense outlays going to investment has steadily declined.[20] The current level of investment is down substantially from a generation ago. Federal investment (including physical capital, research, education and training) is lower

Figure 12
Composition of Federal Non-Defense Investment



Source: Office of Management and Budget

both as a share of non-defense budget outlays and as a share of GDP.[21] In 1965, federal investment constituted approximately 25 percent of non-defense outlays and 2.5 percent of GDP. In 1995, federal investment is projected to be approximately 11 percent of non-defense outlays and 1.9 percent of GDP. The Council believes that we need to increase public investment in these areas, as well as make better use of the dollars we are currently spending.

The Council has also worked with GAO to analyze the FY 1995 budget based on GAO's definition of investment which looks at federal programs that lead to long-run productivity improvements in the private sector. This is narrower than the above measure in some ways (excluding federal structures for the operation of government) and broader in others. Based on the GAO definition, we find that the Clinton budget does not succeed in increasing investment above the 1993 level. In 1993, such investment was 1.7 percent of GDP, slightly higher than the level is expected to be in FY 1995.

The Council's Proposal

The federal government needs to do a better job of tracking public investment which is so important to raising long-run productivity. The budget process we envision would start with a "soft target" from the National Economic Council for the percent of the total budget that should go for public investment. After the President makes his budget decisions, OMB would prepare an investment budget for the Congress. Specifically, investment would be subdivided by budget function and class, and then totalled.[22] The total should be shown as a percent of total civilian federal spending and as a percent of GDP.

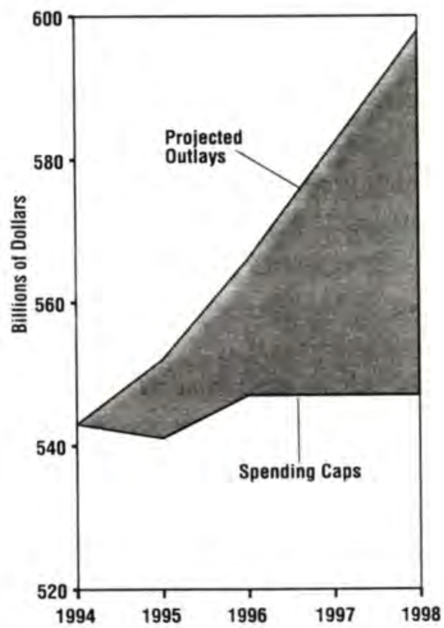
The Congress might ask CBO to develop comparable investment figures for other countries. Ideally, the budget resolution would include an explicit statement on the appropriate level of federal investment. There might also be Congressional hearings on the adequacy of the investment share and level, as compared to other countries. In addition to budget-year numbers, the OMB tables should include projections of what the Administration intends to invest over a five-year period. The budget resolution should specifically consider the adequacy of the five-year numbers and the likelihood that such investments will fit within discretionary spending ceilings. Overall, the Council suggests a soft non-defense investment target of 12 percent of total non-defense outlays (or 2.1 percent of GDP in 1993). This would require an additional $16 billion shift into public investment in the FY 1995 budget, from $134 billion to $150 billion.

Budget Caps on Discretionary Spending

In its Second Report, the Council endorsed strong efforts to reduce the deficit on the scale proposed and later largely achieved by the Administration. We pointed out that such deficit reduction was the linchpin to a competitiveness strategy. The Council is pleased that the economy is currently stronger than many of us might have predicted a year ago. This good economic news, although tempered by remaining unemployment and falling real wages, provides all the more reason for the Administration and Congress to stay the course on deficit reduction. As we noted in our First Report, the eventual goal should be to move the budget into surplus. The current recovery is a good time to accommodate structural reforms and to think about the long term.

The discretionary spending caps enacted in 1990 and re-extended in 1993 have been a helpful management tool to Congress, but may now have outlived their usefulness. If continued beyond FY 1995, these

Figure 13
Projected Discretionary Spending



Source: Congressional Budget Office

caps will require very large cuts from the budget baseline. [Figure 13] We are doubtful that the necessary increases in public investment can be made under the constraint of these budget caps.

Reducing the deficit does not require a freeze in discretionary spending. There is no reason why the United States should put itself in a straightjacket on many categories of government spending, including defense. Thus, while the Council strongly reaffirms the need to continue lowering the federal deficit, we believe that consideration should be given to amending the Budget Enforcement Act to permit entitlement cuts or revenue increases to be used to pay for increases in federal investment as recommended above. The budget process should be focusing on the amount of deficit-spending, not on whether such spending is discretionary or mandatory. It might be noted that the Congress has tried caps on the deficit (Gramm-Rudman) which did not work and it is now using caps on discretionary spending which do work but have negative side effects. An intermediate solution — not yet tried — would be to allow derogations from the discretionary cap if done in a deficit neutral manner. More attention should be given to making cuts in entitlements and tax expenditures for affluent Americans.

Competitiveness Impact Statements

Under the Omnibus Trade and Competitiveness Act of 1988 (2 U.S.C. 194b), the President and heads of agencies are required to prepare a "Competitiveness Impact Statement" (CIS) on all legislative proposals which may affect the ability of American firms to compete in international commerce. The statement is supposed to be submitted to the Congress along with the legislative proposal.

Unfortunately, neither the Reagan, Bush, nor Clinton Administration has complied with this law. In both its First and Second Reports, the Council pointed out the Executive Branch's continuing responsibilities under this law. As far as we are aware, no specific CIS reports have been filed by the Clinton Administration.

The Council endorses the concept of a competitiveness impact statement. We have found that all too often the federal government enacts legislation or adopts new policies that impair US competitiveness (e.g. export controls for foreign policy reasons). In some cases, the loss of competitiveness may be a trade-off for some other social good. But in many cases, the impact on competitiveness is an unintended side effect. We believe that by incorporating the potential competitiveness effects into the lawmaking and regulatory process, policymakers might be sensitized to the impact of their decisions on our standard of living.

Given the political difficulties of effecting any major policy reform (e.g. health care), the President should arm himself with the best possible arguments. For many proposals, the competitiveness linkage is key and may help the Administration achieve reform.

The Council recognizes that what looks to us like useful analysis may look to busy policy officials as unnecessary paperwork. We see no reason to do a CIS on every proposal. But for those 10 or 20 initiatives each year that may have a significant effect on competitiveness, we believe that such an analysis is warranted.

When the Congress legislated this requirement in 1988, a six-year sunset was established. Thus, the CIS law will expire in August 1994 without ever being tested. This analytical experiment has proved disappointing.

The Council recommends that the Congress enact a new CIS requirement, but with two changes from the current law. First, the responsibility should be assigned elsewhere than the agency originating the proposal — such as an independent agency like the US International Trade Commission (ITC), or perhaps the Congressional Budget Office.[23] Second, the CIS requirement should be narrowed to just those new proposals by the Administration with a significant impact on competitiveness. Some preliminary analysis would be needed to determine when a proposal's effects cross a threshold of significance.

"The federal government needs to do a better job of tracking public investment which is so important to raising long-run productivity."

Industry Baselines

In its First Report, the Council urged that the President designate a lead agency on competitiveness issues and assign it the task of raising the nation's awareness of the problem. The Clinton Administration has designed a new policy coordination structure including the National Economic Council and the National Science and Technology Council. While these institutions are far more proactive than previous institutions, we think more can be done to focus on competitiveness both in decisionmaking and in educating the public about the need for economic change.

One of the Council's specific recommendations was that a federal agency begin assessing the likely course of key American industries. This would provide a baseline against which to judge specific competitiveness problems in the future.

Last year, the Council reported that the ITC was planning to create an Office of Competitiveness to undertake such analyses. The ITC has since decided to postpone creating the office, but has begun performing baseline studies of a limited number of industries. The Department of Commerce is just beginning an effort of developing industry benchmarks. It is still too early to know how extensive this effort will be. The Council urges the President and Congress to give renewed consideration to the importance of industry baselines and who should prepare them. Given their existing capabilities, we continue to believe that the Congress should provide a mandate and adequate funding to the ITC or the Department of Commerce for this purpose. The ITC might be given the task of performing both these baseline studies and the competitiveness impact statements.