# Social Issues

Last year, the Council identified social issues as a competitiveness concern and began to lay out an agenda for further consideration.[24] At the request of the Council, James Renier, former CEO of Honeywell, prepared a preliminary paper directing the Council's attention toward the critical issues of children's readiness to learn and preparedness for school, as well as the social mandates borne by schools.

What is the relationship between social issues and competitiveness? A competitive economy must be defined more broadly than by its balance of trade. Competitiveness requires a rising and sustainable standard of living, primarily but not exclusively defined in economic terms. Moreover, this standard of living or quality of life must extend to all Americans, not merely the privileged few or the broad middle class.

No one who picks up a newspaper or turns on a television in modern day America can fail to notice that a substantial segment of society is not sharing in the current recovery from the recession. The poor are falling increasingly behind. Indeed, poverty and its insidious effects go beyond the boundaries of disadvantaged communities to weaken the fabric of society in ways we are only beginning to understand. Certainly the competitive potential of the economy as a whole is diminished by our inability to tap the full potential of all members of society.

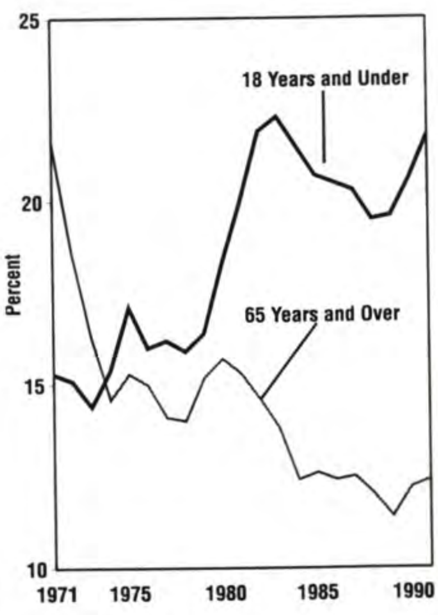
The social issues confronting the nation — crime and violence, poverty, unemployment, substance abuse, inadequate education, infant mortality, family breakdown, homelessness, etc. — are intensified in the inner cores of the nation's largest cities, once the source of significant industrial activity. Here the legacy of racial discrimination has combined with disappearing economic opportunities in a devastating cycle of poverty and violence. But similar problems are found in other parts of the country, including a great many rural areas that have been left behind in the race for economic progress.

Most disturbing — and perhaps serving as a much-needed wakeup call — is the realization that has slowly dawned on the nation over the last five years: the neglect of social issues is scarring the next generation of Americans. As a society we are throwing away the future productive capacities of a growing portion of our people.

More children are living in poverty in the 1990s than in the last twenty years. [Figure 14] Twenty percent of all American children are living in poverty; among minorities, the rates are even higher: 38 percent of Hispanic children, and 44 percent of African-American children.[25]

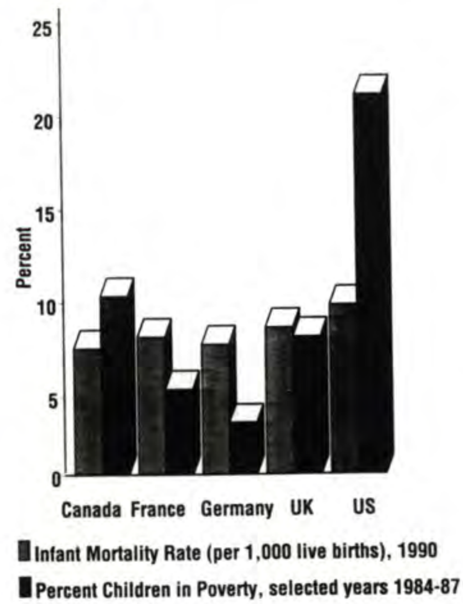
The Carnegie Foundation for the Advancement of Teaching has found that one third of children entering kindergarten are not equipped mentally or physically to start the learning process.[26] More recently, the Carnegie Task Force on Meeting the Needs of Young Children issued a warning that the youngest children of America — those under age three — are living in a "quiet crisis." The Task Force noted that "a staggering number are affected by one or more risk factors that undermine healthy development."[27] The gap between children from different social backgrounds is substantial at a young

Figure 14
**Poverty Rates for Young and Old**




Source: Department of Commerce

Figure 15
**International Comparison of Child Well-Being**




Source: Kids Count Data Book, 1993

age, and grows steadily larger as children get older.

Moreover, research is showing that the effects of poverty, poor learning and academic performance, and unstable family life are long-lasting, affecting an individual's prospects for job and marital stability well into adulthood.[28] Those, for example, who drop out of high school are plagued by the consequences of this act over their entire careers. White and black males age 25 to 34 who do not finish high school earn on average 27 percent less than those who do finish. For white and black females, the disadvantage is even larger — 39 to 42 per cent less than high school graduates.[29]

On a variety of indicators, American families and children are faring poorly compared to other industrialized nations. [Figure 15] Some researchers attribute more than half the increase in child poverty over the last decade in the United States to changes in US family structure.[30] One in four children today lives in a single-parent family, a 9 percent increase just since 1985.[31] Children in one-parent families are up to ten times more likely to experience poverty in childhood for seven years or more compared to children in two-parent families, and two or three times as likely to have emotional and behavioral problems.[32]

Children grow up to be the nation's workers. The link between the social problems affecting our youth today and our future competitiveness is easy enough to draw. Social problems weaken American competitiveness, both now and in the future, in both obvious and subtle ways.

***Reducing the size of the workforce.*** Intractable social problems rob the nation of the productive capacities of a sizable percentage of the population. This may include criminals, addicts, the homeless, single parents, and others, who have dropped out of, or never joined, the labor force. These people represent resources lost to the economy. Those without a high school diploma are being steadily edged out of the workforce. Although the high school dropout rate has improved slightly in the last two decades, labor force participation rates among 25 to 34 year old males with less than 12 years of school dropped 9 percentage points between 1971 and 1991.[33]

Young people in disadvantaged communities do not want to be permanently sidelined from the workforce, but they are particularly sensitive to the state of the local labor market. A study of out-of-school young men in a number of urban areas in the 1980s concluded that local labor market shortages greatly improved the employment opportunities of disadvantaged young men, particularly black

**"The neglect of social issues is scarring the next generation of Americans. As a society we are throwing away the future productive capacities of a growing portion of our people."**

youths, substantially reducing their unemployment rate and increasing their hourly earnings.[34]

Conversely, a lack of work during crucial periods in a person's career development can lead to permanent disadvantage, as youths lose ground to peers who are better trained and better integrated into the workforce. A steady prevalence of unemployment can lead some to give up on finding work and permanently exclude them from in the labor force. Persistent pockets of severe unemployment, reaching levels of 37 to 40 percent among black male and female 16 to 19 year olds,[35] can discourage job-seeking and deny youths the entry-level experience and skill development needed to build successful work paths. Some 5 percent of youths age 16-19 (9 percent of black youths, 8 percent of Hispanics) report no productive role in society: they are not in school, in the labor force, or in the military, and they do not describe themselves as homemakers.[36]

***Reducing the skill level of the workforce.*** Poverty and other problems interfere with the ability to learn, producing workers who are poorly equipped for the workplace. Numerous studies have found a strong correlation between measures of academic achievement in mathematics, reading, science, and problem solving, and subsequent productivity on the job.[37] Yet at age 17, fewer than half of American students have the skills and basic knowledge required for college or many entry-level jobs.[38] Government and business bear the costs of remedial education and training, the need for which continues to escalate. Other social problems also affect performance on the job — ranging from substance abuse to poor health status to a lack of support for family emergencies.

***High cost of crime.*** Violent crime has risen steadily in the last decade, and the costs to society has been escalating as well. A recent tally of the costs associated with crime — including the costs of the criminal justice system, public police and security systems, private security systems, damage to urban economies, medical care, property losses, and lost work years and reduced productivity associated with crime — amounted to a total annual drain on the US economy of over $400 hundred billion.[39] And yet even this staggering sum cannot make the victims of crime whole, as anyone who has experienced the ravages of crime will attest.

***Drain on government expenditures.*** In addition to public security and criminal justice expenditures, a growing portion of federal, state, and local government budgets is devoted to ameliorating social problems, including public assistance, health care, and social services. With this type of spending we are running as fast as we can just to stay in place. In a time of limited public resources, this spending hampers our ability to invest in people and the economy, which would improve productivity and contribute to a broad-based rise in living standards. Preventing problems from occurring rather than spending money in a futile attempt to fix them is a cheaper and ultimately more effective solution.

## The Clinton Administration Agenda

The Clinton Administration has identified social problems as a priority for its domestic agenda. We commend the Administration and Congress for taking the first steps in this direction; the expansion in the earned income tax credit is particularly noteworthy. The (EITC) will help reward people for working, at least to the extent of keeping working families out of poverty. Another promising effort is the Administration's community development initiative, combining tax benefits, social service grants, and improved program coordination in nine "empowerment zones" and 95 "enterprise communities." Even more significant will be action in the areas of crime and welfare reform, two stated priorities of the Administration this year.

Some analysts point to the experience of certain European countries and argue that building a too-generous safety net detracts from the beneficiaries' incentives to take jobs and society's ability to create jobs. Others point to the constructive elements of these programs in upgrading workers' skills and sharing the benefits of economic growth. One of the useful elements of the current debate on welfare reform is the attention being paid to the unintended consequences and incentives created by the welfare system on its recipients' levels of dependency, work and lifestyle choices.

Nevertheless, there are numerous areas where government expenditures, as well as the active involvement of the private sector, can make a difference. Studies are showing that increased expenditures on policing, particularly community policing, could make a major dent in violent crime. Expenditures on rehabilitation may be the only way to effectively turn around drug abuse. Preventive spending in health care, community development, and youth and family services is still sorely underutilized. Early intervention programs such as Head Start can be highly cost-effective, but only when they are done well. Programs that seem to work tend to be those that feature adequately funded and trained staff, that intervene deeply, and that last a long time.

Social problems can rarely be solved in isolation. We have too many fragmented programs and benefits, aimed at correcting one particular problem, such as drug abuse, in isolation from other interventions. The notion of "one-stop shopping" now being put forward in training and other programs should be applied more broadly as well. Whenever feasible, a common aim for many of our social problems should be to get people back into the labor force as productive participants in the economy. Emphasizing society's interest in a productive workforce — and a competitive nation — is neither heartless nor imprudent. In the long run, it will serve individuals, their communities, and the nation well.

In some cases — such as the nation's elementary schools — we are heading toward more integration of services, but without adequate funding of the mandates. Schools are now called on to provide social services ranging from "health programs, day care, drug education, parental education, counseling for teenage parents and dropouts, AIDS instruction, suicide prevention and services for children from birth through age three."[40] Yet our schools are not given the resources to deal with these mandates, while their primary mission

"A strong economy and a healthy society support each other. The strength of one builds the strength of the other. And competitive power depends on both."

—James Renier

of education is crowded out by other demands.

The current debate over social problems has developed into the usual stand-off between liberals calling for more money to be spent and conservatives calling for cultural changes that will restore traditional values to disadvantaged communities. The Council sees both sides as offering an important piece of the whole: more money must be invested *and* more responsibility must be nurtured and shared across our communities. Past experience with educational programs and welfare reform should provide us with at least a few lessons learned well. Whatever the approach taken and however much money is authorized in Washington, a lack of actual funding and indifferent implementation at every level can render any initiative dead on arrival. Effective implementation of programs is the only way to restore the belief that our social problems can be tackled successfully.

James Renier has pointed out, "A strong economy and a healthy society support each other. The trength of one builds the strength of the other. And competitive power depends on both."[41] America cannot realize its full economic potential if we abandon our disadvantaged populations. Finding the will and the means to weave the social fabric into a tighter, more inclusive bond is one of the most important tasks we can undertake. The Council sees its own contribution in this area over the next year as focusing on issues related to child readiness to learn, the effectiveness of pre-school and supplementary school programs, and youth dropout, unemployment, and labor force participation rates.

# Capital Allocation

In its Second Report, the Council noted that the United States has the lowest investment rate among major industrial countries, half that of most and one third that of Japan. Most of the increase in national investment necessary to meet the Council's goal of raising living standards will have to come from the private sector.

Last year the Council reported that "there is a need to develop a whole new approach to defining the value of a corporation and to measuring long-term corporate performance." As part of this effort, the Council asked Robert Denham, Chairman of Salomon, Inc., and Professor Michael Porter, of the Harvard Business School, to co-chair a Subcouncil on Capital Allocation.

Over the past few years, a series reports have been written providing a rich analysis of the strengths and weaknesses of our financial system. Their most prominent common theme is that the economy could significantly benefit from the development of more patient relationships between investors and the companies in their portfolios. In particular, the climate for long term capital investment may be enhanced when stockholders hold significant stakes for longer periods and play a more active role in monitoring company performance.

Such "relationship investing" increases the incentive for investors to acquire a better understanding of the company's strategic direction and the effectiveness of its board of directors. It also increases the incentive for management to be accountable to owners in order to maintain their confidence in the company's strategic vision. Better investor understanding of long-term company strategy and enhanced management accountability to financial markets hold the promise of improving both the magnitude and efficiency of domestic private investment.

There has been significant evidence of progress in this direction during the past two years. In October 1992, the Securities and Exchange Commission adopted new regulations which considerably reduced restrictions on communication among shareholders. This limited deregulation has improved the effectiveness of shareholder efforts to monitor boards of directors and the performance of companies. During 1992 and 1993, boards of directors of a number of large, poorly performing companies removed their chief executives. These high profile dismissals appear to have stimulated the boards of many other companies to play a more active and independent role in overseeing management.

While these are positive developments, the test of long-term relationship investing is not simply its capacity to respond to a crisis of failing managers and boards. More important is its capacity to preempt such crises through an ongoing process of oversight. This process must foster not only a culture of accountability, but also a climate in which managers routinely make the long-term investments necessary for their companies to compete effectively in world markets.

Research suggests that US companies have not been adequately investing for the long-term. Net private investment as a share of GDP has declined considerably since the 1960s and 1970s and is well below the level of many of our industrialized country competitors. And while these aggregate statistics reflect primarily the macroeconomic climate — including private saving rates, fiscal deficits, inflation and interest rates — studies have also produced worrisome evidence concerning the composition of private investment:

- R&D spending as a share of GDP declined considerably from 1986 to 1992.
- The hurdle rates American firms use to assess investment projects are higher in relation to the cost of capital than anticipated by financial theory.
- Surveys of American and foreign CEOs reveal that both perceive the investment time horizons in US companies to be shorter than those of their major competitors.
- American companies appear to invest at lower rates than their foreign counterparts in intangible assets such as workforce training, new market development and supplier relationships.

The Capital Allocation Subcouncil is developing policy recommendations to improve the contribution of private investment to the nation's rate of productivity growth and the creation of good jobs. The Subcouncil is building on previous research by seeking to identify whether there are specific changes in federal laws or regulations which might remove impediments to, or otherwise promote, long-term relationship investing. The Subcouncil includes representatives of the financial and corporate communities, relevant federal agencies, labor and the public interest, including a range of recognized non-governmental experts in securities law, taxation, accounting and economics [see list of members on page 49].

The Subcouncil is focusing on the following seven areas:

- Creating incentives for long-term equity holdings and significantly reducing the debt bias of the tax code;
- Encouraging closer monitoring of boards of directors and management by shareholders;
- Encouraging larger holdings in individual companies by shareholders;
- Improving information available for assessing long-term shareholder value;
- Encouraging long-term employee and management ownership;
- Reducing unnecessary costs of shareholder litigation which inhibit corporate disclosure; and
- Improving small business access to debt and equity finance.

**"American companies appear to invest at lower rates than their foreign counterparts in intangible assets such as workforce training, new market development and supplier relationships."**

# Conclusion

As the Council noted in its First Report, the nation's economic policies suffer from "short-termism." We allow economic and social problems to fester until they become unbearable, and then we are unwilling to make the necessary sacrifices to solve them. Too often the federal government begins the process of reform (welfare reform, energy policy, national health insurance are but a few examples), but then refrains from making real change. The Clinton Administration is to be commended for its willingness to address some of the nation's problems in all of their complexity.

The economic recovery of 1993 has already led some observers to say that America has solved its competitiveness problem. The Council respectfully disagrees; there is little evidence to suggest that the current economic pickup will lead to substantial long-run improvement in our standard of living. Nevertheless, the current recovery does provide an opportunity to seriously evaluate our priorities, increase national saving, and invest more in plant and equipment, R&D, infrastructure, education and training. This may require changes in federal budget rules.

The changes that we are recommending will take many years to implement. As the European Commission noted in its recent White Paper, "the most serious challenge facing policy makers will be to maintain the awareness of the need to implement appropriate macroeconomic and structural policies even when the recession is over."[42] This, too, is the challenge facing our policymakers in America. The Council hopes that in offering these views to the President, the Congress and the American people, it will raise awareness of the challenges confronting the nation and ways to address them.

# Notes

1. Robert J. Gordon, "Wishful Thinking," *Forecast*, January/February 1994. Professor Gordon estimates that the cyclically adjusted productivity growth for 1993 was approximately 1.3 percent.

2. In its Second Report, the Council noted that "increases in private saving are highly desirable but difficult to achieve." The Council continues to believe that we are not doing enough to encourage individuals to save more. A national campaign, led by the President, could contribute to achieving this goal.

3. *Building A Competitive America*, Competitiveness Policy Council, March 1992, p. 25.

4. The reform proposals differ on several points. One is whether there should be a mandate for insurance for everyone or whether the government should try to reduce barriers to obtaining coverage. Another is whether employers should be required to make insurance available and, if so, what percentage they should pay. A third consideration is how much assistance should be given to small employers or lower income individuals. A fourth is the extent to which health utilization should be governed by standards or left to the discretion of patients and doctors.

5. This section draws primarily from two pieces of research commissioned by the Council: Henry Aaron and Barry Bosworth, "Health Care Financing and International Competitiveness," February 10, 1994, and Lewin-VHI, Inc., "The Impact of the Health Security Act on Firms Competing in International Markets," January 12, 1994.

6. There are numerous problems using life expectancy as a proxy for health. First, life expectancy covers all causes of death. This is particularly important in the case of the United States, since it has the highest death rate due to crime among all the industrialized countries. Every health indicator has its own limitation, which hampers this type of analysis. The broader point still remains that the United States spends significantly more on health care than the other industrialized countries and Americans do not appear to be proportinally healthier.

7. If health care reform does not result in higher individual saving, higher business investments, and lower federal deficits, and the "reform dividend" is redeployed to other types of consumption, the reform will not have any significant impact on the nation's competitiveness.

8. Aaron and Bosworth suggest that at least 80 percent of the increase in health care costs is shifted back to workers. The Council realizes that this may not always be the case. If health costs are not predicted well, employers may have to temporarily absorb some of the costs themselves. In industries that are strongly unionized, additional health care costs may result in lower profits or higher prices. Still, the most likely result of rising health insurance costs is lower wages.

9. If one views the employer as the payer, there will be a first round reduction in competitiveness, but as the dollar falls, exports would rebound.

10. See Aaron and Bosworth, Table 7. Based on full-time equivalents.

11. Lewin-VHI Inc., Table 7.

12. Eighty-two percent of all large companies are self-insured.

13. A corollary to this point is that if health care spending is controlled, workers may expect those savings to be translated into higher wages.

14. Of course, to the extent that health care costs are not fully absorbed by employees, they will be passed to stockholders and consumers, through lost sales, higher prices or lower profit margins.

15. Annualized data for production and nonsupervisory workers in private nonagricultural industries. These BLS data may in fact over-estimate the decline in real wages. First, the real wage series does not include all workers. Second, experts such as Barry Bosworth have suggested that the deflator used overstates the decline. Third, Frank Levy has argued that real wage data track different people over time and therefore average family income data are preferred. Although average family incomes have been rising, it should be noted that more families are now dependent on two wage earners.

16. In the President's budget request for FY 1995, core formula programs of ISTEA will be fully funded with a highway obligation ceiling of $20 billion and transit formula grants at $2.9 billion.

17. Edward V. Regan, "Investment, Jobs, and Economic Growth," The Jerome Levy Economics Institute, October 1993.

18. Like its predecessor, the Interstate Highway System built in the 1950s and 1960s, the purpose of the National Highway System as envisioned in ISTEA is to help meet national defense requirements and serve interstate and interregional travel.

19. Thus, income maintenance to a needy person, however worthy, is not an investment, as it does not increase the capital stock per person.

20. These figures include three categories of public investment — education and training, research and development, and public infrastructure. OMB reports several additional categories (e.g. commodities), which are excluded from this analysis. Using the broader measure yields a similar conclusion. We also examined investment as a percent of nondefense outlays excluding interest payments, and found a similar result.

21. When state government spending on education, training and highways is added, the decline is less dramatic, from approximately 10 percent of GDP in 1975 to approximately 8.5 percent of GDP in 1991.

22. The functions might include: education and training, transportation, environment and health. The classes might include: equipment, structures, payments to individuals and grants to states.

23. The current law is already mandatory, so it cannot be even more so. One alternative would be to maintain the responsibility with the Executive Branch but to remove the provision barring judicial enforcement of the CIS requirement. But the Council does not want to promote such litigation.

24. At the time of this report, the Council had just begun its work on this topic. The following section was drafted by the Council's staff, and will serve as a basis for further work by the Council.

25. *Kids Count Data Book*, Center for the Study of Social Policy, Washington, D.C. 1993.

26. *Just the Facts, A Summary of Recent Information on America's Children and Their Families*, National Commission on Children, Washington, D.C. 1993.

27. *Starting Points: Meeting the Needs of Our Youngest Children*, Carneige Corporation of New York, April 1994, p. xiii.

28. Barbara Dafoe Whitehead, "Dan Quayle was Right," *The Atlantic*, April 1993.

29. US Department of Education, National Center for Education Statistics. *The Condition of Education 1992*, Washington D.C. 1992.

30. *Just the Facts*, p. 7.

31. *Kids Count Data Book*, p. 14.

32. Whitehead, p. 47.

33. *The Condition of Education 1992*, Table 30-1.

34. Richard B. Freeman, "Employment and Earnings of Disadvantaged Young Men in a Labor Shortage Economy," in *The Urban Underclass*, Christopher Jencks and Paul E. Peterson, eds. Brookings, Washington, D.C. 1991.

35. Bureau of Labor Statistics Civilian Unemployment Rate, Table B-41.

36. *Kids Count Data Book*.

37. John H. Bishop, "Why the Apathy in American High Schools?" *Educational Researcher*, Jan-Feb 1989.

38. *Just the Facts*, p. 85.

39. "The Economics of Crime," *Business Week*, December 13, 1993.

40. James Renier, "Education and Competitive Strength," paper prepared for the Competitiveness Policy Council, 1993.

41. James Renier, 1993.

42. European Community, "Growth, Competitiveness and Employment," White Paper, 1993.

## Capital Allocation Subcouncil

### Co-Chairmen

Michael Porter, *Professor, Harvard Business School*
Robert Denham, *Chairman, Salomon Inc.*

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## About Our Members

**RAND V. ARASKOG** has been Chairman, President and Chief Executive Officer of the ITT Corporation since 1980. Mr. Araskog is a director of several corporations, the New York Stock Exchange, Dayton Hudson Corporation, Shell Oil, Dow Jones, and Alcatel Alsthom. He is a member of the Busines Council, the Business Roundtable and author of *The ITT Wars*. He spent five years at the Department of Defense during the late 1950s.

**JOHN J. BARRY** is International President of the International Brotherhood of Electrical Workers, a position he has held since 1986. He started as an apprentice in the electrical construction industry and has held numerous elected positions in organized labor since 1962. He is a Vice President and Executive Council Member of the AFL-CIO. He serves on many boards including the US Council for Energy Awareness and the American Productivity Center.

**C. FRED BERGSTEN,** Chairman of the Council, is Director of the Institute for International Economics, which he founded in 1981. He is also chairman of the Eminent Persons Groups created by the Asia Pacific Economic Cooperation Forum (APEC) in 1993 to advise its member governments on trade and investment liberalization in the region. He was Assistant Secretary of the Treasury for International Affairs from 1977-1981 and served on the senior staff of the National Security Council from 1969-1971. Dr. Bergsten is the author of 22 books on a wide range of international economic issues, most recently *Reconcilable Differences? United States-Japan Economic Conflict.*

**WILLIAM GRAVES** is Secretary of State of Kansas. He was first elected in 1986 and is now serving his second term. He is a member of the board of the National Association of Secretaries of State and of Leadership Kansas. He is also a member of the American Council of Young Political Leaders and has served as an election observer in Taiwan. Mr. Graves is active in numerous civic organizations including the Kansas Chamber of Commerce and Industry.

**JOHN J. MURPHY** has been Chairman, President and Chief Executive Officer of Dresser Industries, Inc. since 1983. He has been associated with Dresser since 1952 and has held numerous management positions at the company during that period. Mr. Murphy serves on the boards of a number of outside organizations, including the U.S.-Russia Business Council, PepsiCo, Inc., NationsBank Corporation, Kerr-McGee Corporation, Southern Methodist University, and St. Bonaventure University. He is also a member of the Business Council.

**EDWARD V. REGAN** is President of The Jerome Levy Economics Institute of Bard College, a non-partisan research organization which develops public policy alternatives. Before joining the Levy Institute in 1993, Mr. Regan served 14 years as New York State Comptroller. He was a former member of the President's Commission on Industrial Competitiveness (1983-1985). Mr. Regan is a frequent lecturer and author on the economy, government, institutional investments and financial markets.

**BRUCE R. SCOTT** is the Paul W. Cherington Professor of Business Administration at the Harvard Business School, where he has taught since 1962. Mr. Scott teaches a course in comparative economic strategies of countries and has co-authored a study of industrial policy in France, an analysis of the Venezuelan economy, and more recently a study of the prospects for transition in South Africa. He is co-author (with George Lodge) of *U.S. Competitiveness in the World Economy.*

**ALBERT SHANKER** is President of the American Federation of Teachers, a post he has been elected to since 1974. He has taught in the New York City public schools and at the graduate level. His is a Vice President and Executive Council Member of the AFL-CIO. Mr. Shanker serves on numerous boards including the National Academy of Education and the National Council on Education Standards and Testing. His weekly column, "Where We Stand," has appeared regularly for over 21 years.

**ALEXANDER TROWBRIDGE** is President of Trowbridge Partners, Inc. which he founded in 1990 following ten years as president of the National Association of Manufacturers. He has held a number of positions in the public and private sectors including US Secretary of Commerce from 1967-1968, President of the Conference Board, and Vice Chairman of Allied Chemical Corp. He serves on numerous corporate boards and is a charter trustee of Phillips Academy in Andover, Massachusetts.

**LAURA D'ANDREA TYSON** is Chair of the President's Council of Economic Advisers and a Member of the President's Cabinet. She is currently on leave from the University of California at Berkeley, where she was Professor of Economics and Business Administration, Director of the Institute of International Studies, and Research Director of the Berkeley Roundtable on International Economy (BRIE). She was a member of the Cuomo Commission on Trade and Competitiveness. Dr. Tyson is the author of several books and articles on US trade and competitiveness issues, including most recently, *Who's Bashing Whom? Trade Conflict in High Technology Industries.*

**EDWARD O. VETTER** is President of Edward O. Vetter & Associates. He previously held a number of positions at Texas Instruments including Executive Vice President and Chief Financial Officer. Since retiring from Texas Instruments, Mr. Vetter has served as Undersecretary of Commerce from 1976-1977, Energy Adviser to the Governor of Texas from 1979-1983, and Chairman of the Texas Department of Commerce from 1987-1991. He is a retired director of several New York Stock Exchange corporations, advisor to several venture funds, and a trustee of the Massachusetts Institute of Technology.

**LYNN R. WILLIAMS** until recently served as International President of the United Steelworkers of America, a position he held since 1983. He was also Vice President and Executive Council Member both of the AFL-CIO and of its Industrial Union Department. Mr. Williams is a member of numerous organizations including the Collective Bargaining Forum, the National Committee for Full Employment, the Committee for National Health Insurance, the National Planning Association, the National Institute for Dispute Resolution and the Economic Policy Institute.

## The Competitiveness Policy Council's Mandate

The Competitiveness Policy Council was created by the Omnibus Trade and Competitiveness Act of 1988. It is charged with making recommendations to the President and Congress on how to improve the nation's competitiveness. The Council's objectives, as stated in Public Law 100-418 (Section 5204), are to:

(1) develop recommendations for national strategies and on specific policies intended to enhance the productivity and international competitiveness of United States industries;

(2) provide comments, when appropriate, and through any existing comment procedure, on—

(A) private sector requests for governmental assistance or relief, specifically as to whether the applicant is likely, by receiving the assistance or relief, to become internationally competitive; and

(B) what actions should be taken by the applicant as a condition of such assistance or relief to ensure that the applicant is likely to become internationally competitive;

(3) analyze information concerning current and future United States economic competitiveness useful to decision making in government and industry;

(4) create a forum where national leaders with experience and background in business, labor, academia, public interest activities, and government shall identify and develop recommendations to address problems affecting the economic competitiveness of the United States;

(5) evaluate Federal policies, regulations, and unclassified international agreements on trade, science, and technology to which the United States is a party with respect to the impact on United States competitiveness;

(6) provide policy recommendations to the Congress, the President, and the Federal departments and agencies regarding specific issues concerning competitiveness strategies;

(7) monitor the changing nature of research, science, and technology in the United States and the changing nature of the Untied States economy and its capacity—

(A) to provide marketable, high quality goods and services in domestic and international markets; and

(B) to respond to international competition;

(8) identify—

(A) Federal and private sector resources devoted to increased competitiveness; and

(B) State and local government programs devised to enhance competitiveness, including joint ventures between universities and corporations;

(9) establish, when appropriate, subcouncils of public and private leaders to develop recommendations on long-term strategies for sectors of the economy and for specific competitiveness issues;

(10) review policy recommendations developed by the subcouncils and transmit such recommendations to the Federal agencies responsible for the implementation of such recommendations;

(11) prepare, publish, and distribute reports containing the recommendations of the Council; and

(12) publish their analysis and recommendations in the form of an annual report to the President and the Congress which also comments on the overall competitiveness of the American economy.

## Council Reports and Commissioned Studies

*Building a Competitive America*, First Annual Report to the President and Congress, March 1, 1992

*A Competitiveness Strategy for America*, Second Report to the President and Congress, March 1993

*Enhancing American Competitiveness: A Progress Report to the President and Congress*, October 1993

*Reports of the Subcouncils*, March 1993

*A Trade Policy for a More Competitive America*, Report of the Trade Policy Subcouncil to the Competitiveness Policy Council, March 1993

*Building High-Performance Workplaces*, Report of the Training Subcouncil to the Competitiveness Policy Council, March 1993

*Building a Standards-Based School System*, Report of the Education Subcouncil to the Competitiveness Policy Council, March 1993

*Forging the Future: Policy for American Manufacturing*, Report of the Manufacturing Subcouncil to the Competitiveness Policy Council, March 1993

*Investing in our Future*, Report of the Public Infrastructure Subcouncil to the Competitiveness Policy Council, March 1993

*Technology Policy for a Competitive America*, Report of the Critical Technologies Subcouncil to the Competitiveness Policy Council, March 1993

*Health Care Reform and US Competitiveness*, Working Papers Commissioned by the Competitiveness Policy Council, May 1994

*Implementing a New Technology Policy*, Report of the Critical Technologies Subcouncil to the Competitiveness Policy Council, May 1994

These publications can be obtained from:

*Competitiveness Policy Council*
*1726 M Street, NW, Suite 300*
*Washington, D.C. 20036*
*Telephone 202-632-1307*
*Faxsimile 202-632-1350*

# Acknowledgments

The Council expresses its continued appreciation to Erich Bloch, Chairman, and David Cheney, Staff Director, of the Critical Technologies Subcouncil; Gerald Baliles, Chairman, Thomas Downs, Acting Chairman, and Gilah Langner, Staff Director, of the Public Infrastructure Subcouncil; Jack Murphy, Chairman, and Paula Stern, Staff Director, of the Trade Subcouncil; and Lynn Williams, Chairman of the Training Subcouncil for their ongoing subcouncil work.

The Council is grateful for the valuable input and advice which it continues to receive from experts in a wide array of fields around the country. Members of the Council have been assisted by Nicholas Glakas, Ardon Judd, Bella Rosenberg, Jack Sheehan, and Robert Wood. The following people have provided critical input into the Council's work throughout the last year and in particular in drafting this report: Henry Aaron, Barry Bosworth, Robert Gordon, Kent Hughes, Ken Jarboe, Paul Krugman, Robert Lawrence, Frank Levy, Ruben Mettler, Michael Porter, Paul Posner, Bill Reinsch, David Richardson, Robert Shapiro, Kip Viscusi and John White.

Most of all, we are grateful to the talented and hard-working Council staff for their assistance throughout the year, and in particular in contributing to every aspect of producing this year's report. The Council is fortunate to have the dedicated assistance of: Jeannine Atalay, Brian Blackstone, Chris Coleman, Angela Cromartie, Gilah Langner, Frances Melvin and Rick Samans. Special thanks goes to Steve Charnovitz, the Council's Policy Director.

Studio Services provided technical assistance in the production of this year's report; the cover was designed by Supon Design Group.

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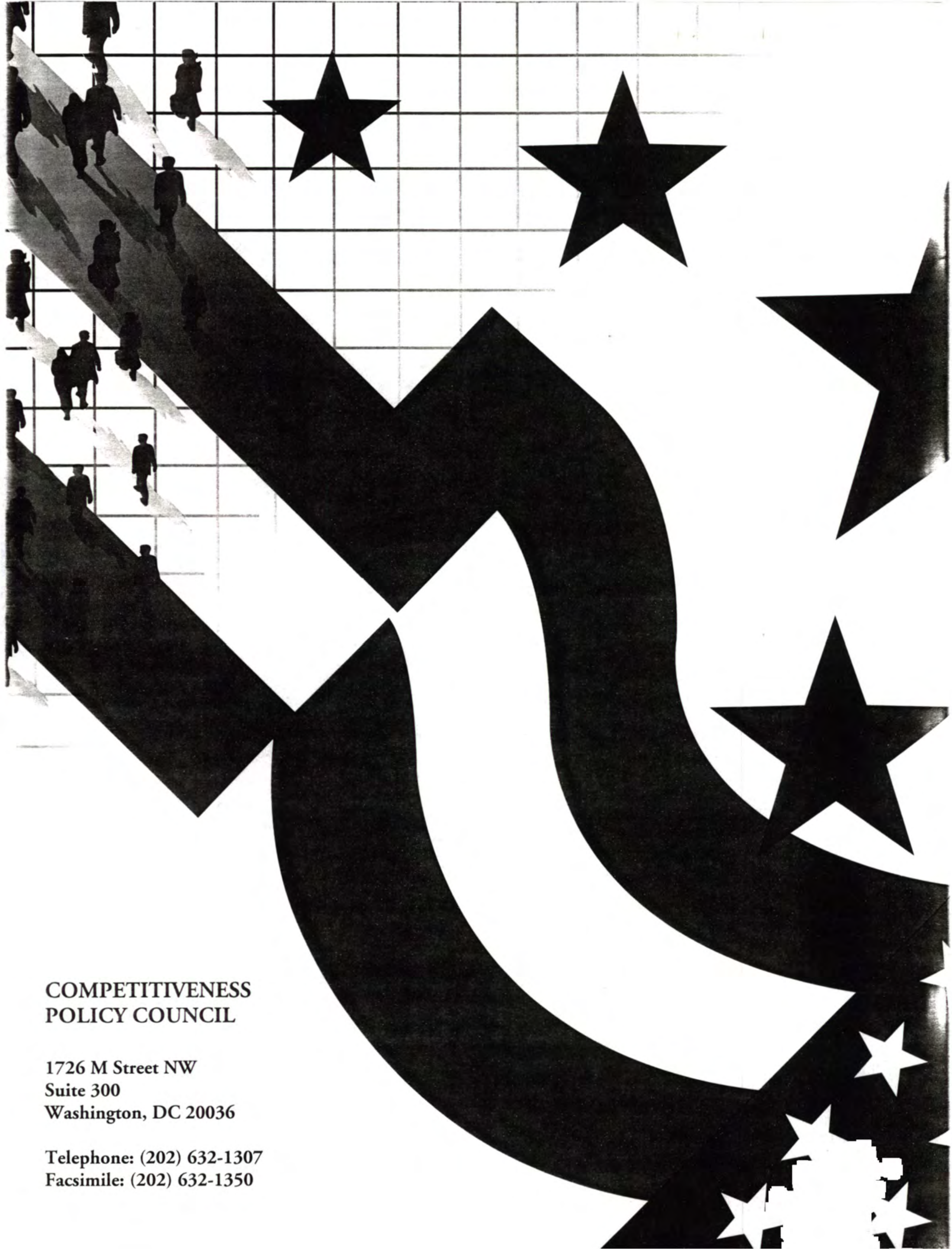


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THE PRESIDENT HAS SEEN
5-17-94

April 29, 1994

MEMORANDUM FOR THE PRESIDENT

**Getting the Benefits of Frequent Cabinet Meetings without Actually Holding Them:**

1. Regular cabinet meetings have benefits. Eisenhower got useful advice from unexpected sources. Also, more than any President since, he got cabinet members to speak with one voice. Later Presidents lost by giving up these meetings. Kennedy didn't remember until after the Bay of Pigs debâcle that his Secretary of *Agriculture* was an ex-marine expert on amphibious operations. Until SALT II began to founder, Mr. Carter did not remember that his Energy Secretary knew more than anyone else in his circle about SALT's Senate nemesis, "Scoop" Jackson. In all subsequent Administrations, cabinet members and the White House have made headlines by contradicting one another. Historical examples are unnecessary. This Administration has plenty of such experience.

2. The Eisenhower model could not work today. The cabinet is larger, more diverse, and has more to do. Ike's initial cabinet was "ten millionaires and a plumber." Its agenda was "do less." Also, there was no CNN, and the Washington press corps was not yet a piranha pool.

3. Gadgetry may, however, offer an alternative. Jim Woolsey has a working prototype called "MAGIC." Designed for NSC departments and staff, it sits on the shelf because of cost concerns. On a small scale, it could probably be adapted to be "cabinet only." Each cabinet member would then have a secure electronic link with the White House. A monitor would display cabinet or cabinet subcommittee agenda. With a touch of a key, a cabinet member could get more information about an item. Another key would fetch a backup paper. Others could input a question, a comment, or a "call me" signal.

4. There are good arguments against trying "MAGIC." It is gimmicky. It would add to a communication flow already near flood level. At best, it would not be cheap. It would work only if effectively "cabinet only," and that line would be hard to hold. (In the Pentagon and at State, "Eyes Only" and "NODIS" classifications quickly came to mean readership of *only* a few hundred.) On the White House side, it would take hard work to prevent the system becoming routine and boring. (Ike announced publicly that his cabinet meetings would always begin with a prayer. Minutes of something like the thirtieth meeting show him interjecting, halfway through, "Goddam it! We forgot the prayer!")

5. There are also good arguments, however, for trying *anything* that would promote teamwork. This is the most talented cabinet in decades. The level of devotion to the President is extraordinary. The noise of cabinet members and White House staffers talking over one another is such, however, that the public can't hear the Administration's priorities and accomplishments. If "MAGIC" made this noise even a little more tuneful, it would be worth the price -- and might deserve its name.

ERMay

Ernest R. May

cc:
~~B~~ VP - fyi
both pages
bring back to me - R

5/19 cc Mack
5/19 Phil
5/19 Christine
(draft reply asap for Pres to sign.)
~~[illegible]~~ Tracy

HARVARD UNIVERSITY
JOHN F. KENNEDY SCHOOL OF GOVERNMENT
CAMBRIDGE, MASSACHUSETTS 02138

April 29, 1994

Dear Mr. President,

Thank you for having Dick Neustadt and me as guests at your dinner for the cabinet last Friday. I hope we helped to start a useful discussion.

You really do have a remarkable cabinet. It is as talented as any in American history. The level of devotion to the President is unmatched, I think, since Jefferson's first term. (And with a Vice President who is the exact opposite of Aaron Burr.)

You also have a problem of, to say no more, inconsistent teamwork. A brief memo is attached, suggesting a possible way of getting the benefits of more frequent cabinet meetings without actually holding them.

With best wishes -- for, among other things, 1996.

Sincerely yours,

Ernest R. May

05/16/94 18:25 ☎2026321512 NAT INST FOR LIT ☐001

THE PRESIDENT HAS SEEN
5.17.94

# NATIONAL INSTITUTE FOR LITERACY

## FACSIMILE TRANSMISSION SHEET

DATE: Monday 5-16-94

TO: The President FROM: Carolyn Y. Staley

FAX NUMBER: 456-6703

Carrasco
[illegible]
[illegible]

MESSAGE

Mr. President:

① What a GREAT event today for GOALS 2000!
The Nat. Institute for Literacy continues to be involved in its realization as practice throughout the States.
We next are involved in Reemployment Act passage (except Reich doesn't use Ad. Literacy/Ad. Ed. as a provider system – I don't know who he thinks will do the teaching/re-training. It's clear he & staff do not see current public systems of adult ed. & literacy as players. I'm trying to get his attention to Help.)

THE WHITE HOUSE

WASHINGTON

May 17, 1994

Christopher C. Ashby
17 Side Hill Road
Westport, Connecticut 06880

Dear Kit:

Thanks for following up on our recent telephone conversation. I've shared your note with Veronica Biggins, my personnel director. I don't know exactly which overseas diplomatic positions are currently open, but I'm glad to know what you think would be a good fit. I hope we can work something out.

See you soon.

Sincerely,

Bill

cc V. Biggins

"see me re: this"

CHRISTOPHER C. ASHBY

April 28,1994

Dear Bill,

It was good to talk to you the other night. I know that this is the bad season for allergies, and I could tell that you weren't feeling well. I heard by the timber of your voice at Nixon's funeral that they were bothering you.

I wanted to respond in a little more detail to your question of what I wanted to do. My main motivation in all of this is to participate in a meaningful way if I can. I want to contribute. I have no idea what you need done, or where you think I might be of help. I would like to be considered for an overseas diplomatic position. As I mentioned, my main areas of expertise are Spain and Indonesia, where I have lived. I have traveled extensively in Southeast Asia and Portugal, and I know those societies. I speak Spanish, but have no direct knowledge of Latin America. I know that "Non-professional" diplomatic appointments are sensitive in every administration, and they are right now for you. However, I have spent 20 years either living overseas involved in international finance and commerce, or at the United Nations. Hopefully that would make me viewed as somewhat less non-professional.

There are of course a series of countries in which I have no direct expertise, but would be fascinating right now. They would include Mexico, India, South Korea, Haiti, South Africa, and countries of Eastern Europe.

I still remember Fred Baldwin's sermon, I want to make a difference if I can. I want to contribute to you and your administration in as meaningful a way as possible, if you have a need for the abilities which I offer.

Best Regards
Kit

LAKE

5/12

THE PRESIDENT HAS SEEN
5/17/94

JIMMY CARTER

May 11, 1994

Good letter
Last suggestion
is probably one
of many stones
shouldn't leave unturned.

To President Bill Clinton

At The Carter Center last week, I informed you that we were assessing the conflicts in five countries, and you requested a summary of our thoughts about Haiti. I realize that while we were helping with the election in Panama you announced some new and constructive plans about this troublesome Haitian problem. Nevertheless, I'll keep my promise and share our recommendations with you, hoping they might be helpful.

Following a year of changing circumstances and tactics, the most important challenge is to restore U.S. credibility with President Aristide and his supporters, the Haitian military and attaches, the civilian power structure in Haiti, and the American public.

**Military force** -- Without a genuine threat of force, it is unlikely that Cedras and other hardliners will honor their previous commitments and accommodate Aristide's return. However, unilateral American military intervention would simply not be acceptable either at home or abroad, so any action must be as part of a multilateral force based on clear international authority and support. The second most serious mistake would be to threaten the Haitian military with such action and then not follow through. The L.A. Times report that the U.S. is considering sending 600 armed soldiers to Haiti is troubling, both because it is unilateral and because it is too small a force to do anything in Haiti except invite resistance by the military.

**Continuing negotiations** -- Democratic principles in Haiti cannot be abandoned, but every effort should be continued to resolve this crisis peacefully, through concerted and forceful mediation. We know Aristide well and, contrary to some opinions, consider him to be emotionally stable and highly intelligent. However, he is politically naive, sees himself as the anointed savior of the downtrodden, and finds it difficult to compromise on basic issues. At the time of his election, we urged him to include Marc Bazin or other influential moderates in his government, but he refused to do so. Aristide must agree to form a consensus government under their parliamentary system, to guarantee the rights and safety of all Haitians, to accept a real negotiation deadline, and to support military action if internationally respected compromises are rejected. As the recognized president, his approval is important to give legitimacy to such drastic action as the use of military force.

A key to negotiating success are the establishment leaders in Haiti who are not permanently aligned with the military and attaches. Many of these are political moderates, who are still in control of business, finance, the news media, educational and cultural matters, and international trade. Most of them are deeply distrustful of Aristide and fearful for their lives and fortunes if he and his supporters return to unrestricted power without international restraints. This group should be strongly influenced to support an agreement by finally having to suffer the consequences of unabated economic restraints which, so far, they have been able to avoid. Family visas, air travel, investments, bank accounts, and imports to and from the United States are vital to them. We also believe that additional pressure needs to be exerted on Joaquin Balaguer and the Dominican Republic to assure that they give support to the imposed economic restraints.

To restore President Aristide to power within a new democratic compact will require an intense, high-level negotiating effort within Haiti and with other governments in the hemisphere. Bill Gray could be of immense help to you in the United States, but the international negotiations under Dante Caputo need additional leadership. Perhaps you could ask the UN and OAS Secretary-Generals to request Michael Manley and one or two other internationally-respected emissaries to lead such an effort. A number of these leaders are members of our Council of Freely Elected Heads of Government, and I know that some of them are willing to be of service in this way.

We fully support your decision to give would-be Haitian refugees their hearings under our immigration laws.

Best wishes,

Jimmy

The Honorable Bill Clinton
The President
The White House
Washington, D.C. 20500-2000

cc: Livingston
to VP — Holbrooke
<u>does</u> <u>NOT</u> agree

THE WHITE

WASHINGT

May 10, 1994

Brian L. Greenspun
Las Vegas Sun
Post Office Box 4275
Las Vegas, Nevada 89127

Dear Brian:

Thanks for your thoughtful letter of April 29. Your advice and counsel mean a lot to me, and I hope you'll keep it coming. I really appreciate it.

Sincerely,

Bill

I agree that we need
to re-emphasize the message
in word <u>and</u> deed —
Consensus —

Recd Trey 5/4

LAS VEGAS SUN

**BRIAN L. GREENSPUN**, President
800 S. VALLEY VIEW BLVD., LAS VEGAS, NV 89107-4411
702-259-4003

P.O. Box 4275
LAS VEGAS, NV 89127-0275
FAX: 702-259-4143

April 29, 1994

The President
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500-2000

Dear Mr. President,

You have made Bob Miller a happy man and, hopefully, convinced more than a few Nevadans that a close relationship with the President can be beneficial. I know the news is playing well out here so you are to be congratulated for your thoughtfulness.

I received a letter from you in response to my love note about the cable-bashing taking place at the FCC. While I respect your opinion on this matter, I am still not convinced you are getting the full story because, if that were the case, I don't believe you would think all will be well out in cable land. I suspect that there will be a rippling effect throughout the entertainment industry that will culminate in the electorate waking up in two years or so wondering what happened to the programming promises and interactive innovations that will not be there as a result of sucking the financial wherewithal out of the marketplace.

I have tried to explain my feelings to Vice-President Gore who was most gracious with his time and attention. He committed his people to follow-up with us to make sure our points are understood. He also told me that you shared my letter with him and asked him to follow up. Thank you. I am grateful not only for your personal attention but for the message your interest sends to everyone else who wants to believe that business has a role to play with government and not as an adversary to it.

The main reason for this letter is to re-iterate to you the reasons for my bothering the President of the United States with what appears to be a matter of financial self-interest and not one of great moment considering what else is going on in the world.

I have told you before that my involvement with your candidacy had nothing to do with money. To the contrary, your election and its aftermath have cost me and my family far more dollars than most people can imagine paying for the privilege of being an American. Not a big deal.

The big deal is that something has happened, at least in my humble opinion, to the public's perception of your vision about how and where this country needs to go as we approach a new century. The new kind of Democrat theory resonated well across this country because many people had been feeling left out of both major parties. Finding room around the political middle of this country was appealing and made sense to many Americans.

The cable industry debacle is just one example of a move toward one end of the political spectrum that suggests that government can better handle the ups and downs of the market place. Your campaign message acknowledged the folly of that belief. Some of your administration's actions have tried to prove otherwise.

My concern is that you may move too far away from that which you sold to the American public. Once they believe that you are not doing what you said you would do, you will lose them. This is not the "character" issue which should have made you sick to your stomach by now, it is far deeper and more resonating than that. I think most people still want to believe in someone or something. It is when they see actions that force them to admit their own mistakes that they turn themselves off.

I suppose it is presumptuous of me to "lecture" the president but, if that is the case, it is done so out of a deep respect and desire to see you succeed.

The suggestion for today, therefore, is to re-read your covenant speeches and match their words against the rhetoric of today. I am not so naive to think that you can create change without accommodating those who oppose it in any form. I am hopeful, however, that you can do all that without losing the very people who "brung you to the dance" in the first place. That is a difficult task, I am sure, but one you can handle. If I can be of any help, all you need do is ask.

I just heard your wonderful eulogy at President Nixon's funeral. You have a unique ability to touch people in the right way. It is self-effacing and very homey. And you come across as very sincere and serious at the same time. Keep playing to your strength and ignore those who suggest otherwise.

Just to show you there are no hard feelings - in fact, just the opposite - I am sending you the best and brightest Greenspun to help clean up the mess in Washington. Amy is looking forward to her internship at the White House, an opportunity for which I am grateful to you.

Keep plugging ahead and please remember, you have people who care about your success. You can count Myra and me among them.

Respectfully,

Bri

Brian

NG

I want to see him + his family - if I'm in town with WH Assoc —

WHITE HOUSE
WASHINGTON

cc NHO
acl

May 13, 1994

Garrick Feldman
Leader Publishing, Inc.
Post Office Box 766
Jacksonville, Arkansas 72076

Dear Garrick:

Thanks for your letter of May 5. It was good to hear from you. Your encouraging words, as always, mean a lot to me.

I appreciate your perspective on the challenges we've faced in recent weeks, and I thank you for sharing the letters you've written to the Times. We're making progress every day on the real problems of our country. That, ultimately, is what is most important.

Thanks, too, for letting me know about your upcoming visit to Washington. I never know what my schedule will hold, but I hope to have a chance to see you before long.

Sincerely,

Bill

I hope we can get together - Thanks

# LEADER PUBLISHING, INC.

P.O. Box 766 • 404 Graham Road
Jacksonville, Arkansas 72076
501-982-9421 • FAX 501-985-0026

Publishers of the North Pulaski Leader and The Leader in Lonoke & White Counties

May 5, 1994

President Bill Clinton and
Mrs. Hillary Rodham Clinton
The White House
Washington, D.C.

Dear Mr. President and Mrs. Clinton:

Perhaps it's the Arkansas spring that's making us feel more optimistic. I hope you're feeling upbeat, despite your enemies' attempts to make life difficult. They're trying hard, but their ploys are getting tiresome.

Arkansas winning the national basketball championship was a good omen: It made us all happy. The sharks that had circled around you were slowly retreating, although they'll keep attacking until they run out of breath. They're mean and desperate, but also very stupid: They had visions of cancelling the results of the last election, failing to see that most Americans wish you well and hope to see your programs passed.

Until the last election, I used to think that Republicans had outgrown their meanness. Their hatred for FDR and Truman, I assumed, was just old-fashioned contempt for anyone who rocked the boat. Surely that meanness -- even questioning a Democratic president's patriotism -- would have vanished this late in the century. But their assault on you shows they haven't changed. Ordinary people need reminding of this.

This is the party of Bob Dole, Patrick Buchanan, Newt Gingrich, Dan Quayle and Wall Street Journal editorial writers who look like they need Prozac. When I saw (Wayne) Newton Gingrich go before the cameras only hours after the tragic shooting down of our helicopters in northern Iraq, I thought, this guy isn't going to say what he's capable of saying: Sure enough, he blamed defense cutback for the shooting.

I wanted you to see a correspondence I've started with the New York Times. I complained to the publisher about his staff's work, and it seems half the newsroom has responded with letters and phone calls. I think they're getting defensive and feeling a little guilty. I enclose a couple of my letters. I suspect there will be more.

I will be in Washington on Sunday, May 22 for a day-long symposium at the Holocaust Museum to commemorate the 50th anniversary of the deportation of Hungarian Jewry. My parents, who are Hungarian Holocaust survivors, will also attend. There will be a memorial ceremony at 5 p.m. Will you be there? ~~I would like~~ to visit with you for a few minutes.

Eileen and the kids send their love. They're hoping we could see you and Chelsea this summer.

With admiration and affection,

Garrick Feldman

P.S. I thought you might want to see my front-page column
[illegible] for [illegible] coming to America [illegible]

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Publishers of the North Pulaski Leader and The Leader in Lonoke & White Counties


April 14, 1994

Mr. Arthur Ochs Sulzberger, Jr.
Publisher
The New York Times
229 W. 43d St.
New York, N.Y. 10036

Dear Mr. Sulzberger:

As I read your long and pompous editorials on Whitewater, based mostly on Jeff Gerth's reporting, your readers, or even editorialists, have no idea that his source is a former liberal Democrat who has joined the Republican Party out of sheer opportunism.

Sheffield Nelson, Gerth's source, has leaked to him for years out of hatred for President Clinton, who investigated Nelson over a sweetheart gas deal that made Jerry Jones a megamillionaire, making it possible for him to buy the Dallas Cowboys, and enriching Nelson as well; Nelson is obsessed with Stephens, Inc., which pushed him out for mismanaging Arkla Gas. Mack McLarty succeeded him, cut the losses with Jones and got Arkla back on its feet.

I think your readers should be told where Gerth gets his dirt.

Sincerely,

Garrick Feldman
Editor and Publisher

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Publishers of the North Pulaski Leader and The Leader in Lonoke & White Counties

May 5, 1994

Mr. Dean Baquet
Special Projects Editor
The New York Times
229 W. 43 St.
New York, N.Y. 10036

Dear Mr. Baquet:

I criticized Jeff Gerth's Whitewater coverage because of his reliance on Sheffield Nelson for inside dirt. Gerth can talk to anybody he wants to, but he needs to come clean on who is dishing out the stuff -- one of the major beneficiaries of Madison Guaranty money. The special prosecutor is looking into Nelson's loans for a development on Campobello Island. That project was a huge drain on Madison.

Gerth called me the other day to insist that Nelson is not his only source (I'd guessed Nelson only got him started) and that he keeps Nelson's name out of the Times because he is not a national figure.

I suspect the special prosecutor will soon make him a national figure, and then perhaps your readers will learn that Nelson isn't all that pure. He's ticked off at Clinton for several reasons -- for running again in 1990 (beating your source), not to mention Clinton's (reluctant) investigation of a natural gas deal that Nelson engineered in behalf of his pal Jerry Jones at a cost of several hundred million dollars to the ratepayers. (Jones was also in on the Campobello deal.)

But why dwell on the negative? I find Arkansas a heck of a lot more congenial than my native Hungary (which murdered most of our family during the Second World War, and when the communists trooped in, they made my parents and their two little sons feel unwelcome again), or Chicago, where I grew up and left as soon as I could. I've lived in Arkansas longer than anywhere else. I've built a small newspaper group and printing plant through the generosity of Arkansans, including (dare I say it?) our bankers. I built my company without SBA loans or bond money. Folks lent this itinerant newspaperman hundreds of thousands of dollars because they figured, against the better judgment of city slickers, that I would repay them.

Whitewater and commodities trading are peanuts compared with the kindness of Arkansans, including the President and Mrs. Clinton. When you find a haven here, as I have, you look at things differently. Despite our problems, we could do worse, which is why I hate to see you destroy our President and our state.

Sincerely,

Garrick Feldman
Editor and Publisher

cc: Arthur Ochs Sulzberger, Jr.
Joseph Lelyveld
Jeff Gerth

SPORTS

## Youth baseball teams listed in special section

**This week, as a tribute to the hundreds of hard-working participants, the Leader sports staff honors the area's youth baseball teams, coaches and players as all the rosters are listed in the special 12-page supplement inside.**

**–Section C**

SUPPLEMENT

## Congratulations to bank from those who built it

**The folks who built the new headquarters for First Jacksonville Bank want to send a special message of appreciation to the bank's officers for choosing them to make the new three-story headquarters a center piece in Jacksonville.**

**–Section D**


# NORTH PULASKI LEADER

Volume 8 Number 9 404 Graham Road, Jacksonville, Arkansas 72076 Wednesday, April 2


NEWSMAKERS

### Air base observes Nixon mourning

In observance of the national day of mourning for Richard Nixon designated by President Clinton, all non-essential federal employees at Little Rock Air Force Base are excused from duty on Wednesday.

All base customer service offices, including the base hospital, will close and appoint-

# Prosecutor ups with tactics of anti-burn lawy

## Both sides trade charges over mo

**By GARRICK FELDMAN**
Leader

A group dedicated to stopping incineration at the Vertac plant site may be breaking the law, according to Pros-

In his letter, Stodola s evidence that Harrison workers that he has "subp and can compel attendanc ments concerning this some of the hardships the bank has ecent months.

(See BANK, page 3A)

Kenneth Pat Wilson, page 3A

ilt after last year's suspicious fire.

# ...hief, sees ... from old

the new substation. We're planning and working on it," Hibbs said.

Some of the planning involves how to staff the facility when construction is complete and how it will be utilized by both the officers and the community, he said.

Hibbs said he didn't know if the assistant chief's position will be kept open.

"The (Civil Service) Commission would do that. At this time we're

(See HIBBS, page 6A)

happened, Harrison said.

...the Arkansas Peace Center, the

(See LAWSUIT, page 6A)

# EPA letting city off with small payment

The U.S. Environmental Protection Agency and Jacksonville have ratified an agreement reached last year which allows the city to make only token payments for the clean up of two hazardous landfills.

It will cost $3 million to clean up Rogers Road and Graham Road landfills, which contains hazardous drums from the old Vertac plant.

The city's share will be 60 percent of the cleanup cost, but the actual cost will be just $100,000 and some in-kind labor, such as drainage improvements and landscaping.

The EPA has decided not to burden Jacksonville with onerous cleanup costs.

Mayor Tommy Swaim hailed the agreement, saying it "will allow cleanup to proceed on an accelerated schedule and save millions of dollars for the citizens of Jacksonville."

The landfills and the Vertac plant are the three Superfund sites in Jacksonville. There are nine other Superfund sites in Arkansas and 1,275 nationwide.

# How Richard Nixon changed our lives

## One family accepted offer of asylum

If Vice President Richard Nixon had not visited Austria at the end of 1956, my family would have stayed in Hungary.

He had gone to Austria to greet

By Garrick Feldman Editor

some of the thousands of Hungarians who had fled ahead of the Soviet tanks that suppressed a popular revolt. Nixon could not promise the Hungarians military support for fear of upsetting the Soviets, so he did the next best thing: He said all the refugees could settle in America.

My great-aunt in Chicago had watched him on television and sent a telegram to our home in northeastern Hungary, urging us to leave. I was just a little boy, but I remember the mailman delivering the telegram while our small town was swarming with Red Army tanks. After some discussion, my parents decided it was worth taking a chance to get past the Soviets if we could settle in America.

We walked all night across the border into Austria on a cold December night, which was lit up with search lights and gunfire. But at dawn, we found an Austrian border guard, who told us we were now safe.

Although I knew about the telegram that prompted my family to leave, I didn't realize until a few months ago who had inspired my great-aunt to send it.

I had thought of writing Nixon a note of thanks, but I never did. Time ran out as the former president died.

(See FELDMAN, page 3A)

# ...e for council: Are pigs pets?

Kenneth McGhee for a five-year term o the wastewater commission.

Aldermen Joe Williamson, Emma Knight and Terry Sansing along with irector of public works Skip Spears formed the committee to study the pigs-as-pets issue.

City Attorney Robert Bamburg said some people consider the animals pets, while others do not, and that is where the problem arises.

"If you make an exception for one type of animal, where do you draw the line?" Bamburg said.

(See PIGS, page 5A)


Wilson, chairman of
of the new building.

earned the loyalty and
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No asset is more valu-
hat the loyalty and trust
s.
to point out that, in
new structure, we op-
ches. Those branches
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e to all areas of the
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roviding professional
es that our customers
serve.
thank every person in
y who has helped us
over the past 45 years.
his building to the com-
expressing that appre-
monstrating our com-
future of this commu-
lf of the stockholders
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# FELDMAN

(Continued from page 1A)

Friday night after a massive stroke.

He was not known for many acts of kindness, but the offer of asylum says a lot about American generosity. That generosity has its limits, to be sure, as not everyone is welcome to our shores. But for hundreds of thousands of frightened Hungarians in 1956, Nixon's offer was like a voice from heaven — a miraculous promise of a new life.

Nixon made his name fighting communists and ended making peace with them. As a young congressman, he was stridently anti-communist, branding his opponents fellow-travelers or worse. His early political races were classic examples of negative campaigning: Nixon's scorched-earth attacks demolished his opponents, who cried foul.

He softened somewhat when he was Eisenhower's running mate. Perhaps it was Ike's influence that made him go easy on Kennedy in 1960. Nixon, after all, had far more experience and he must have known about JFK's other shortcomings. Yet Nixon, who may have let Kennedy's wealth intimidate him, pulled his punches. He lost narrowly in an election that saw voting irregularities on both sides. (It's well known that Chicago Mayor Richard Daley stole votes for Kennedy in Cook County, but the Republicans did the same thing for their man in nearby DuPage County.)

Eisenhower, by the way, was never comfortable with Nixon. When it was revealed that wealthy contributors were paying for Nixon's personal expenses, Ike wanted to drop him from the ticket. But Nixon prevailed with a corny TV speech that appealed even to the hearts of animal lovers when he confessed that the family dog Checkers was one gift his kids wouldn't give up. (Ike kept him on but still didn't like him and hoped someone else would get the 1960 GOP nomination.)

If Nixon was a mixture of brains, cunning and schmaltz, the description fits many other successful politicians. Although often branded a loser, he ran on a national ticket five times and lost only once.

People forget how smart he was. He was insecure and surrounded himself mostly with mediocrities and worse, who finally destroyed him during Watergate. But he had a good grasp of how the world worked and negotiated international agreements that helped prevent war.

His failures, of course, included Vietnam. He claimed he had a secret plan to end the war, but he didn't and the killing continued for five more years in an aimless war. Because of his insecurities, he showed contempt for many of our great institutions, especially with mediocre nominations to the Supreme Court.

He finally cracked under Watergate. Unable to come clean over an absurd burglary, he dragged out the drama until he was forced to resign.

For the next 20 years, he turned himself into an elder statesman and prolific author. Time made his offenses seem less terrible, and he softened, too, in old age. Gone was the abrasive young congressman who believed Democrats were harboring communists. He did find one — Alger Hiss, the State Department official who was almost certainly a Soviet spy — and then he went on to fight other battles and made a separate peace with the Chinese.

He was uncouth most of his life, but he kept on fighting, losing some battles along the way. If nothing else, Nixon's life proves that even the humblest among us can raise himself, but the fall after is often precipitous.

Even then, as the man said, don't ever give up.

# BANK

(Continued from page 1A)

"As most of you know, less than a year ago the former main building, which was situated here, was heavily damaged by fire," he said. "In spite of the adversity of that fire, we have managed to continue to serve our customers well by using temporary quarters since that time."

He added, "I want to acknowledge the flexibility and durability that our staff has displayed in maintaining banking services for the past 12 months. I also want to thank our customers for being very understanding and patient with us."

[redacted]

To VP (cc TLake

from G. Hart

must read —

THE PRESIDENT HAS SEEN

5-17-94

[redacted]

[redacted]

THE PRESIDENT HAS SEEN
5-17-94

# Elements of a new grand strategy

Summary: Our nation requires a new grand strategy. For a half-century our consensus strategy was to contain communism and presume that an ever-expanding market economy would pay the costs of containment and produce a middle-class living standard for most Americans. This strategy is no longer viable or relevant due to the failure of communist ideology, the disintegration of the nation-state, the emergence of powerful, competitive trading blocs, and the erosion of America's traditional economic base. A new grand strategy should incorporate the following elements:

- **first, it should coalesce the nation around an agenda for social renewal founded upon transition to a knowledge-based economy;**
- **second, it should establish a Grand Coalition among North America, greater Europe and democratic Asia to establish a trade-based global economy and to support democratic institutions in developing countries;**
- **third, it should fashion a new definition of national security around military reform and a new definition of international security around collective peacekeeping and new security arrangements.**

Goals: The first objective of strategy is to state clearly the nation's goals. These are: to devise a modern economic engine capable of increasing productivity and competitiveness and producing economic security; to insure open global markets and fair trade rules; to prevent North-South polarization and the spread of fundamentalism; to support laboratories of democracy; to distribute responsibility for global peacekeeping. Each goal suggests a wide variety of collateral objectives. For example, economic security implies social order. Mounting gang violence, crime and drugs are both symptoms of and contributers to cultural disintegration and social insecurity. So long as the nation pursues an outdated strategy or has no strategy at all, these problems will increase, not abate. The purpose of strategy is to simplify, clarify and prioritize, but also to provide a contextual framework for addressing social breakdowns created by the failure of outdated national strategies.

Economic transformation is the centerpiece of a grand strategy for the 21st century. Without new systems for wealth creation, America cannot offer hope to workers and those dependent on society, it cannot generate the resources needed to address root causes of social unrest; nor can it play its inherited role in maintaining global stability and the balance of powers. Happily, as the industrial era and manufacturing-based economy decline, an alternative engine in the form of knowledge/information/communications-related industries is rapidly emerging. Although this truth is now an accepted commonplace, the nation has yet to develop a comprehensive strategy to insure this transformation in an orderly way. Strategic marshalling of reform policies in education, training, investment, taxation and trade will be required to insure successful transition to a knowledge-driven economy.

Productive 21st century economies must also be trading economies. As important as regional trade agreements such as NAFTA are today, even more important tomorrow will be new GATT rules and enforceable trade agreements among NAFTA nations, the EC and the Asian bloc. Additionally, a post-Cold War strategy must prevent the former East-West polarization from quickly becoming a North-South polarization featuring waves of northward-moving immigrants.

By vigorously and systematically supporting democracy in emerging nations and in countries transitioning from communism, future military conflicts and the arms required to prosecute them can be substantially reduced. When local and regional conflicts do arise, existing and potential security arrangements must produce collective peacekeeping forces committed to intervene according to pre-arranged rules of engagement and withdrawal. American military, weapons production and intelligence structures are now totally out of proportion to any realistic threat. They must be reformed in terms of size, cost, mission and influence if any new national strategy has any hope of success.

Strategy in an historic context. It is now widely recognized that the 1990s represent not only the end of a century and a millennium but also the end of an era, the Cold War, and the end of an age, the industrial.

As dramatic as all this is, there are even more historic forces at work which require a new grand strategy for America. The central role of the nation-state began to emerge in the 16th and evolved through the 19th centuries. Monarchies dominated this period, then gave way to dictatorships in the 19th century. Ideologies--democratic, totalitarian and authoritarian--then came to dominate the 20th century. Throughout the era, however, the political building block was the nation-state.

But the very forces that were liberated by the nation-state are now mutating in such a way as to fracture and possibly destroy it. Eighteenth century Enlightenment brought liberalism and an open-minded challenge to orthodoxy. But the Enlightenment also brought an excessive faith in science and, eventually, technology. Through advances in medicine, sanitation and transportation, science produced modernity. The advancements of modernity in turn produced consumerism in late 20th century industrial societies. Excessive consumerism, driven by entertainment, advertising and amusement (television, MTV and rock music), now contributes to cultural disintegration which in turn contributes to the disintegration of the nation-state.

Traditional distinctions between domestic and foreign concerns are also eroding with the disintegration of national boundaries. Nation-states are fragmenting under the external pressures of waves of immigration from the South and the internal pressures of tribalism and ethnic "nationalism". Tribalism is now as prevalent among youth gangs in urban America as it is in Somalia, Bosnia or Georgia. New ethnic mini-states within the nation are proving increasingly resistant to cultural assimilation.

Twentieth century nation-states have increasingly replaced social cohesion with centralization, a centralization featuring governing elites supported by a permanent bureaucracy. But this sterile centralism is not a substitute for cultural integration and a sense of civic duty. In this emerging post-modern era, the nation-state is losing authority because democracy has been reduced to formalism by governing elites, the bureaucratic state, calcified political parties and by arteriosclerosis of traditional political institutions.

All these trends support the demand for a grand strategy rooted in a new political metaphysic. Central to that metaphysic is the notion of social cohesion and shared responsibility. National integration means shared social and cultural values, not just equal rights and equal access to facilities and benefits. The Jeffersonian ideal of generational revolution provides both model and legitimacy. But this ideal was originally premised on a patriotic yeomanry dedicated to civic duty and protection of the nation. An inspired and enlightened modern yeomanry must replace tired, ingrown elites if a grand strategy is to succeed. The modern yeoman is the symbol of the new political metaphysic.

America's strategy in the world. The greatest periods of stability in European history were those guaranteed by a alliance of powers. The U.S. must create a new Grand Coalition comprised of North America, greater Europe (to include Central Europe and Russia) and democratic Asia led by Japan, a Coalition premised upon common economic and political goals. This Coalition should have as its main objectives:

1. maintenance of order in its collective spheres of influence;
2. expanded North-South cooperation to reduce mass migration;
3. constriction of the spread of radical Islamic fundamentalism;
4. guarantee of open and expanding common markets.

The Grand Coalition, incorporating NATO and other security arrangements, should quickly resolve where its common security interests begin and end, collectively prepare to protect those interests, and serve notice to radical fundamentalists, local warlords, terrorists, and renegade tribes and factions, that disruption of international stability will be met with swift and decisive collective force.

The end of the Cold War also requires a redefinition of U.S. national security interests. With the collapse of global communism, this new definition necessarily must be more particular, precise and narrow. The U.S. and its allies now have no collective enemy and few common threats. The risks of war by nation-state against nation-state have been greatly reduced by the following factors:

- the end of ideological competition;
- the continued presence of nuclear weapons;
- decline of the state's authority to order mass mobilization;
- the strain on national economies;
- the end of colonialism.

This is the ideal occasion for the U.S. to reform its military institutions, and to better train and equip them for new missions relating to hostage rescue, counter-terrorism, low intensity conflict, guerrilla warfare, and stabilization of new democracies. + peace keeping

Thus the twin pillars of a new strategy as applied to America's leadership mission in the world are, first, a Grand Coalition of democratic nations guaranteeing open markets, international order and collective security, and, second, a reformed U.S. military equipped and prepared unilaterally to prosecute newly and more narrowly defined national security interests.

National assets and liabilities. Fortifying the adoption of a new national strategy are several forces. The U.S. is positioned to lead the industrialized world into the information age. We have superiority in telecommunications technology, data processing and transmission, computer hardware and software, cable television systems management, satellite communications and entertainment programming. All these capabilities are converging, a convergence driven by fiber optic cable and digital compression technologies. Taken all together these capabilities represent to the U.S. economy of the 21st century what autos, steel and coal did to our early 20th century economy. Taken together, these "knowledge" industries form the core of a new national economic strategy. They will impact, potentially for the good, virtually every aspect of American life and work.

Overall the knowledge base in the U.S.--schools, universities and research laboratories--is sound and more widely accessible than any in the world. This base will be crucial as the source of "knowledge workers" for the new economy.

Additional national strengths include military superiority, a stable currency, attractiveness to foreign investment and relative political stability.

Our principal liabilities are institutional and attitudinal. Too many interests are seeking to perpetuate non-competitive industries and seeking protection from foreign competition. American business is still too reluctant to explore global markets. Half of America's workers are benefiting from trade and half are frightened by it. For 20 years the traditional free-trade party, the Democratic party, has been deeply divided over trade issues. A political consensus has still to be formed in favor of free trade and open markets.

Although superior in access, our educational and training systems are failing in quality. Excellence, discipline, merit and classical education must become the hallmarks of our knowledge base if we are to qualify workers for the new economy.

In international political relations we are deeply ambivalent over questions of engagement versus withdrawal. All leaders know that it is easier to coalesce a nation against a common foe than it is to unite it behind a common good. Without the common foe of communism, Americans are at a loss for a common purpose to bring them together. To steer the nation toward a common destiny, to restore cultural integration and to adopt a new grand strategy, national leadership must do nothing less than discover the 21st century equivalent of Lincoln's Union and Roosevelt's communitarianism and "rendezvous with destiny".

The most important liability restraining us is lack of direction and will. So much energy had been directed toward the Cold War that its disappearance leaves us adrift. We are divided over important but selective issues, such as health care and NAFTA, as much as anything because they seem not to be part of a larger purpose or goal. Convincing the American people that there is a new national strategy, and that reform issues such as these are integral to it, will make their adoption that much easier. A strategic context must be created that gives individual issues a larger purpose and inspires the collective will to move them forward.

The role of leadership. Grand strategies are the product of great leaders--not think tanks, committees, staffs or task forces. Under present conditions of leveling, it is quite probable that only a President can propose a national grand strategy. Your administration so far has been characterized by intelligence, experimentalism, pragmatism and, often, considerable courage. But it still lacks theme, direction and context. Initiatives are disparate, ad hoc and unconnected. The people need to see where it is all going and toward what purpose. Lincoln and Roosevelt gained moral and political authority from the desperation of their times. Today we are spiritually and culturally adrift, but we are not yet desperate enough to coalesce. A grand strategy provides context, meaning and purpose.

The more pragmatic a leader is, the less that leader is likely to think strategically. Pragmatism directs skill and energy toward the immediate chore, not the great task. But a great leader lets others devise the programs and the policies. Legislative initiatives represent the tools used to achieve the objective and the tactics used to implement a strategy. But they are not themselves the strategy.

You are the smartest person in your administration. But those around you are relying too much on you to achieve tactical objectives. The more a leader is engaged in resolving the specifics of a program or enlisting the support of individual constituencies, the less that leader can represent to the people at large the greater picture, the larger objectives, the overall national strategy. The great leader devises the what and where; those around him or her devise the how.

Leadership today must enlighten, educate and empower. Citizens must be enlightened as to the changes occurring in the world around them. They must be educated as to the alternative courses of collective action available. Then they must be empowered to undertake their civic duty, reform their society and participate in achieving the nation's strategic goals.

Sacrifice rarely has as its object an abstraction. It is almost always motivated by the immediate and the personal. Soldiers may be brought to the battlefield out of love of country. But, when necessary, they almost always sacrifice their lives for their buddies on the battlefield. There is a cause for which virtually everyone will sacrifice. That purpose is our children and their future. This is the unifying theme and underlying foundation of a new grand strategy--building, investing in and creating a better future for our children. Our children's future is an elemental, universal and powerful cause.

Rhetoric of reform. The way in which a cause is stated often determines its ultimate success. Rhetoric which is hollow inspires only for the moment. The rhetoric in which a national strategy is cloaked, however, may determine that strategy's ultimate success. Consider Churchill, DeGaulle and Roosevelt in this light. The clothing of a new strategy should encompass these themes: restoration, reformation and renaissance.

A new restoration encompasses the recapture of civility--community, work, order and manners--all of which are disappearing from our culture. The restoration of civility opens the way for a new reformation, the restructuring of our society's basic institutions--government, school, workplace and even home. The reformation of our institutions can then lead to the ultimate goal for America--a 21st century renaissance. This can be a renaissance of individual freedom, collective security and civic virtue, a renaissance of artistic and scientific creativity, a renaissance of shared cultural values and social community. The great challenge, the one with which America has wrestled for over two centuries, is to combine the values of the restoration--order and civility--with the values of enlightenment, liberalism and renaissance--tolerance, creativity and diversity.

Conclusion. A new American grand strategy must include an economy transformed by the engine of knowledge/information/communications that will provide new and better economic security for a better trained work force, a trade-oriented restructuring of global relations, and redefinition of national security based on democracy building, military reform and common peacekeeping.

The imperative behind this new strategy is the disintegration of culture and the nation-state under the assault of immigration and consumerism, the rise of clans and tribes, and the loss of shared values. The opportunity for a new national strategy is represented by the end of the Cold War, the end of the industrial age, and the end of ideological competition.

A new grand strategy will require uncommon leadership undistracted by immediate, tactical considerations and committed to the long-term goals of a powerful but benign nation always in pursuit of the democratic ideal. The themes of this strategy for the 21st century are restoration, reformation and renaissance.

Gary Hart

THE PRESIDENT HAS SEEN
5.17.94

# COMPETITIVENESS POLICY COUNCIL

1726 M Street NW • Suite 300 • Washington, DC 20036 • Tel: (202) 632-1307 • FAX: (202) 632-1350

# NEWS RELEASE

ARC - p.2

May 12, 1994

Contact: Howard Rosen (202) 632-1307

## CURRENT RECOVERY NOT SUFFICIENT TO REVERSE LONG-TERM EROSION OF US COMPETITIVENESS

**HEARINGS BEFORE SUBCOMMITTEE ON ECONOMIC GROWTH AND CREDIT FORMATION OF THE HOUSE BANKING, FINANCE AND URBAN AFFAIRS COMMITTEE: 2:00 pm, Room 2220 Rayburn House Office Building**

EMBARGO; May 12, 1994, 2:00 pm, E.S.T.

Washington, May 12---The current economic recovery is encouraging but will not be enough to reverse the twenty year erosion in the nation's competitiveness, according to the Competitiveness Policy Council's Third Report to the President and Congress. In spite of the goods news about the economy, the Council remains concerned about the lack of improvement in several key economic fundamentals: America's saving rate remains the lowest among the industrialized countries and continues to fall, our students and workers continue to lag behind other countries in educational achievement and the nation's investment in plant and equipment, R&D and public infrastructure is insufficient. "Without improvement in these fundamentals, we cannot hope to translate the current pickup into long-term gains in our standard of living," the Report says.

The Competitiveness Policy Council is a twelve-member, bipartisan national commission created by Congress. It includes three corporate leaders, three labor union presidents, three senior government (federal and state) officials and three representatives of the public. The members were appointed by the President and by the joint leadership of the Senate and House of Representatives. The Council is chaired by Dr. C. Fred Bergsten, Director of the Institute for International Economics. President Clinton appointed Dr. Laura D'Andrea Tyson, Chair of the Council of Economic Advisers, as the federal government representative last September.

"Promoting Long-Term Prosperity" is the Council's third report to the President and Congress reviewing the state of US competitiveness and making policy recommendations on how to improve national living standards. In its first report, in 1992, the Council called for "a comprehensive competitiveness strategy" to address the steady erosion in the nation's competitiveness. In its second report, in 1993, the Council proposed national goals for saving, investment and economic growth aimed at doubling productivity growth by the end of the decade and 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.

In this year's report, the Council reviews progress made during the first year of the Clinton Administration in implementing its initial proposals and suggests additional steps which need to be taken. In addressing the current debate over whether the United States still has a competitiveness "problem," the Council notes that in spite of the current improvements in economic growth, unemployment and inflation, there remains a stagnation or even decline in real wages and total compensation -- the best measures of a nation's standard of living. "Some people view the cyclical recovery in the United States and poor economic performance in Europe and Japan as indicators that we have solved our competitiveness problem," notes Dr. Bergsten, the Council's Chairman. "We reject such a narrow definition of competitiveness. America cannot be viewed as competitive as long as our standard of living fails to rise. In addition, we cannot ignore the fact that our trade deficit is soaring toward a record level."

In addition to reviewing recent development in technology, education and training and public infrastructure, the Council's new report focuses on the impact of health care reform on US competitiveness and the need for improvements in how the federal government budgets for investment. The Council also presents its future agenda in the area of capital allocation and social issues. The following are some highlights from the Council's 1994 report.

Health Care Reform

The nation currently spends 14 percent of GDP on health care, more than any other country in the world, yet this is no evidence that our citizens are that much healthier. The nation's current health care system affects our competitiveness in two major ways. First, growing health care inefficiency is diverting resources which could instead be invested in education, technology and infrastructure. Second, under our current system, workers pay the lion's share of the nation's health care bill through lower take-home wages and declining quality of health care.

In the short run, health care reform is likely to raise the federal deficit slightly higher than under the current system, further curtailing national saving. In the long run (after 2004), some of the plans being discussed, including the Administration's, could reduce the federal deficit below the current baseline and contribute to raising national saving and investment. In comparing reform alternatives, Congress and the American people should give more weight to the long-term implications than to the impact on the deficit over the next few years.

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 (Figure 1). In fact, rising health care costs may help explain much of the stagnation or decline in real wages over the same period. In addition to its impact on wages, the current health care system has contributed to a two-tier job market. To avoid incurring current and future health care obligations, many employers often hire new workers as temporaries or via temporary worker services. This has contributed to a significant increase in temporary workers, which can also take away from creating high performance workplaces.

The present system of rising, uncontrolled health care costs falls most heavily on large firms, many of which are strong exporters. Our analysis suggests that under the Clinton health care reform proposal, manufacturing industries would save almost $100 per worker, and up to $439 per worker in the top twenty exporters, as opposed to an average net cost per worker of $319 for all firms. However, the reform should improve the international trade component of America's competitiveness problem.

Public Investment

Public investment in education and training, R&D and infrastructure amounted to 25 percent of non-defense outlays and 2.5 percent of GDP in 1965. By 1995, based on current budget projections, this public investment is expected to be only 11 percent of non-defense outlays and 1.9 percent of GDP (See Figures 2 and 3). The Council reiterates the importance of public investment in education and training, R&D and public infrastructure in order to raise productivity growth and American living standards. The Council strongly supports the Clinton Administration in its efforts to increase federal investment but it urges the development of a more coherent investment plan. The Council calls on the Administration to establish an investment budget as a first step. The following are additional steps which need to be taken:

*Federal Budget*: The spending caps enacted in 1990 and re-extended in 1993 have been a helpful management tool to Congress but may have outlived their usefulness. If continued beyond FY 1995, these caps will require very large cuts from the budget baseline. But reducing the deficit does not require a freeze in discretionary spending. 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.

*Competitiveness Impact Statements*: Under the Omnibus Trade and Competitiveness Act of 1988, the President and heads of agencies are required to submit to Congress "Competitiveness Impact Statements" (CIS) as part of all legislative proposals which may affect the ability of American firms to compete in international commerce. This law has been ignored over the last six years and is now about to expire. The Council recommends that the Congress renew the law, although limiting the requirement to prepare a CIS on only those proposals deemed to have a significant impact on competitiveness, and assigning that responsibility to an independent agency like the US International Trade Commission or the Congressional Budget Office.

Education and Training

In its Second Report, the Council called for establishing a system of life-long learning, including improving the nation's basic education, better facilitating the school-to-work transition, increasing job-related training, and expanding retraining programs for dislocated workers. The Council applauds the Administration and Congress for the passage and signing of Goals 2000, which takes the first step toward establishing rigorous content and performance standards for what students should know and be able to do as a result of their schooling. The Council is also pleased that the Administration's school-to-work program, reflecting its Training Subcouncil recommendations, has also recently been passed and signed by the President.

In its Second Report, the Council also recommended that the government encourage firms to increase job-related training through grants, tax credits or payroll requirements. Unfortunately, the Administration has not yet put forward its proposal to promote greater job-based training and the Council encourages it to do soon.

The Administration's recent proposal to improve government programs designed to assist workers adjust to new economic realities reflects many of the Council's previous recommendations. Under the proposed Reemployment Act of 1994, individuals would be eligible for longer-term benefits. The Council is concerned that, by improving the quality of benefits, the Administration's program may limit the number of workers who might receive benefits. The Council urges the Administration and Congress to provide a guaranteed funding source to insure that adequate benefits are available for all those in need.

Critical Technologies

The Administration has begun to implement a new technology policy largely reflecting the Council's recommendations for shifting emphasis from defense to civilian R&D and focusing on projects which will promote commercial technologies. The Council urges the Congress to appropriate funds for programmatic increases in the President's budget request in FY 1995. Given the caps enacted in the 1993 budget agreement, the President and Congress will need to maintain their commitments to this new technology policy in the FY 1996 and FY 1997 budgets. In addition, 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.

Public Infrastructure

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. The proposed increase in Amtrak's capital improvement funds is also long overdue.

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 of 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.

Trade Policy

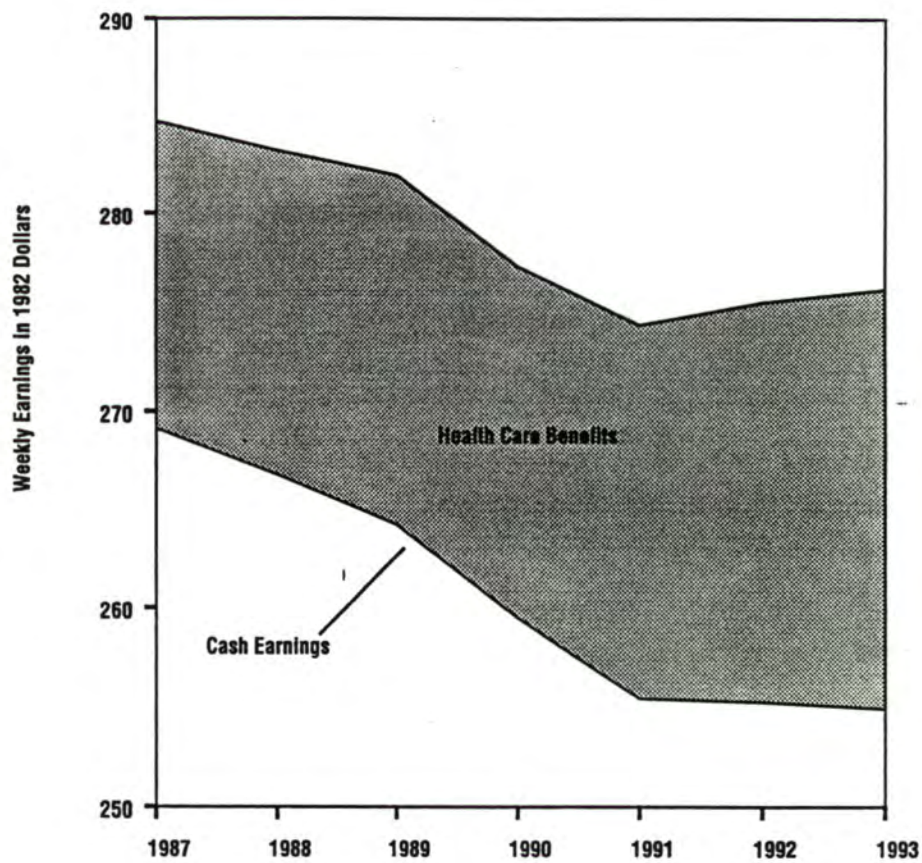
The Administration, and in particular the Commerce Department, has made significant progress in coordinating export policy and removing disincentives to US exports, as called for in the Council's Second Report. The Council commends the Administration's recent decision to remove the requirement for advanced approval for virtually all civilian telecommunications and computers exports to China and the countries of the former Soviet Union. Although the Council's previous recommendation for a unified budget function has not yet been followed, the Office of Management and Budget has created a table of Export-Related Expenditures. We are encouraged by the prospect that a unified budget function may be employed in FY 1996.

The Council urges the Administration to submit legislation implementing the recently signed GATT agreement as soon as possible and urges the Congress to renew the President's trade negotiating authority (which expired on December 15) for new multilateral, regional and bilateral trade agreements.

*The Council's Third Report, "Promoting Long Term Prosperity" is available from the Government Printing Office. Copies of other reports and commissioned studies are available from the Council.*

# Figure 1

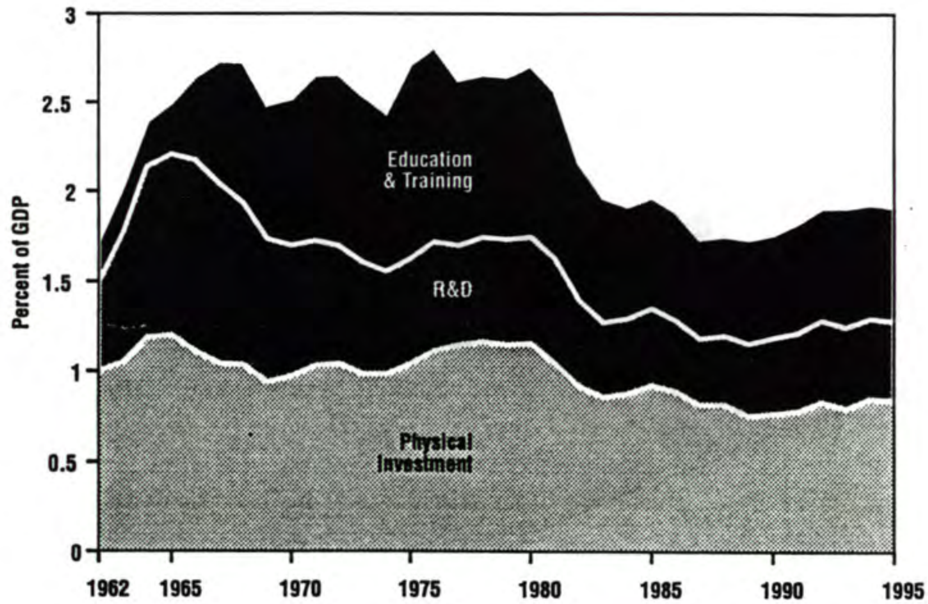
## Wages and Employer-Paid Health Insurance



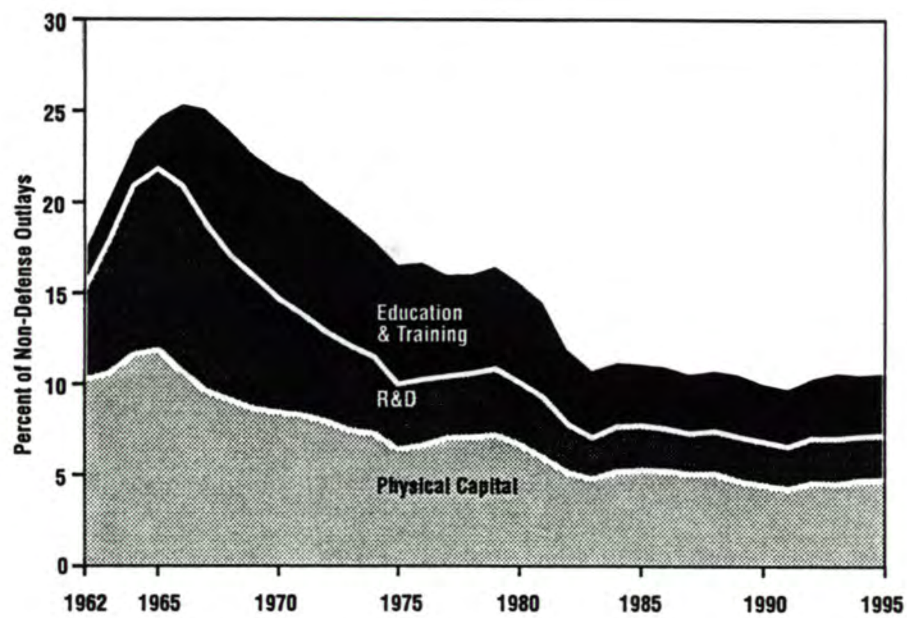

Source: Bureau of Labor Statistics

# Figure 2

## Federal Non-Defense Investment




# Figure 3




Source: Office of Management and Budget

THE WHITE HOUSE
WASHINGTON

94 MAY 17 P12 : 05

# OFFICE OF THE STAFF SECRETARY

## Fax Transmittal Sheet

**TO:** Stan Greenberg

**Fax Number:** 544 - 7020 **Phone Number:**

**FROM:** John Podesta

**SUBJECT:**

**DATE:** 5/17/94

**NUMBER OF PAGES (including cover sheet):** 8

**MESSAGE:**

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

cc VP/Gergen/GS/Gearan/Carville/Greenberg

# THE CHANGING NATURE OF ELECTION NEWS, 1960-1992

THE PRESIDENT HAS SEEN 5/16/94

## Figure 1

"Bad News" Coverage of Presidential Candidates Compared to "Good News" Coverage, 1960–1992

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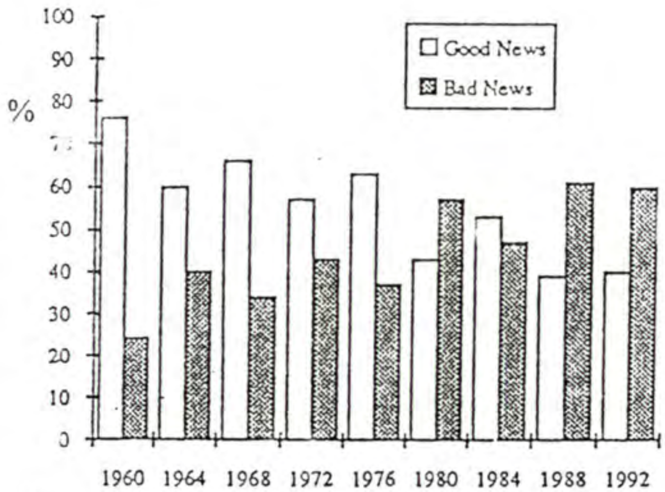


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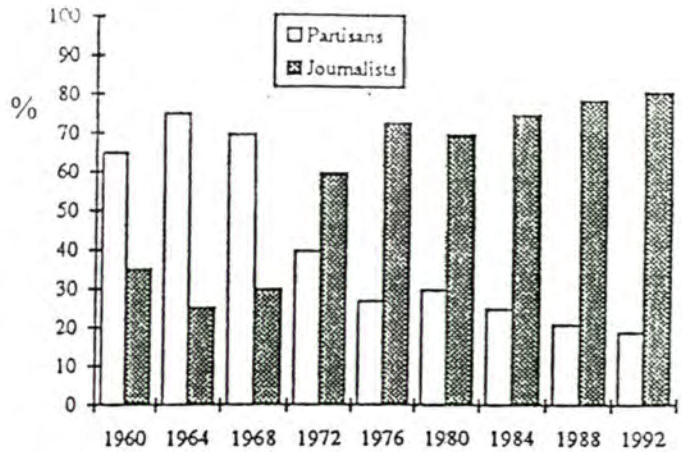


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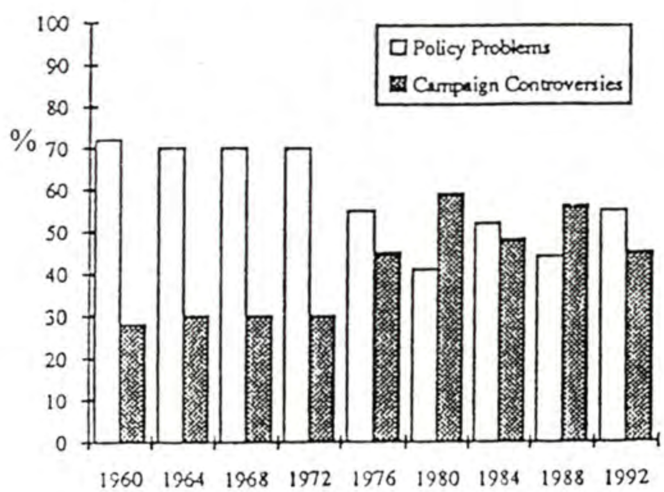


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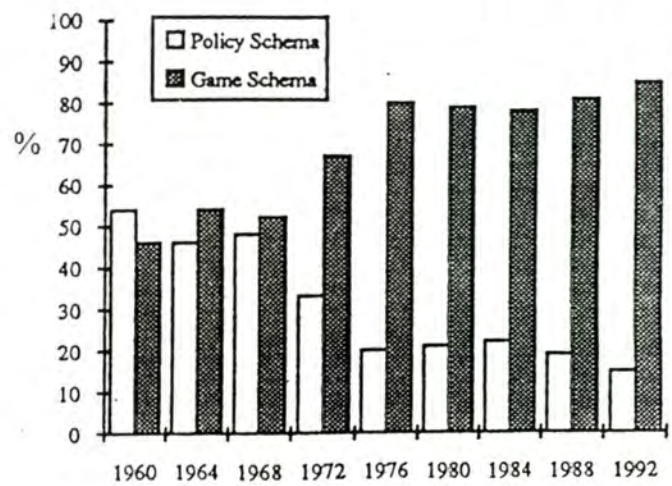

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POSTSCRIPT TO THE VINTAGE EDITION

# *Truth and Falsehood on the White House Beat: The First Year of the Clinton Presidency*

36 lines per full text page

The superficial and negative reporting that characterized press coverage of the 1992 campaign continued into the Clinton presidency. Bill Clinton almost immediately came under attack from the press, largely for reasons that say more about the nature of today's journalism than the nature of his presidency.

According to the Center for Media and Public Affairs' analysis of television news, Clinton received mostly negative coverage (just 43 percent positive references) during the first two months in office. Six months into the job, Clinton's numbers looked worse—only 34 percent of news evaluations had been positive while 66 percent were negative. In the closing stage of 1993, when Clinton's successful fight to enact the North American Free Trade Agreement (NAFTA) was a leading news story, his press coverage improved briefly, but, overall, his first presidential year was characterized by a slew of negative coverage.

No criticism was more persistent than the claim that Clinton was reneging on his commitments. This theme surfaced in the first week of his presidency, when Clinton retreated on a campaign promise to open the nation's shores to the Haitian boat people and sought a compromise with Congress for a new policy on gays in the military. Compromises over tax increases and spending cuts in pursuit of a deficit-reduction policy kept the story alive into the summer. In the fall, the theme appeared during the kickoff of the health-care debate, when Clinton expressed his willingness to accommodate the ideas of others as long as they accepted his basic positions on universal coverage and cost containment. The Center for Media and Public Affairs' analysis indicates that more than 60 percent of news references to Clinton's handling of domestic policy issues were negative in tone. The criticisms were voiced through the statements of reporters, Clinton's partisan opponents, and ordinary people. On the *NBC Evening News* of July 19, for example, a gay ex-Marine criticized the "don't ask—don't tell" compromise policy: "I think its a cop-out from what he planned to do. It's just a cheap imitation."

Was this portrayal of the Clinton administration's first year an accurate indicator of its actual performance? In the Prologue, I indicated that the press's assertion that candidates cannot be trusted to keep their word is unsupported by the evidence. Newly elected presidents have fulfilled most of the promises they made as candidates.

Clinton's first year followed the same pattern. He kept far more campaign pledges than he broke. Among the dozens of promises kept were a tax increase on higher incomes, an end to the ban on abortion counseling in family-planning clinics, a family-leave program, banking reform, NAFTA, a college-loan program, the Brady bill, and a youth training program. He also proposed numerous programs, including health care reform, that were still working their way through Congress as 1993 ended.

Clinton's success with Congress was historical in nature. Since 1953, *Congressional Quarterly* has tracked Congress's support of legislation on which the president has announced a position. Congress backed Clinton's position on 88 percent of contested votes in 1993, a level exceeded only twice in forty years—by Dwight Eisenhower in 1953 and Lyndon Johnson in 1965. Even in the best year of their presidencies, John Kennedy, Richard Nixon, Gerald Ford, Jimmy Carter, Ronald Reagan, and George Bush did not achieve the level of legislative support that Clinton attained in 1993. Clinton's first-year record is the profile of a president who should have acquired a reputation for *fulfilling* his promises.

In a *Rolling Stone* interview at the end of his inaugural year, Bill Clinton exploded at the claim he had not honored his commitments: "I have fought more damn battles here than any President in 20 years with the possible exception of Reagan's first budget, and not gotten one damn bit of credit from the knee-jerk liberal press. I am damn sick and tired of it."

Clinton had reason to be angry, but he was mistaken in attributing the press's rendition of his presidency to its liberal tendencies. Although surveys indicate most journalists have liberal beliefs, partisan bias has been shown to be a relatively small factor in political coverage. Other influences, including the norm of objectivity, counterbalance the effect of partisanship on journalists' news decisions.

~~See query~~
Author: Should "rendition" be "negative reporting" or "analysis" or something similar?

negative portrayal

On the other hand, journalists' cynical view of politicians is not offset by other factors. The press is contemptuous of politicians, whether liberal or conservative, and of the political process. More than anything else, it is this derisive attitude that accounts for Clinton's rough handling by the press.

The press's cynicism remains unchecked because its inferences are not substantially constrained by the facts. Since the early 1970s, the press has become remarkably careless in its handling of the truth. There were a few years in the Vietnam and Watergate era when journalists took pains to investigate the claims of the president and to inform the public whenever a message could be proved to be false or misleading. The press was unable, however, to sustain this exacting type of scrutiny. Top-notch investigative journalism requires a level of time and knowledge which journalists do not routinely possess. By the mid-1970s, journalists had found a substitute for careful investigation. They began to use a president's opponents as the basis for undermining his claims. When he made a statement, they called upon his adversaries to refute it. Investigative journalism gave way to attack journalism.

This type of reporting appears to be watchdog journalism but is not. It exalts controversy rather than accuracy. It is ideological in its premises: presidents are assumed to be untrustworthy. The nature of news allows the journalist to maintain this fiction. When a president keeps his promise, as Clinton did when he ordered an end to the ban on abortion counseling, it makes news for that day only. When a commitment is broken, however, it retains its news value. Clinton's promise to change the policy on gays in the military was in the news for months.

The press's narrow view of the political process contributes to the fiction. Presidents are assumed to be in control of national policy, rather than working in a political system where authority is divided and negotiation is essential. When Congress balked at some of Clinton's proposals and he showed a willingness to compromise, the press said he was weak. The *Los Angeles Times* described Clinton as "inept and indecisive." According to *Time*, Clinton was stumbling with "a certain farcical rhythm."

Today the tone of a president's news coverage depends less on his actual performance in office than on the media's cynical bias. The press nearly always magnifies the bad and underplays the good. At the end of Clinton's first year in office, for example, he called a press conference to say his administration would concentrate in the coming year on getting his health-care bill through the Congress. Instead of reporting this story, a number of journalists wrote that Clinton's commitment to health care

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implied that he would break his promise to bring about welfare reform.

A certain degree of skepticism on the part of the press is healthy for democracy. However, when skepticism turns into cynicism and becomes an everyday theme of the news, democracy is not well served. News that incessantly and unjustifiably labels political leaders as insincere and inept fosters mistrust on the part of the public, and makes it harder for those in authority to provide the leadership that is required if government is to work effectively.

The presidency is particularly affected by a hypercritical press, since the president's ability to lead depends heavily on his level of public support. Much of the president's authority comes not from constitutional grants of power but from his ability to persuade others to accept his leadership. And there is no doubt that the tone of a president's news has a decisive effect on his public support. Clinton's approval rating in the first year averaged only 49 percent—a record low—and the ups and downs in his public support closely followed changes in the tone of his press coverage.

A hypercritical press also discourages the type of relationship between the president and journalists that can serve the public's need to know. Early in his presidency, Clinton made clear his intention to avoid the press when possible. He restricted journalists' White House access and said he planned to speak directly to the American people through talk shows and town meetings. Clinton later softened his stance, but, like Ronald Reagan and George Bush before him, he is determined to avoid a daily pillorying that serves only the narrow interests of an adversarial press. The public has been the loser in this situation, which is a direct consequence of the press's fault-finding mentality.

This preoccupation attained gigantic proportions with the allegation that Bill Clinton had engaged in illegal financial activities while governor of Arkansas. The Whitewater affair, as it was later labeled, began with an inquiry into Clinton's investment in a development project on the Whitewater River. By March of 1994, Whitewater had received three times the news coverage of health-care reform. Although later events could prove otherwise, there was very little in the initial facts of Whitewater to justify this level of attention.

But facts are not what drives the news. Today, the mere whiff of scandal triggers what the political scientist Larry Sabato calls a "feeding frenzy." Like sharks in the midst of a wounded prey, the press mercilessly pursues its quarry. The press is in command, orchestrating the charges of his opponents and leveling charges of its own. As with Whitewater, the loudest voices and the most outrageous claims get the headlines. Was Vince Foster murdered? What sinister intent led George Stephanopoulos to call the RTC and complain about the appointment of an ideological Republican who had previously been fired by the administration? The sheer din of the controversy drowns out of the voices of reason, even within the ranks of journalists themselves.

Fifty years ago, the Hutchins Commission on Freedom of the Press concluded that the news media's chief failing is an inability to provide an appropriate context to the coverage of public affairs. The early Whitewater coverage indicates the situation has not changed greatly. In news stories, Whitewater was most frequently compared with Watergate, an inane comparison that betrays an astonishing ignorance of both history and the Constitution.

But a feeding frenzy has the capacity to generate a connection between the new scandal and previous ones. The process by which this transformation occurs is by now familiar. In response to the damage the frenzy is causing, the politician or those around him react defensively. In doing so, even if the

5-10



reaction is naïve and bumbling rather than deceptive and illegal, it results in the charge of a cover-up.

News of Whitewater was fueled by precisely this pattern of events, which, in one instance, led to the resignation of Bernard Nussbaum as White House counsel. It was at this point, using the cover-up as the connection, that even some of the nation's best journalists tied Whitewater to Watergate. On March 8, 1994, *The New York Times*' R. W. Apple, Jr., stressed the similarities: a president who did not immediately "open up" to investigators, who argued that the people's business was too important for it to be sidetracked by the allegations, who responded with moral indignation to charges of personal misconduct, and who had brought a somewhat unsavory reputation with him to the presidency. "One brought the nickname 'Tricky Dick' into the Oval Office, the other 'Slick Willy,' " said Apple. Taken together, the similarities were taken as a sign that the Clinton Administration was disassembling. "There is now no chance things will quiet down this year, and little they will do so next year," Apple concluded.

lc

Given the nature of feeding frenzies, Mr. Apple was probably correct in predicting that the story would stay in the headlines. But the coupling of the Clinton cover-up with the Watergate cover-up was a fact-defying leap. In the Clinton case, it was not even clear, at the time Apple wrote, that laws had been violated; a few people below the president may simply have shown poor judgment. The Nixon people, on the other hand, blocked an FBI investigation, fired the special prosecutor in the "Saturday Night Massacre," erased nearly ~~20~~ minutes of a taped conversation, and paid more than $400,000 in hush money to keep the Watergate burglars quiet. On a tape that escaped erasure, Nixon is heard telling his close aides, "I want you all to stonewall it, let them [the burglars] plead the Fifth Amendment, cover up, or anything else."

twenty

It would have been helpful if the press had tried to place Whitewater in its own context rather than in the light of the Watergate, Irangate, Iraqgate, or S&L scandals. Feeding frenzies, however, are unbounded. All of the breathless stories in the first months of Whitewater revealed little about the issue at hand. Yet the stories had serious consequences. They drove down Clinton's approval rating, and were accompanied by declining public support for his programs, including his health-care reform proposal. These were substantial effects, but rather than accepting some of the responsibility, the press blamed Clinton, saying his "mistakes" in the handling of the allegations had made Whitewater into a big issue. In an editorial, the *Wall Street Journal* urged journalists to throw caution to the wind in their reporting of Whitewater, contending that the costs of airing erroneous charges was far outweighed by the benefits of getting the story out. There was a time when the nation's leading news organizations took accuracy to be their highest obligation. "Power without responsibility, the prerogative of the

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harlot through the ages" was how the British Prime Minister Stanley Baldwin assailed the reckless reporting of the press barons Rothermere and Beaverbrook.

As I write this postscript, Whitewater's full course cannot be foreseen. Clinton's actions a decade ago in Arkansas may have involved substantial criminal misconduct or abuse of office. If so, he should and will pay heavily. This price would have been extracted if the revelations had been made by the careful investigation of the special prosecutor; the ensuing news coverage and congressional hearings would have made Clinton dearly regret his Arkansas shenanigans. Even if Clinton is found innocent, though, the media frenzy that has characterized Whitewater to this point has imposed extraordinary costs on the Clinton presidency and the national interest. The press is not the only cause of our jaded public and tattered institutions, but it is a prime contributor. America needs a press that is free *and* responsible. For an institution that asks so much of others, the press has become remarkably derelict in the discharge of its public duty.

THOMAS E. PATTERSON
APRIL 1994

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Thomas E. Patterson

# OUT OF ORDER

Thomas Patterson is professor of political science at the Maxwell School of Citizenship and Public Affairs, Syracuse University. He has written extensively on the media's role in elections. His previous books include *The Unseeing Eye: The Myth of Television Power in National Elections*; *The Mass Media Election: How Americans Choose Their President*; and *The American Democracy*. In 1991–92 he was Lombard Visiting Professor of Press and Politics at Harvard University's John F. Kennedy School of Government. He has received grants for his work from the National Science Foundation, the Markle Foundation, the Mellon Foundation, and the Ford Foundation.

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THE PRESIDENT HAS SEEN 5/16

**M E M O R A N D U M**

To: THE PRESIDENT

From: Nancy Hernreich

Date: May 10, 1994

Re: CALL FROM JOHN Y BROWN

---

(1) Gov. Brown called and asked that you return his call. I told him that i did not know if you would be able to return it today. He then said that he wants to volunteer to help raise funds for the defense fund- said he could raise all you need in a week. He thinks you are doing a great job and wants to help you.

606-224-4217
224-4222

cc: Bruce –

(2) Mike Driver offered to raise $ too

THE PRESIDENT HAS SEEN
5/16/94

To L. Cutter
re League Sy. Fund

[redacted]

The President wants the Vice President to have this as it relates to reinventing government

[redacted]

[redacted]

United States Department of Agriculture

Forest Service

Ozark-St. Francis National Forests

P. O. Box 1008
Russellville, AR 72811
501-968-2354

THE PRESIDENT HAS SEEN 5/17/94

Write w/ cc in publications study proposal

Reply to: 1920

Date: May, 1994

Mr. President A similar policy for all federal documents + publications is sorely needed. Ivy Stanley Reed 5/1/94

Ozark-St. Francis National Forests' personnel have just completed the 1993 Monitoring and Evaluation Report for the Forest. This report includes findings and recommendations that resulted from monitoring Forest Plan implementation in 1993.

To save spending your tax dollars to mail this document to everyone on the mailing list, we are making this report available in libraries, District Ranger offices and the Forest Supervisor's office for review. If that is inconvenient for you, we'll be glad to send you a copy, if you'll request it either by mail or phone.

Copies are available for review at these locations--

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--Buffalo Ranger District, P.O. Box 427, Jasper, AR 72641, phone 501-446-5122
--Bayou Ranger District, Route 1 Box 36, Hector, AR 72843, phone 501-284-3150
--Pleasant Hill Ranger District, P.O. Box 190, Clarksville, AR 72830, phone 501-754-2864
--Boston Mountain Ranger District, P.O. Box 76, Ozark, AR 72949, phone 501-667-2191
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Sincerely,

LYNN C. NEFF
Forest Supervisor

THE WHITE HOUSE
WASHINGTON

94 MAY 17 A10 : 33

# OFFICE OF THE STAFF SECRETARY

**Fax Transmittal Sheet**

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# The Best Defense Against North Korea

By Richard Perle

There are few things one can be certain about in international affairs these days, but I can think of two: (1) With or without international inspections, the North Koreans will not give up their nuclear weapons program; and (2) when they eventually get many nuclear weapons—and they will—we will wish we had a reliable ballistic missile defense, and we won't.

These expectations are not shared by the Clinton administration, which is facing important decisions regarding North Korea, as well as the future of the ballistic missile defense program started by Ronald Reagan more than a decade ago.

On the evidence to date, the Clinton administration is working harder, and much more effectively, to halt the development of our own missile defense system than it is to halt Kim Il Sung's nuclear weapons program. There is no other way to comprehend the administration's dithering on North Korea while devoting its meager ration of decisiveness to killing what remains of the Strategic Defense Initiative and cutting back sharply on other defensive systems.

## Ruthless and Monomaniacal

Despite its worsening poverty and post-Cold War isolation, North Korea still considers the development of nuclear weapons its highest priority. The North Korean "Manhattan Project" is run by Kim Il Sung's son and heir apparent, Kim Jong Il, who, if it can be imagined, is even more ruthless and monomaniacal than his father. Together they have relentlessly borne a huge financial burden, brushed aside American admonitions and scorned near-global opprobrium as they work to accumulate nuclear weapons.

BEYOND THE COLD WAR
FOREIGN POLICY IN THE 21ST CENTURY

There is not the slightest reason to suppose, or even hope, that North Korea will quit before it achieves success, which is now within reach. It is particularly foolish to believe that North Korea will be talked out of the nuclear weapons it is sacrificing so much to acquire. Kim Il Sung believes nuclear weapons are essential for his security and his ambitions to reunify Korea on his terms. He may also believe that there are billions of dollars to be earned by selling nuclear weapons in a market that until now has had no willing suppliers to satisfy a queue of eager potential buyers.

That diplomacy and exhortation alone will not suffice is hard to accept for an administration that tries to get by with words rather than deeds, redefinition rather than resolve. President Clinton's firm autumn stand, "North Korea cannot be allowed to develop a nuclear bomb," has gone the way of last winter's snow. In its place is a new objective—International Atomic Energy Agency inspections of those nuclear facilities that *North Korea* volunteers to identify. Such an inspection regime cannot reliably reveal, much less halt, the North Korean nuclear weapons program. And to accomplish even this modest purpose, the White House is looking again to its preferred diplomatic instrument—the United Nations Security Council, that engine of will and determination (ask any Serb).

But far worse than *words without deeds* is a dangerous pattern of *words contradicted by deeds*, as when U.S.-South Korean military exercises are called off or postponed as a concession to Kim Il Sung or when defensive Patriot missiles dispatched prudently—and vociferously—to protect American troops in South Korea are deliberately sent by slow ship.

After months of North Korean maneuvering and American backing and filling, we have failed to gain Kim Il Sung's consent to inspections that would not, in any case, prevent the covert continuation of the North Korean program or its quick resumption if it were temporarily halted.

Contemplating North Korea's potential bang with an American whimper, Undersecretary of State Lynn Davis last month summarized the administration's thinking: "Through diplomacy, we have made a serious effort to find out whether North Korea is willing to accept a nuclear-free Korean peninsula. . . . Our strategy if diplomacy fails takes us back to the U.N. Security Council."

Whatever else the Security Council can do, it is not very good at stopping bombs or missiles (ask any Bosnian). That is a task for our armed forces. But this task is, unhappily, one they cannot now carry out.

It is not unreasonable to suppose that the specter of a nuclear-armed North Korea—to say nothing of its likely customers, Iran, Iraq and Libya—would cause the administration to think again about how we might defend against the missiles that Kim Il Sung or someone like him might someday aim at us, our allies or our troops abroad.

*While decrying its lack of options for dealing with a nuclear-armed North Korea, the administration is out to throttle promising technologies for missile defense.*

The wise decision to send Patriot missiles to South Korea proves again an important lesson of the Gulf War: In crisis as in war, missile defenses are much to be preferred to the abject vulnerability favored by the administration. That this lesson is so dimly perceived by the very team that ordered the Patriots to the rescue is a striking commentary on the administration's failure to see the interconnections that distinguish a deliberate policy from a collection of unrelated reactions.

While decrying its lack of options for dealing with a nuclear-armed North Korea, the administration is out to throttle some of the most promising technologies for missile defense. Yet it is precisely this defenselessness that limits our freedom of action.

With help from its friends in Congress, the administration has decimated the missile defense budget while straitjacketing the development of promising defensive technologies on the grounds that they are not allowed under a narrow and controversial interpretation of the antiballistic missile treaty of 1972. It has reduced by 80% the amount of money projected by the Bush administration for work on a nationwide defense system. More recently, it has proposed extending the ABM treaty, by now an artifact of the Cold War, to all of the former Soviet republics, thus diminishing greatly the possibility that it might one day be revised to allow us (and the Russians) to build nationwide defenses against emerging nuclear powers.

When it comes to killing missile defenses, an administration given to drift and vacillation has found an uncharacteristic sense of purpose.

The extraordinary thing about the opposition to an American strategic defense is its resilience. The now obsolete (and perhaps always misplaced) concern that the development of an American missile defense would deepen a U.S.-Soviet arms race has managed to survive the end of the Cold War and the dissolution of the Soviet Union with no loss of fervor.

## Unconvincing Threats

Administration success in ruling out the use of space-based components capable of intercepting missiles early in their flight will guarantee that we face future Kim Il Sungs without effective means of defense. It will also sacrifice some of the most promising options for theater defense. This will force us to rely on threats to use nuclear weapons in retaliation, as President Clinton has hinted we would do. But in nearly all contingencies, such threats are unlikely to be convincing.

In the end, nuclear coercion, especially as part of a politico-military strategy, is bound to triumph over deterrence. For in the end, coercive threats coming from a Kim Il Sung who defied the world and managed to get a bomb are more likely to be believed than deterrent threats coming from an American president who decided we should not develop the means to intercept it.

*Mr. Perle, an assistant secretary of defense from 1981 to 1987, is a fellow at the American Enterprise Institute.*

THE WALL STREET JOURNAL TUESDAY, MAY 3, 1994

Tony / cc Strobe Talbott
what's the answer to this? BC

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cc VP / Gergen / GS / Gearan / Carville / Greenberg

# THE CHANGING NATURE OF ELECTION NEWS, 1960-1992

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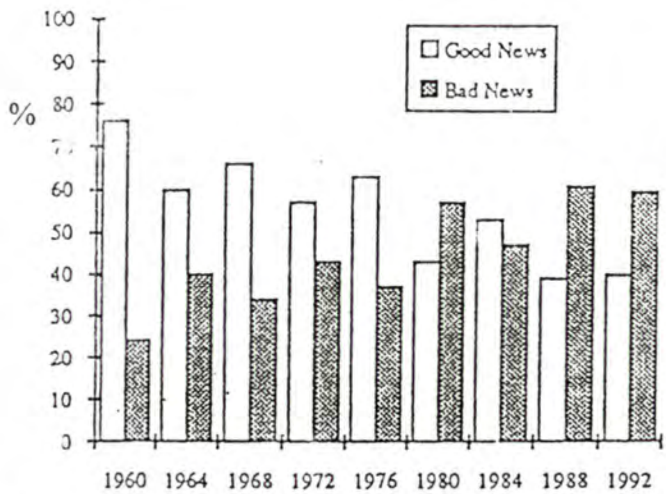


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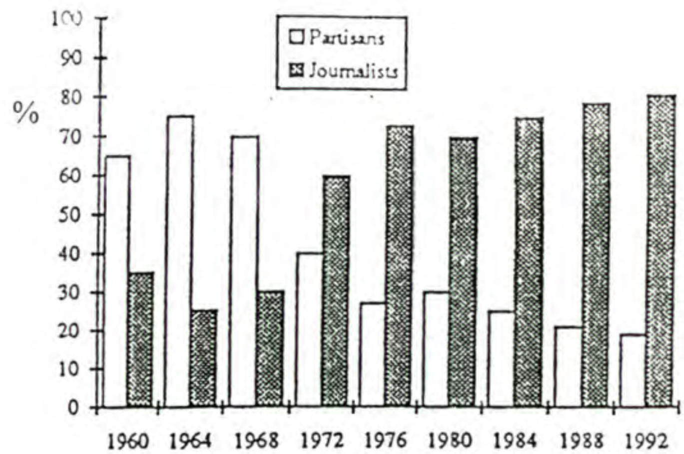


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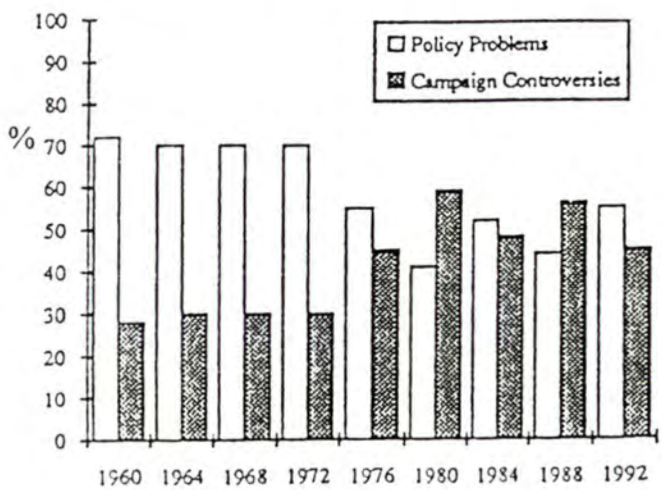


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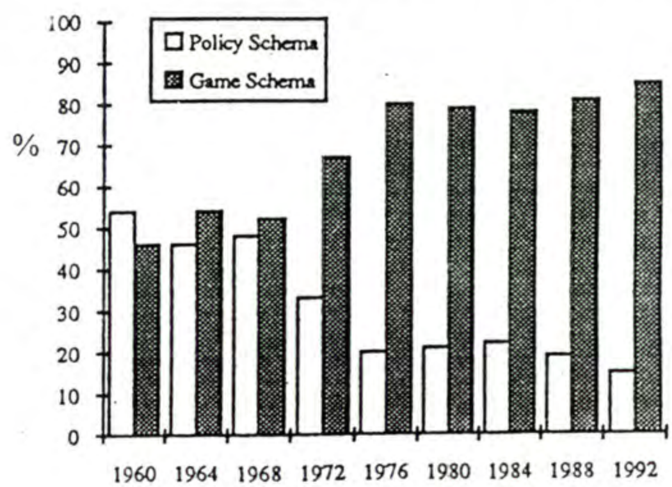
**Schematic Framework of Election Stories, 1960–1992**

In the 1960s, election stories were frequently framed in the context of a policy schema; today, they are nearly always framed within the context of a game schema.



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## POSTSCRIPT TO THE VINTAGE EDITION

# *Truth and Falsehood on the White House Beat: The First Year of the Clinton Presidency*

36 lines per full text page

The superficial and negative reporting that characterized press coverage of the 1992 campaign continued into the Clinton presidency. Bill Clinton almost immediately came under attack from the press, largely for reasons that say more about the nature of today's journalism than the nature of his presidency.

According to the Center for Media and Public Affairs' analysis of television news, Clinton received mostly negative coverage (just 43 percent positive references) during the first two months in office. Six months into the job, Clinton's numbers looked worse—only 34 percent of news evaluations had been positive while 66 percent were negative. In the closing stage of 1993, when Clinton's successful fight to enact the North American Free Trade Agreement (NAFTA) was a leading news story, his press coverage improved briefly, but, overall, his first presidential year was characterized by a slew of negative coverage.

No criticism was more persistent than the claim that Clinton was reneging on his commitments. This theme surfaced in the first week of his presidency, when Clinton retreated on a campaign promise to open the nation's shores to the Haitian boat people and sought a compromise with Congress for a new policy on gays in the military. Compromises over tax increases and spending cuts in pursuit of a deficit-reduction policy kept the story alive into the summer. In the fall, the theme appeared during the kickoff of the health-care debate, when Clinton expressed his willingness to accommodate the ideas of others as long as they accepted his basic positions on universal coverage and cost containment. The Center for Media and Public Affairs' analysis indicates that more than 60 percent of news references to Clinton's handling of domestic policy issues were negative in tone. The criticisms were voiced through the statements of reporters, Clinton's partisan opponents, and ordinary people. On the *NBC Evening News* of July 19, for example, a gay ex-Marine criticized the "don't ask—don't tell" compromise policy: "I think its a cop-out from what he planned to do. It's just a cheap imitation."

(sp. it's)

Was this portrayal of the Clinton administration's first year an accurate indicator of its actual performance? In the Prologue, I indicated that the press's assertion that candidates cannot be trusted to keep their word is unsupported by the evidence. Newly elected presidents have fulfilled most of the promises they made as candidates.

Clinton's first year followed the same pattern. He kept far more campaign pledges than he broke. Among the dozens of promises kept were a tax increase on higher incomes, an end to the ban on abortion counseling in family-planning clinics, a family-leave program, banking reform, NAFTA, a college-loan program, the Brady bill, and a youth training program. He also proposed numerous programs, including health care reform, that were still working their way through Congress as 1993 ended.

Clinton's success with Congress was historical in nature. Since 1953, *Congressional Quarterly* has tracked Congress's support of legislation on which the president has announced a po-

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sition. Congress backed Clinton's position on 88 percent of contested votes in 1993, a level exceeded only twice in forty years—by Dwight Eisenhower in 1953 and Lyndon Johnson in 1965. Even in the best year of their presidencies, John Kennedy, Richard Nixon, Gerald Ford, Jimmy Carter, Ronald Reagan, and George Bush did not achieve the level of legislative support that Clinton attained in 1993. Clinton's first-year record is the profile of a president who should have acquired a reputation for *fulfilling* his promises.

In a *Rolling Stone* interview at the end of his inaugural year, Bill Clinton exploded at the claim he had not honored his commitments: "I have fought more damn battles here than any President in 20 years with the possible exception of Reagan's first budget, and not gotten one damn bit of credit from the knee-jerk liberal press. I am damn sick and tired of it."

Clinton had reason to be angry, but he was mistaken in attributing the press's rendition of his presidency to its liberal tendencies. Although surveys indicate most journalists have liberal beliefs, partisan bias has been shown to be a relatively small factor in political coverage. Other influences, including the norm of objectivity, counterbalance the effect of partisanship on journalists' news decisions.

~~See query~~
Author: Should "rendition" be "negative reporting" or "analysis" or something similar?

negative portrayal

On the other hand, journalists' cynical view of politicians is not offset by other factors. The press is contemptuous of politicians, whether liberal or conservative, and of the political process. More than anything else, it is this derisive attitude that accounts for Clinton's rough handling by the press.

The press's cynicism remains unchecked because its inferences are not substantially constrained by the facts. Since the early 1970s, the press has become remarkably careless in its handling of the truth. There were a few years in the Vietnam and Watergate era when journalists took pains to investigate the claims of the president and to inform the public whenever a message could be proved to be false or misleading. The press was unable, however, to sustain this exacting type of scrutiny. Top-notch investigative journalism requires a level of time and knowledge which journalists do not routinely possess. By the mid-1970s, journalists had found a substitute for careful investigation. They began to use a president's opponents as the basis for undermining his claims. When he made a statement, they called upon his adversaries to refute it. Investigative journalism gave way to attack journalism.

This type of reporting appears to be watchdog journalism but is not. It exalts controversy rather than accuracy. It is ideological in its premises: presidents are assumed to be untrustworthy. The nature of news allows the journalist to maintain this fiction. When a president keeps his promise, as Clinton did when he ordered an end to the ban on abortion counseling, it makes news for that day only. When a commitment is broken, however, it retains its news value. Clinton's promise to change the policy on gays in the military was in the news for months.

The press's narrow view of the political process contributes to the fiction. Presidents are assumed to be in control of national policy, rather than working in a political system where authority is divided and negotiation is essential. When Congress balked at some of Clinton's proposals and he showed a willingness to compromise, the press said he was weak. The *Los Angeles Times* described Clinton as "inept and indecisive." According to *Time*, Clinton was stumbling with "a certain farcical rhythm."

Today the tone of a president's news coverage depends less on his actual performance in office than on the media's cynical bias. The press nearly always magnifies the bad and underplays the good. At the end of Clinton's first year in office, for example, he called a press conference to say his administration would concentrate in the coming year on getting his health-care bill through the Congress. Instead of reporting this story, a number of journalists wrote that Clinton's commitment to health care

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implied that he would break his promise to bring about welfare reform.

A certain degree of skepticism on the part of the press is healthy for democracy. However, when skepticism turns into cynicism and becomes an everyday theme of the news, democracy is not well served. News that incessantly and unjustifiably labels political leaders as insincere and inept fosters mistrust on the part of the public, and makes it harder for those in authority to provide the leadership that is required if government is to work effectively.

The presidency is particularly affected by a hypercritical press, since the president's ability to lead depends heavily on his level of public support. Much of the president's authority comes not from constitutional grants of power but from his ability to persuade others to accept his leadership. And there is no doubt that the tone of a president's news has a decisive effect on his public support. Clinton's approval rating in the first year averaged only 49 percent—a record low—and the ups and downs in his public support closely followed changes in the tone of his press coverage.

A hypercritical press also discourages the type of relationship between the president and journalists that can serve the public's need to know. Early in his presidency, Clinton made clear his intention to avoid the press when possible. He restricted journalists' White House access and said he planned to speak directly to the American people through talk shows and town meetings. Clinton later softened his stance, but, like Ronald Reagan and George Bush before him, he is determined to avoid a daily pillorying that serves only the narrow interests of an adversarial press. The public has been the loser in this situation, which is a direct consequence of the press's fault-finding mentality.

This preoccupation attained gigantic proportions with the allegation that Bill Clinton had engaged in illegal financial activities while governor of Arkansas. The Whitewater affair, as it was later labeled, began with an inquiry into Clinton's investment in a development project on the Whitewater River. By March of 1994, Whitewater had received three times the news coverage of health-care reform. Although later events could prove otherwise, there was very little in the initial facts of Whitewater to justify this level of attention.

But facts are not what drives the news. Today, the mere whiff of scandal triggers what the political scientist Larry Sabato calls a "feeding frenzy." Like sharks in the midst of a wounded prey, the press mercilessly pursues its quarry. The press is in command, orchestrating the charges of his opponents and leveling charges of its own. As with Whitewater, the loudest voices and the most outrageous claims get the headlines. Was Vince Foster murdered? What sinister intent led George Stephanopoulos to call the RTC and complain about the appointment of an ideological Republican who had previously been fired by the administration? The sheer din of the controversy drowns out of the voices of reason, even within the ranks of journalists themselves.

Fifty years ago, the Hutchins Commission on Freedom of the Press concluded that the news media's chief failing is an inability to provide an appropriate context to the coverage of public affairs. The early Whitewater coverage indicates the situation has not changed greatly. In news stories, Whitewater was most frequently compared with Watergate, an inane comparison that betrays an astonishing ignorance of both history and the Constitution.

But a feeding frenzy has the capacity to generate a connection between the new scandal and previous ones. The process by which this transformation occurs is by now familiar. In response to the damage the frenzy is causing, the politician or those around him react defensively. In doing so, even if the

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reaction is naïve and bumbling rather than deceptive and illegal, it results in the charge of a cover-up.

News of Whitewater was fueled by precisely this pattern of events, which, in one instance, led to the resignation of Bernard Nussbaum as White House counsel. It was at this point, using the cover-up as the connection, that even some of the nation's best journalists tied Whitewater to Watergate. On March 8, 1994, *The New York Times*' R. W. Apple, Jr., stressed the similarities: a president who did not immediately "open up" to investigators, who argued that the people's business was too important for it to be sidetracked by the allegations, who responded with moral indignation to charges of personal misconduct, and who had brought a somewhat unsavory reputation with him to the presidency. "One brought the nickname 'Tricky Dick' into the Oval Office, the other 'Slick Willy,'" said Apple. Taken together, the similarities were taken as a sign that the Clinton Administration was disassembling. "There is now no chance things will quiet down this year, and little they will do so next year," Apple concluded.

Given the nature of feeding frenzies, Mr. Apple was probably correct in predicting that the story would stay in the headlines. But the coupling of the Clinton cover-up with the Watergate cover-up was a fact-defying leap. In the Clinton case, it was not even clear, at the time Apple wrote, that laws had been violated; a few people below the president may simply have shown poor judgment. The Nixon people, on the other hand, blocked an FBI investigation, fired the special prosecutor in the "Saturday Night Massacre," erased nearly 20 minutes of a taped conversation, and paid more than $400,000 in hush money to keep the Watergate burglars quiet. On a tape that escaped erasure, Nixon is heard telling his close aides, "I want you all to stonewall it, let them [the burglars] plead the Fifth Amendment, cover up, or anything else." twenty

It would have been helpful if the press had tried to place Whitewater in its own context rather than in the light of the Watergate, Irangate, Iraqgate, or S&L scandals. Feeding frenzies, however, are unbounded. All of the breathless stories in the first months of Whitewater revealed little about the issue at hand. Yet the stories had serious consequences. They drove down Clinton's approval rating, and were accompanied by declining public support for his programs, including his health-care reform proposal. These were substantial effects, but rather than accepting some of the responsibility, the press blamed Clinton, saying his "mistakes" in the handling of the allegations had made Whitewater into a big issue. In an editorial, the *Wall Street Journal* urged journalists to throw caution to the wind in their reporting of Whitewater, contending that the costs of airing erroneous charges was far outweighed by the benefits of getting the story out. There was a time when the nation's leading news organizations took accuracy to be their highest obligation. "Power without responsibility, the prerogative of the

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harlot through the ages" was how the British Prime Minister Stanley Baldwin assailed the reckless reporting of the press barons Rothermere and Beaverbrook.

As I write this postscript, Whitewater's full course cannot be foreseen. Clinton's actions a decade ago in Arkansas may have involved substantial criminal misconduct or abuse of office. If so, he should and will pay heavily. This price would have been extracted if the revelations had been made by the careful investigation of the special prosecutor; the ensuing news coverage and congressional hearings would have made Clinton dearly regret his Arkansas shenanigans. Even if Clinton is found innocent, though, the media frenzy that has characterized Whitewater to this point has imposed extraordinary costs on the Clinton presidency and the national interest. The press is not the only cause of our jaded public and tattered institutions, but it is a prime contributor. America needs a press that is free *and* responsible. For an institution that asks so much of others, the press has become remarkably derelict in the discharge of its public duty.

THOMAS E. PATTERSON
APRIL 1994

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Thomas E. Patterson

# OUT OF ORDER

Thomas Patterson is professor of political science at the Maxwell School of Citizenship and Public Affairs, Syracuse University. He has written extensively on the media's role in elections. His previous books include *The Unseeing Eye: The Myth of Television Power in National Elections*; *The Mass Media Election: How Americans Choose Their President*; and *The American Democracy*. In 1991–92 he was Lombard Visiting Professor of Press and Politics at Harvard University's John F. Kennedy School of Government. He has received grants for his work from the National Science Foundation, the Markle Foundation, the Mellon Foundation, and the Ford Foundation.

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THE PRESIDENT HAS SEEN
5/16/94

# SKETCH OF "STAGE II" ECONOMIC POLICIES

## - $R_x$ for the Economy, Employment *and* the Deficit -

### New Win/Win Policies Centered on the Labor Market

Prepared for
**President William J. Clinton**
**The White House**

**June 1993**

AS REQUESTED
BY YOU
FROM
BOB RUBIN

I do think we should identify other things we can do to increase the capacity for growth BC


Prepared by
**Horace W. Brock, Ph.D.**
President,
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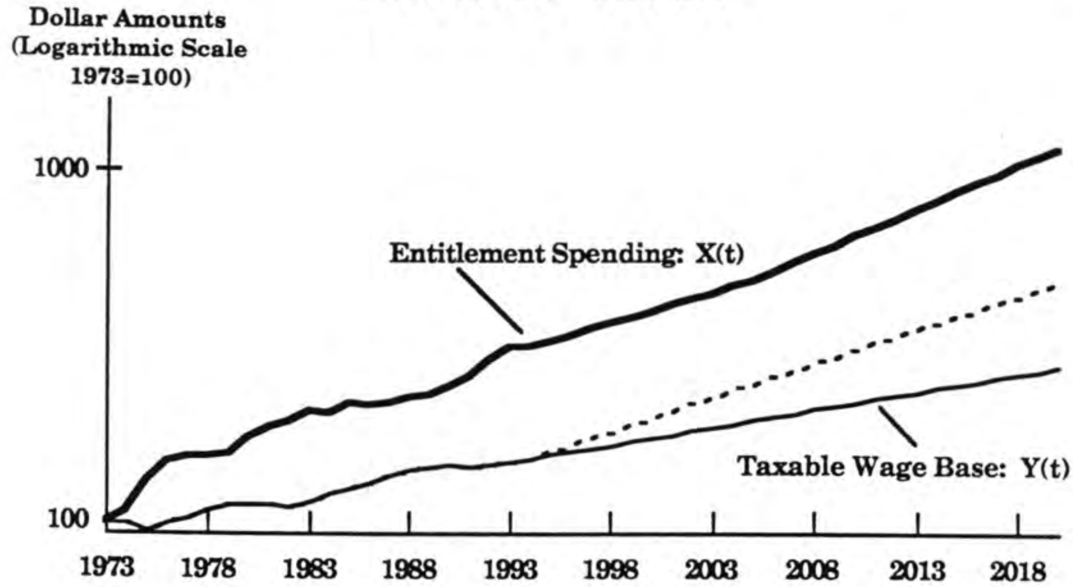
DETERMINED TO BE AN ADMINISTRATIVE
MARKING INITIALS: DB DATE: 5/15/18

## THE ROOT CAUSE OF THE U.S. DEFICIT AND DEFICITS ELSEWHERE IN G-7

**Figure 1 on the next page explains the true reasons why the deficit will explode in the out years – and one major reason for the death of the American dream.**

## FIGURE 1: EXPLODING DEFICITS IN THE OUT YEARS: THE ROOT CAUSE




Source: Council of Economic Advisers, Economic Report of the President, 1979-93

- **Upper Line X(t) –** ***Growth of real federal spending on entitlement programs*** **(health care and social security), projected at 4% until 2005 and 4.85% thereafter due to adverse demographic shocks. Historically, this spending has grown at 5.9%; during the 1980s it grew at a more modest rate of 3.9%**
- **Lower Line Y(t) –** ***Growth of the real taxable wage base*** **(wages and salaries component of personal income), projected at 2.1% annually through 2020 in the absence of new labor market policies. Historically, this variable has grown at a virtually constant rate of 2.3%.**
- **Middle Line –** ***Modified growth of the real taxable wage base,*** **projected at 4.0% annually through 2020 as a result of adoption of the new labor market policies presented in Figure 2: "$R_x$ for the Economy and the Deficit".**

**The difference between the middle and lower lines represents the reduction in deficit growth obtainable from our proposed policies.**

**Note: Hopefully, our use of a** ***logarithmic*** **scale will not obscure what is actually portrayed above: a veritable** ***explosion*** **of the deficit in the out years unless radically new policies are adopted – and soon.**

## A POLITICALLY APPEALING SOLUTION:

### ELEMENTS OF "STAGE II" CLINTONOMICS

**Figure 2 identifies 10 win/win labor market policies aimed at closing the gap between X(t) and Y(t) — by nearly doubling the annual growth of the Taxable Wage Base, Y(t).**

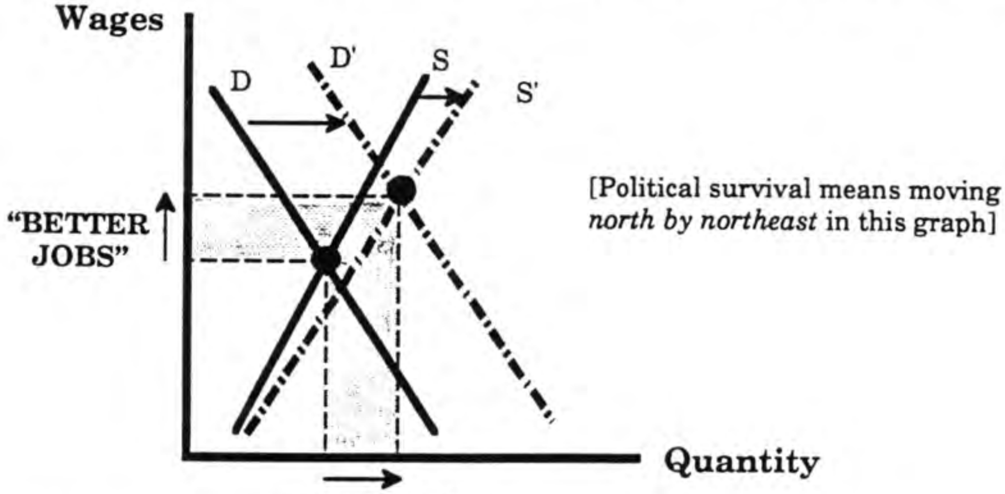
**The key innovation here lies in the use of a *micro*-economic analysis of the labor market to analyze the *macro*-economic problems of the deficit and unemployment.**

**Note: Since we are utilizing microeconomics, the impact of the 10 proposed policies on both the deficit and unemployment is "indirect" in nature. More specifically, the macroeconomic impact results from the way in which the proposed policies shift the nation's willingness-to-hire schedule forwards or backwards, and likewise the willingness-and-ability-to-work schedule. [These "schedules" are simply the "demand curve" and the "supply curve" of labor. Sorry to have to use a little jargon!]**

## FIGURE 2: Rx FOR THE ECONOMY *AND* THE DEFICIT

### -- A Novel Labor Market Strategy --

**Ten Policies for Creating More Jobs and Better Jobs, Thereby *Increasing* the Taxable Wage Base and Thus *Reducing* the Deficit**




***DEFICIT REDUCTION:*** The shaded area shows the increase in the taxable wage base resulting from implementation of the policies below. The resulting reduction in the deficit is directly proportional to this increase.

### NEW LABOR DEMAND POLICIES

**1. Reducing growing reliance on payroll taxes via a consumption tax and VAT**

**2. Maintaining and increasing the flexibility of labor markets as proposed by the 1992 McKinsey Global Institute study (e.g., ability to hire and fire as needed)**

**3. Reforming workers' compensation, reducing regulatory hassles, mandated benefit costs and related impediments to small business hiring.**

**4. Adopting a set of savings and investment incentives raising the effective return on investment in labor and capital, thus increasing economic growth and the demand for labor.**

**5. Overhauling entire tort law system and making it comparable to systems elsewhere in the G-7**

### NEW LABOR SUPPLY POLICIES

**1. Raising the retirement age so as to induce people to work longer**

**2. Encouraging immigration of highly skilled people Note: This raises the total labor supply and the proportion of high-skilled workers. As a result, the supply curve shifts out *and* tilts to the right.**

**3. Implementing *effective* K-12 education reform and worker training programs Note: This leads to an increased supply of high relative to low wage labor and thus *tilts* the supply curve to the right.**

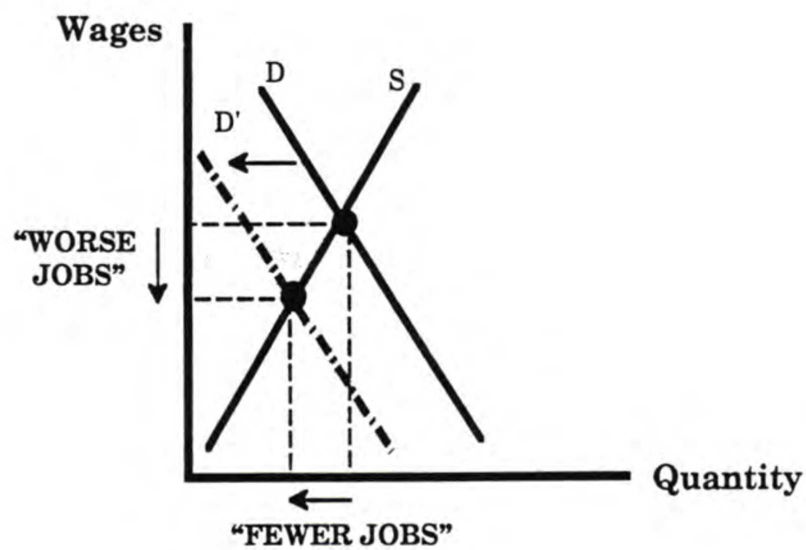
**4. Reducing fraud in workers' compensation, disability and welfare**

**5. Reclaiming the labor force potential of inner city youth via *effective* policies (e.g., enterprise zones)**

## RISKS OF NOT ADOPTING "STAGE II" POLICIES

**Figure 3 identifies the economic and indeed political risks posed by sticking to "Stage I" policies and failing to adopt "Stage II" policies.**

## FIGURE 3: POLITICAL RISKS FOR THE PRESIDENT IF "STAGE II" POLICIES ARE NOT ADOPTED




**PROBLEMATIC "STAGE I" CLINTON POLICIES**

**1. Proposed 10% "payroll premium" to finance medical coverage for all**

**2. 31% increase in marginal tax rate paid by Sub-S corporations**

**3. Increased regulatory burdens and mandatory benefit levels**

**The 1996 presidential election *should* center — *and probably will center* — on the very important issues addressed in this memo: the impact of the President's policies on employment creation and wage levels.**

**<u>THE MORAL</u>: THE ADMINISTRATION SHOULD ONLY ADOPT POLICIES THAT SHIFT THE LABOR MARKET EQUILIBRIUM NORTH BY NORTHEAST IN OUR GRAPH — NOT SOUTH BY SOUTHWEST.**

## IMPORTANT POLITICAL CONSIDERATIONS

• Unlike traditional deficit reduction policies, the proposed "Stage II" policies impose *virtually no pain* on the economy. There is no "drying out" at all. Additionally, the proposed policies are centrist and include several "New Democratic" policies.

• More jobs and better jobs are what Americans now care most about. This is especially true given the vulnerability of our labor markets to the painful service sector restructuring now taking place.

• To the extent that the Clinton "fairness doctrine" entails policies (e.g., higher payroll taxes) leading to fewer jobs and worse jobs, the concept of fairness should be re-thought from scratch.

• By adopting the proposed "Stage II" policies, the President could for the first time make himself the *champion* rather than the *arch-enemy* of small business.

• The celebrated 1983 policy modifications of French President François Mitterrand offer an appealing precedent for introducing "Stage II" Clintonomics. Mitterrand's surprising policy reversals not only saved his presidency, but permitted him and his party to enjoy an extraordinary measure of success and popularity throughout most of the decade of the 1980s.

Clinton

# BUSINESS FINANCE

International Herald Tribune, Thursday, May 27, 1993

# The Welfare State Under Siege

## EC Debate: Is the Safety Net Strangling Job Growth?

By Tom Buerkle
*International Herald Tribune*

BRUSSELS — A battle is looming over pruning back the welfare state as officials in Brussels seek to get Europe back to work.

For most of the past two decades, Europe has had a significantly higher unemployment rate than the United States or Japan and kept social peace by offering extensive protection to those with jobs and generous benefits to those without.

But with Europe spiraling deeper into recession, the level of joblessness is becoming politically and economically untenable. Some 17.4 million people, or 10.2 percent of the labor force, are unemployed in the European Community, and officials say the rate looks certain to rise past the 11 percent peak reached in 1985.

Jacques Delors, the president of the EC Commission, told the European Parliament in Strasbourg Wednesday that this "waste" of human resources was costing the Community the equivalent of twice the economic output of Belgium and Portugal combined.

What is worse, Europe's depleted treasuries are too deep in red ink to spend their way out of the problem. And economic growth alone is not the answer, because widespread restructurings are needed to restore Europe's competitiveness with North America and Asia.

Henning Christophersen, the EC commissioner for economic affairs, said this week that even if a recovery began in 1994, industry's pressing need to economize meant that unemployment would not begin to fall until 1995 or 1996.

That outlook has EC officials questioning not only whether Europe can continue to afford one of the world's most extensive social safety nets, but also whether the cost of social protection is a root cause of its joblessness.

"It is no use complaining about growing unemployment and the problems of competitiveness of the economy if you are not prepared, when considering social legislation, to look at the comparative level of burdens imposed in our major competitive countries such as Japan and the United States," said Sir Leon Brittan, the EC commissioner for external economic affairs.

The cost of labor is one of the prime targets of a new EC program, unveiled by Employment Commissioner Padraig Flynn on Wednesday, aimed at getting member states to spur job growth over the next 18 months.

Separately, Mr. Delors has ordered studies on how to improve the Community's record on growth, jobs and competitiveness. In his speech in Strasbourg, he expressed deep concern at Europe's falling share of global exports — to 16 percent today from 21 percent in 1980 — and the fact that Europe created jobs at less than one-third the rate of the United States during the 1980s.

European leaders will have to consider a "new form of development" when they hold their summit meeting in Copenhagen on June 21 and 22, he said.

Talk of tampering with job security and social benefits remains an explosive issue, however, even at a time of massive unemployment. The commission has already shifted onto the defensive over fears that it would seek to trim Europe's generous social benefits and encourage an American-style growth of low-skill, low-wage jobs in the service industry — which would be anathema to European unions.

"There's no question of the commission putting in question the welfare state as such," said one official involved in the program unveiled by Mr. Flynn, who spoke on condition of anonymity. Although officials stress that nothing will be excluded from the debate over the program, they say it will explore using benefits to attract the unemployed into training programs and shifting the financing away from payroll taxes, rather than slashing benefits.

The plan also seeks to encourage job-sharing and promote services and environmental work as possible areas of job growth, among other things.

But Dennis Snower, an economics professor at Birkbeck College in London, said such "supply-side tinkering" would not begin to address Europe's employment problems. "Nothing short of doing something to eliminate the disincentive to work is going to go a long way," he said.

Mr. Snower said that for Europe's economy to respond to today's structural changes and competitive pressures, it must reduce the gap between job-market "insiders" — the employed who remain well-paid and relatively well-protected — and the unemployed "outsiders," whose prospects of finding work are steadily diminishing.

One way to accomplish this, he said, would be to reduce the cost of hiring and firing workers, which is heightened by the hefty severance packages and long notice periods that are now widely

See JOBS, Page 15

### Unemployment and Wages

Annual unemployment rates, in percent


Source: Eurostat, OECD

Manufacturing labor costs, 1991, in dollars per hour

| | Pay | Nonwage* |
|---|---|---|
| EC | 10.04 | 7.57 |
| Japan | 8.39 | 6.20 |
| U.S. | 11.32 | 4.13 |

*(social security contributions, etc.)

International Herald Tribune

# German Court Denies GM Bid to Block

By Ferdinand Protzman
*New York Times Service*

BONN — A Frankfurt court rejected Wednesday a request by General Mo... that they committed industrial espionage by taking trade secrets and documents.

The Darmstadt state prosecutor's office ... publish its reasons for rejecting the report for several months.

Opel ...

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# A Politician's Dream Is a Businessman's Nightmare

WSJ 6/1/92

*Wisdom too often never comes, and so one ought not to reject it merely because it comes late.* —Justice Felix Frankfurter

## Manager's Journal

By George McGovern

It's been 11 years since I left the U.S. Senate, after serving 24 years in high public office. After leaving a career in politics, I devoted much of my time to public lectures that took me into every state in the union and much of Europe, Asia, the Middle East and Latin America.

In 1988, I invested most of the earnings from this lecture circuit acquiring the leasehold on Connecticut's Stratford Inn. Hotels, inns and restaurants have always held a special fascination for me. The Stratford Inn promised the realization of a longtime dream to own a combination hotel, restaurant and public conference facility — complete with an experienced manager and staff.

In retrospect, I wish I had known more about the hazards and difficulties of such a business, especially during a recession of the kind that hit New England just as I was acquiring the inn's 43-year leasehold. I also wish that during the years I was in public office, I had had this firsthand experience about the difficulties business people face every day. That knowledge would have made me a better U.S. senator and a more understanding presidential contender.

Today we are much closer to a general acknowledgment that government must encourage business to expand and grow. Bill Clinton, Paul Tsongas, Bob Kerrey and others have, I believe, changed the debate of our party. We intuitively know that to create job opportunities we need entrepreneurs who will risk their capital against an expected payoff. Too often, however, public policy does not consider whether we are choking off those opportunities.

My own business perspective has been limited to that small hotel and restaurant in Stratford, Conn., with an especially difficult lease and a severe recession. But my business associates and I also lived with federal, state and local rules that were all passed with the objective of helping employees, protecting the environment, raising tax dollars for schools, protecting our customers from fire hazards, etc. While I never have doubted the worthiness of any of these goals, the concept that most often eludes legislators is: "Can we make consumers pay the higher prices for the increased operating costs that accompany public regulation and government reporting requirements with reams of red tape." It is a simple concern that is nonetheless often ignored by legislators.

For example, the papers today are filled with stories about businesses dropping health coverage for employees. We provided a substantial package for our staff at the Stratford Inn. However, were we operating today, those costs would exceed $150,000 a year for health care on top of salaries and other benefits. There would have been no reasonable way for us to absorb or pass on these costs.

Some of the escalation in the cost of health care is attributed to patients suing doctors. While one cannot assess the merit of all these claims, I've also witnessed firsthand the explosion in blame-shifting and scapegoating for every negative experience in life.

Today, despite bankruptcy, we are still dealing with litigation from individuals who fell in or near our restaurant. Despite these injuries, not every misstep is the fault of someone else. Not every such incident should be viewed as a lawsuit instead of an unfortunate accident. And while the business owner may prevail in the end, the endless exposure to frivolous claims and high legal fees is frightening.

Our Connecticut hotel, along with many others, went bankrupt for a variety of reasons, the general economy in the Northeast being a significant cause. But that reason masks the variety of other challenges we faced that drive operating costs and financing charges beyond what a small business can handle.

It is clear that some businesses have products that can be priced at almost any level. The price of raw materials (e.g., steel and glass) and life-saving drugs and medical care are not easily substituted by consumers. It is only competition or antitrust that tempers price increases. Consumers may delay purchases, but they have little choice when faced with higher prices.

In services, however, consumers do have a choice when faced with higher prices. You may have to stay in a hotel fewer days while on vacation, but you can stay fewer days. You can eat in restaurants fewer times per month, or forgo a number of services from car washes to shoeshines. Every such decision eventually results in job losses for someone. And often these are the people without the skills to help themselves — the people I've spent a lifetime trying to help.

In short, "one-size-fits-all" rules for business ignore the reality of the marketplace. And setting thresholds for regulatory guidelines at artificial levels — e.g., 50 employees or more, $500,000 in sales — takes no account of other realities, such as profit margins, labor intensive vs. capital intensive businesses, and local market economics.

The problem we face as legislators is: Where do we set the bar so that it is not too high to clear? I don't have the answer. I do know that we need to start raising these questions more often.

*Mr. McGovern, the 1972 Democratic presidential candidate, is president of the Middle-Eastern Policy Council in Washington.*

This excellent piece by George McGovern says it all (about small business).

Or, Why Stage-I Clintonomics is making Bill Clinton the enemy of small business

DEC 28 '92 14:48

GS - I still haven't responded - need to respond B

THE PRESIDENT HAS SEEN 5/16

93 DEC 8 P2:11

December 8, 1993
Silver Spring, Md.
301 593-9256

from Ricki Seidman

President Clinton
The White House
Washington, D.C.

Dear President Clinton:

Thank you for taking a few minutes to read this letter. I have a lot I would like to say, but I'll try to limit myself to a few main points about the book I'm writing, my perspective as a biographer, and my hopes for conversations/interviews with you. I think I know how you feel about this whole matter of a biography. You love to read biographies about other figures, but when it comes to one about you, while you are the sitting president, I presume that your feelings are ambivalent at best. I understand, and appreciate, your thinking on this: here you are busting your tail in the present to make the country better in the future - and some guy is obsessing about your past.

To which I can only respond, fair enough. I confess: If I wasn't obsessed a year ago when I started researching the book, I am now. This has been the most interesting and rewarding year of my career. Doing this book has given me the chance to interview and get to know hundreds of your friends and associates, many of whom are truly great people. It has also provided me with an opportunity to think hard about our generation (I am three years younger than you) and the forces that shaped us, and to use your life as a means of telling the story of all of us. And on the most personal level, doing this book has convinced me that I chose a worthy subject. Not because you are president, I don't know you as president - I tend to think of you more as the 19 year old who wondered how someday you might achieve enough to warrant an asterisk next to your name in the billion pages of the book of life - but because you have a combination of mind and soul that evokes not only the political struggle but the inner human struggle as well. I always told myself that I would never write a book about someone who seemed alien to my own sense of the poetry of life.

That is not to say that I am interested in hagiography - far from it. I pride myself in being objective and fair-minded. I believe that people only learn and grow from their flaws and failings, and to ignore those is to deny their humanity. But my sensibilities are affronted by journalists who set themselves up as Gods and demand perfection from others, without providing the context of the hard decisions, temptations and compromises we all face in our daily lives. In writing about you, I try to view you as neither inherently great nor bad but as fascinating and human. When I am writing about something you said or did that was questionable, I find myself laughing to myself and saying, "yeah, that's Clinton." And when I am writing about something you said or did that was good-hearted and inspiring, I find myself laughing to myself and saying, "Yeah, that's Clinton."

I can't adequately answer the political calculus of why you should relinquish any of your prized time to talk with me. That is obviously something that only you and your people can determine. For me, the reason is simple. I don't just want to write a good book, I want to write a great book, the best book possible, and there's no way I can do that without seeing your life from your perspective, knowing your state of mind along the way. Why do I care so much? Why should you care? Perhaps the best intellectual argument I can make to you gets back to my original presumption about how you are working day and night in the present for a better future for the entire nation and find it perplexing, to say the least, that someone wants to root around in your past. My answer is that chronological time is an illusion. We are beings not just of the moment. If you believe in the future as strongly as I know you do, you have to believe just as strongly in the past. Past is not just prologue, it is part of the present. Everything you are as president is shaped by everything you have been.

To end on a more practical note: here are a few facts on me and the book. I am writing it for Simon and Schuster. They are expecting the manuscript next June. It will be published in late 1994 or more probably sometime in 1995. I began actually writing it in August and have written 100,000 words filling 11 chapters - and you are 23 years old. Today I am writing the story of your visit with the Shullaws in Helsinki on your way to Moscow and the one living creature - Pelle, their dog - which you failed to charm. My wife and I moved back to Silver Spring from Austin, Texas, this fall largely so that I could be readily available in case you decided you wanted to do interviews. I've been writing away, waiting patiently to hear from the White House, for three months. I will talk to you any time anywhere. If you decide not to do it, I will understand that, too, though I hope you give me a chance.

Thanks again,

David

David Maraniss

cc Mack
Mark
Gergen
George

Chron

THE WHITE HOUSE
WASHINGTON

**DATE:** 5/16/94

**TO:** LEON PANETTA

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

Please provide a Presidential response to the attached and send to this office. The original letter has been forwarded to the President.

UNITED STATES COURT OF APPEALS
EIGHTH CIRCUIT

CHAMBERS OF
RICHARD S. ARNOLD
CHIEF JUDGE
P.O. BOX 429
LITTLE ROCK, ARKANSAS 72203



May 2, 1994

The President
The White House
Washington, D.C. 20500-2000

Re: Budget Request of the Federal Judiciary, FY 1995

Dear Mr. President:

Last year, after we visited, I had a good talk with Mr. Panetta, and we came to a complete agreement with respect to submission to the Congress of the Judiciary's budget request for FY 1995. Mr. Panetta agreed, in accordance with your instructions, that our budget request would be transmitted without change as part of your budget, and that, if OMB decided to use, as part of your budget, the device of the so-called "negative allowance" (a euphemism for a budget cut), the budget documents would make it clear that the "negative allowance" was to be applied only to accounts within the Executive Branch, or, at least, that it would not be applied to the Judiciary.

When Mr. Panetta transmitted your budget for FY 1995, this agreement was kept. I made it clear to the Judicial Conference of the United States, as well as to many other judges across the country, that this favorable development had occurred solely on account of your personal intervention. All of the judges join me in expressing our appreciation to you for this action.

Unhappily, the train has now gone off the track. On April 22, 1994, a budget amendment was transmitted to Congress, as proposed by Mr. Panetta, that would create a new program called the State Criminal Alien Assistance Program, funded, in large part, with $285 million subtracted from the budget request for the federal judiciary. I found out about this, but only by accident, just one day before the document was sent to Congress.

I believe that this is a violation of the agreement that Mr. Panetta made with me, and I told him so. The text of the budget amendment does not state in so many words that the money in question is to be subtracted from our account, but the context makes it unmistakably clear, especially to those in Congress who are familiar with the circumstances.

I am confident that this occurred without your knowledge or consent. I respectfully ask that you instruct Mr. Panetta to rescind that portion of the recently transmitted budget amendment that would reduce our request by $285 million. We earnestly request that you take a look at the situation and institute whatever corrective action you believe would be appropriate.

Respectfully yours,

Richard

Richard S. Arnold

RSA/bf

cc: The Hon. Leon Panetta
Director, Office of Management and Budget
Executive Office Building
Washington, D.C. 20503

Bruce R. Lindsey, Esq.
Senior Adviser to the President
The White House
Washington, D.C. 20500

Bill Burton, Esq.
Office of the Chief of Staff
The White House
Washington, D.C. 20500

THE PRESIDENT HAS SEEN 5/16/94

Bruce

we should

write them!

THE PRESIDENT HAS SEEN 5/14/94

**MEETING WITH**
**PARENTS OF RANGERS KILLED IN SOMALIA**
Participants

Lieutenant Colonel Larry Joyce (U.S. Army, Ret.)
Mrs. Virginia "Gail" Joyce (mother)
Mrs. DeAnna Joyce (wife)
**[family of SGT James "Casey" Joyce]**

Mr. James Smith
Mrs. Caroline Smith
**[parents of SPC James "Jamie" Smith]**

Mr. Benjamin Pilla
Mrs. Diane Pilla
**[parents of PFC Dominick "Dom" Pilla]**

Chron
(original ltr
sent to Lake)

Tony - note fr. Jane Fonda
re: Cairo - need reply
B.

Mr. President

THE PRESIDENT HAS SEEN
5/16/94

TED AND JANE TURNER

Dear Mr. President –

It's exciting having you here at the CNN Center. Thank you for coming.

Since I may not have an opportunity to tell you personally I've asked Ted to give you this note in which I want to reiterate what I'm sure Ted will say: of all the ground-breaking things your administration is doing, the work on Population and sustainable development may well be the most significant with the most positive long-range global consequences.

Your U.S. delegation to the U.N. Cairo Conference on Population and Development headed by Tim Wirth has been doing the most amazing, solid consensus-building work and we will all reap the benefits – including you, as President.

Ted and I and everyone we know believe this is a winner for you. Polls and studies show the majority in this country support your position and internationally this is true as well. Of the 189 countries represented at the U.N. Prep. Com. in New York, 172 countries support the language in the Plan of Action which the U.S. delegation helped formulate.

I hope the inevitable outcry from the religious right, the Vatican and some Reagan "democrats" don't deter you from this path you're taking.

Thank you. Continue being brave. The majority is with you!

XX Jane

ORG-RM
COPY-NSC

Chiles

## MIGRATION TALKING POINTS

I'm calling to let you about some modifications to our migration policy toward Haiti as we continue to press for a democratic transition.

-- While in-country processing has served as a crucial route to freedom for many Haitians in Haiti, increased repression in Haiti caused me to request a review of its adequacy.

-- A fact-finding mission just back from Haiti found that politically motivated indiscriminate violence has risen substantially, with hundreds of political killings in recent months.

-- Under these circumstances, I have been increasingly uneasy about returning Haitians without first giving them the opportunity to make claims to refugee status and protection prior to return.

-- Under these circumstances, I have approved a proposal to begin interviewing Haitian boat migrants outside of Haiti before returning them.

At the same time, we have no intention to spurring a unmanageable boat exodus from Haiti --

-- First, the policy of interdiction of all boat migrants will continue, and only those small percentage who have valid refugee claims will be protected from return.

-- Second, no Haitians will be permitted U.S. entry prior to a determination that they are bonafide refugees, and we will seek to do processing either in third countries, third country ports or on very large ships equipped to handle thousands.

-- Third, we will seek third country agreement to resettle those Haitian migrants who are deemed to be refugees, both to communicate that boat migration is not the way to make it to the United States and to reduce the burden on U.S. localities.

-- Fourth, the Coast Guard and Navy are being instructed to deploy adequate resources to deal effectively with any surge in boat departures.

-- Fifth, I am instructing the Departments of State, Justice and Health and Human Services to develop plans to disperse those Haitian refugees who may end up resettling in the United States so that Florida, New York and New Jersey do do not bear an unreasonable burden.

-- Sixth, I will not implement this modification of policy until I am confident that the Coast Guard, the Navy, the Immigration Service and the State Department are fully prepared to meet this challenge.

THE PRESIDENT HAS SEEN
5/16/94

-- Over the next several weeks, we will make urgent efforts to obtain cooperation from third countries, which we will ask to resettle boat migrants who are granted refugee status.

-- We will also seek third country cooperation in allowing us to use their territory or port facilities to serve as processing sites.

-- In the meantime, we will be preparing to conduct screening on large ships until we are able to obtain such cooperation from third countries.

-- In the weeks to come, the Attorney General and other senior officials will stay in close and continuous contact with your office.

Phyliss Coven - AG's Office

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
5/16/94

(1) Placer

What's the status
of regional agmts?

BC

THE PRESIDENT HAS SEEN
5/16/94

THE WHITE HOUSE

WASHINGTON

Alexis

Questions from Labor Leaders Meeting

(1) Brian Bywater

can we bring more Defense work in U.S.?

(2) can gov't favor contractors that provide health benefits, worker training

Pls have this looked into —

B.

THE PRESIDENT HAS SEEN
5/16/94

THE WHITE HOUSE
WASHINGTON

Kevin O'Keefe

Are we appointing
the US Atty in Minn
That Cong. B Thompson
wants? He helped
us on Assault weapons

B

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
5/16/94

L Cutler

Lew Wasserman
Lod Cook offers
to help w/ LDF—

BC

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
5/16/94

Paden

When are we
on Archivist

Nancy Reagan
asked me to hurry
a appt -

If we have settled on
him, pls tell me — if not,
when we do, do so

Thanx

BC

faxed 11:30pm 5/16
606-4928

[redacted]

THE PRESIDENT HAS SEEN

"Can we put him in Natl Service? Advise"

MARY McGRORY

Crasco / Eli Segal
can we put him in Natl. Service? advise

# One Child at a Time

THE PRESIDENT HAS SEEN 5/16

Some people see the children in Washington's inner city foundering in a failing school system and throw up their hands. Others go to work and try to rescue them, one child at a time.

At Community Family Life Services of First Trinity, a Lutheran church near Union Station, they've been at it for 25 years. They tutor more than 100 children four nights a week during the school year. They find most of their pupils in the 35 apartments where they house homeless families.

They have founded a restaurant called Third and Eats, where they train young people to cook and manage. Washington Post food critic Phyllis C. Richman calls it "an awfully nice place to eat . . . spotless and vibrant."

Community Family Life Services operates on a yearly budget of $1 million, with help from the Department of Housing and Urban Development, foundations and contributions. It has 150 volunteers and a small paid staff. Tom Knoll, the executive director, proceeds on the principle that commitment is everything, proof against official apathy and individual inertia. He embarked on the tutoring program after a talk with some neighborhood youths who told him their eventual plans: "getting our welfare checks and come to the church for food."

What makes his tutoring program different is that the adults just don't labor through spelling and arithmetic homework with the children. They go to bat for them at school. They're called Child Advocates, and they do battle with the District school system for children whose parents aren't up to it.

[redacted]

Betty Bryant, 62, who is as involved and committed as they come, perfectly illustrates how the system works. She brought up five children of her own and recently retired from her job as congressional liaison for the Postal Service. A lifelong volunteer, she experienced a moment of truth when she heard the late John Wilson, a D.C. City Council member, speak at a meeting at the Services center. He said there was plenty of money for ghetto schools and parents "just had to go in there and demand it."

"I realized that when you have parents who are illiterate and who can't come to the PTA meetings—they can't even read the announcement of the meetings—that's no solution." That was when she met Rahshek Ellis, age 9, son of Angela, a working single mother, who lived in transitional housing and wanted the best for her boy. Betty Bryant used to take her grocery shopping. She noticed that both mother and son were functionally illiterate. Angela was too tired at night to study, but Rahshek, she felt, could be saved from a life of stoop-sitting if he just got the basics. They started out with one night a week tutoring. It was not enough.

Bryant decided to go to the source. One morning at 7, she and Angela showed up at Rahshek's school, Gage-Eckington Elementary, for an interview with his fourth-grade teacher. The teacher was hostile, to say the least. She stormed at Bryant, "I don't have to talk to you." She told them Rahshek was writing at a first-grade level, but that she was planning to promote him to the fifth grade.

[redacted]

Bryant had seen enough to think it was the wrong school for Rahshek. It was without walls, for one thing, so pupils in one class were overwhelmed by the instructions of a teacher in another class. Bryant went back twice to talk to the teacher, persuaded her to keep Rahshek back a grade, and set about transferring him.

Her retirement came through, and Bryant had more time for advocacy. She found a school with walls, Stuart-Hobson Middle School in a Capitol Hill cluster, got him accepted, and escalated her program. Four nights a week, she picked him up at school, took him to her house. They went at it for three or four hours a night, reading, spelling, phonics. Sometimes Rahshek was in tears because he couldn't understand and she would tell him they were going to stay at it until he did.

Gradually, he got the drift, and together they read a biography of the Rev. Martin Luther King Jr. and "Treasure Island." Like two-thirds of all clients of the Services tutoring program, he improved dramatically. He is now on the honor roll; he talks about going to the city's prime high school, Banneker, or maybe Gonzaga, and after that, Howard or even Harvard. Rahshek wants to be a lawyer.

Director Knoll hopes President Clinton will push tutoring as the remedy for District school ills. Georgetown Law, which is located in nearby Judiciary Square, sends 50 students to tutor. Community Family Life Services needs 100 more.

Betty Bryant thinks everyone should volunteer and that anyone who has been through school can tutor a child. In other words, there is no excuse.

THE WHITE HOUSE
WASHINGTON

**DATE:** 05/16/94

**TO:** NSC

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

The attached response to former President Carter was prepared by Trey Schroeder. Nancy Hernreich requested that NSC prepare the response instead.

Please forward through this office.

Thanks.

THE WHITE HOUSE

WASHINGTON

5/16
NSC shd
do reply
per
Nancy
JW.

May 16, 1994

The Honorable Jimmy Carter
The Carter Center
One Copenhill
Atlanta, Georgia 30307

Dear Jimmy:

Thanks for your letter of May 6. I enjoyed our recent visit and hope that we'll have more opportunities like that soon.

Your offer of assistance in China, North Korea, and Haiti means a great deal to me, and I take seriously your willingness to help. I look forward to reading the summaries of the Carter Center's analysis of the five existing and potential conflicts, as well as your recommendations about how non-governmental organizations might be used more effectively. I also look forward to hearing about Rosalynn's and your trip to Panama.

See you soon.

Sincerely,

5/10 1. cc: Tony
Mack
2. The President

Doug

JIMMY CARTER

May 6, 1994

To President Bill Clinton

I enjoyed our conversation during your visit to The Carter Center, and would like to repeat my offer to be of assistance if needed in China, North Korea, and Haiti. I feel that, in particular, a direct approach to the Chinese will bring some accommodating actions, and subsequent assurances to the human rights community must be believable. This issue is at a critical juncture.

We have spent this week analyzing in depth five existing and potential conflicts, deliberately selected because of their diversity and importance. They are Haiti, Nicaragua, Liberia, Zaire, and Burma. When the reports are completed within a few days, I will send you a very brief summary of them. We will emphasize new approaches that might be taken and how NGOs of all kinds might be used more effectively to supplement the action of official national and international agencies in particularly intransigent situations.

Rosalynn and I will leave this afternoon for Panama, where our small delegation of about two dozen people will help to insure that the elections are fair, honest, and trusted by the people, and that the contestants accept the results graciously. This is especially important because it is these new administrative and legislative leaders who will shape the consummation of the Panama Canal transfer. I'll also give you a brief report of this experience.

Contrary to some negative connotations in newspaper coverage of your global press conference, everyone who actually watched it thought you did superbly.

You have our continuing best wishes.

Sincerely,

Jimmy Carter

The Honorable Bill Clinton
The President
The White House
Washington, D.C. 20500-2000

cc: Rick Seidman

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
5/16/94

94 MAY 11 P1:02

May 9, 1994

MEMORANDUM FOR THE PRESIDENT

FROM KATIE MCGINTY

SUBJECT BRONX COMMUNITY PAPER COMPANY

---

Attached is an article that appeared in Friday's <u>New York Times</u> describing a new recycling and paper plant in the South Bronx. The $100 million proposal, which was put together by a community group, an environmental group, and two paper companies, will create 300 badly needed jobs at an abandoned rail yard and provide a market for the vast amounts of paper collected by New York recycling programs.

The Bronx Community Paper Company exemplifies the spirit of your Earth Day message in Meridian Hill Park -- where environmental protection, job creation and community development go hand in hand.

(Incidently, the project received a major boost last fall when you signed the executive order committing Federal agencies to purchase recycled paper.)

Great VP or I should visit site when it opens

"Great VP or I
should visit
site when it opens"

Business Day

D1

FRIDAY, MAY 6, 1994

The New York Times

# Paper Recycling Plant Planned for South Bronx

By JOHN HOLUSHA

In the first inner-city project of its type in the nation, one of the country's leading environmental organizations, two paper companies and a community development group are expected to announce a proposal today for a $100 million plant in the South Bronx to produce recycled paper from New York City's trash.

Proponents say the project is intended to take advantage of what environmentalists call the "urban forest" — the vast amounts of paper discarded by offices every day. But for residents of the South Bronx, the plant would also be intended to create perhaps 300 new jobs and bring other economic benefits, including housing, training, day care and health care services for the workers.

The planners, who have been quietly discussing the project for two years, say they expect to raise $2 million from the paper companies and state and local governments to pay for detailed engineering and economic studies, which they hope to present to investors this fall to raise money for the plant.

The recycling operation, which would be run as a for-profit company called the Bronx Community Paper Company would be on a 19-acre site in the old Harlem Rail Yard just north of Randalls Island and could be operating by fall 1996, planners said.

John Adams, executive director of the environmental group behind the plan, the Natural Resources Defense Council, said the project would also promote social values.

"We get everything we want: jobs, recycling, a process we like and social equity," he said. "We save lots of trees and end the waste of putting a valuable resource into landfills."

Clay Lifflander, president of the New York City Economic Development Corporation, which seeks to attract businesses to the city, said the Guiliani administration supported the plan. "We will do what we can to help see this vision brought to reality," Mr. Lifflander said.

The White House, which last year issued an executive order requiring Federal agencies to increase their use of recycled paper, also praised the South Bronx plan. "This initiative shows that economic development, job creation and environmental protection can work together for the benefit of us all," Vice President Al Gore said in a statement.

The real test of the project's viability will be whether a business payoff can be seen by the paper companies and outside investors who will be asked to pay for the plant.

"This is not a social project for us,

Continued on Page D5

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
5/16/94

94 MAY 10 P6:25

May 10, 1994

MEMORANDUM TO THE PRESIDENT

FROM: KATIE MCGINTY

RE: FOREST PLAN

FYI... Additional positive press on your forest plan, emphasizing your balanced approach to this very difficult situation.

Shd I write a thanx nte to Weyerhauser? If so, please do it

"Should I write
a thanx note
to Weyerhaeuser?
If so, please do it"

# OPINIONS

**The Olympian A9**

**SATURDAY,** April 30, 1994

Editorial page editor: Mike Oakland / 754-5464

**OUR VIEW:** THE FOLLOWING EARNED RECOGNITION THIS WEEK AS WINNERS AND LOSERS:

## WINNER

### Weyerhaeuser

President Bill Clinton inherited a thorny Northwest mess in the standoff between timber industry officials and environmentalists over the logging of public and private land. To his credit, the president has sought to find a balance. Yet his Option 9 timber management plan has been widely assailed by both camps. At the annual meeting of Weyerhaeuser Co., one of the nation's largest timber companies, chief executive officer Jack Creighton announced his support for Option 9. We salute Weyerhaeuser officials for having the courage to buck their own industry and throw their considerable weight behind this balanced approach to timber management.

THE PRESIDENT HAS SEEN 5/16

# The Hollowing of a Threat

## *Trade Is Squeezing Rights Out of China Policy*

By Daniel Williams
and Clay Chandler
Washington Post Staff Writers

A1

President Clinton's stern threat to punish China with trade sanctions if it fails to improve its record on human rights has all but collapsed in a jumble of cross purposes, second thoughts and mistaken assumptions about the ease of reaching compromise with Beijing.

Less than a month remains before Clinton must decide whether to revoke China's low tariff privileges, known as most favored nation (MFN) status, based on progress in seven human rights categories. Within a matter of days, Secretary of State Warren Christopher is expected to send the president an assessment of China's performance.

The overwhelming consensus of independent human rights organizations is that China's human's rights record has not improved, and in some areas worsened. But revoking China's MFN status is increasingly viewed as the economic equivalent of dropping an atom bomb: too devastating to contemplate.

Even members of Congress who last year supported a tough line on China have begun to get cold feet. Revocation would severely strain relations and cost millions in American business, they fear. Clinton's top advisers are scrambling to improvise a dignified retreat. The objective now,

TRADE, From A1

many administration officials say, is to find a "middle ground" solution that demonstrates Clinton's human rights concern, but does little or no damage to trade. Half-way measures would represent a retreat from Clinton's executive order last year, in which he threatened to yank China's low-tariff privileges unless Beijing made "overall significant progress" in human rights.

"The issue now is saving face for the president," said Banning Garrett, a senior associate at the Center for Strategic and International Studies.

A senior administration official yesterday described Clinton as irritated over the outcome of his policy. He said "intensive dialogue" is continuing with China in hopes of eliciting additional concessions.

Clinton's need to live down campaign rhetoric has become a recurring foreign policy nightmare. Clinton attacked President George Bush for "coddling" dictators and pledged to support tough legislation aimed at forcing Chinese progress on human rights.

The evolution of Clinton's China policy has been marked by defects evident in other troubled efforts: issuance of a threat that was easier to make than carry out; an inability to set or stick to priorities; misplaced faith in the goodwill of adversaries; indiscipline among contending voices in the administration, undermining any impression of resolve. The deeper failing, though, was a reluctance to recognize that U.S. leverage over China was extremely limited.

Opinion is growing inside and outside the administration that Clinton should cut losses and move on. Unlike Bosnia, Somalia or Haiti, China is regarded as central to Washington's foreign policy concerns. A botched relationship could cast a shadow on issues as diverse as nuclear proliferation, the stability of East Asia and global warming.

U.S. exports to China last year totaled $8.8 billion, far below China's sales of $30 billion to the United States. However, China is one of the fastest growing markets for American goods and is regarded as a potential bonanza by such major companies as AT&T, Boeing and General Motors.

A rupture in trade relations that triggers retaliation by China could cost jobs in key electoral states. Last month, a group representing 400 California businesses warned Clinton of a potential loss of 35,000 jobs. Administration officials are reviewing the costs in a confidential impact study.

"The reading of the business community is that anything short of permanent renewal [of MFN] would be an absolute disaster," one member of Clinton's economic team said.

Although the decision is pending, the administration spin is on, focusing on what few advances have occurred. "You can't deny there has been a dialogue with China on human rights for the first time," a senior State Department official said. "We established a continuing dialogue, so some progress can be made."

Moreover, sentiment in Congress appears to be shifting away from punishment of China. In a speech Tuesday, Rep. Lee H. Hamilton (D-Ind.), chairman of the Foreign Affairs Committee, argued in favor of extending MFN to bolster liberalizing trends in China. "We should seek ways to support those trends," he said to the American Enterprise Institute.

Sen. John F. Kerry (D-Mass.), once a proponent of punishing China, said in an interview that it is time for a new course. "The situation in China has changed enough, and dynamics between the United States and China have changed enough that it is time to begin a new dialogue" that would enhance human rights and U.S economic and security concerns.

Administration officials now worry about flunking the "laugh test," the derision that might greet full or partial renewal of trade privileges if China has not shown meaningful progress.

The threshold has been raised by periodic arrests of leading pro-democracy activists. Such activity dilutes the impact of such gestures as permission granted this week to Yu Haocheng, a prominent dissident, to leave China.

Asia Watch, the human rights organization, earlier this month published a study concluding that China had made no progress. "Beijing appears to have opted for a policy of conspicuous crackdown mixed with minimal, superficial concessions, while at the same time intensifying and extending overall repression of dissent," the report said.

The administration is still trying to wriggle free of its own rhetoric. Christopher, at his confirmation hearing last year, said, "Our policy will be to facilitate a broad, peaceful revolution in China from communism to democracy, by encouraging the forces of economic and political liberalization in that great and highly important country." In March, in an article printed in The Washington Post, he stated, "The character of our relationship with China depends significantly on how the Chinese government treats its people."

Those ambitions have been lowered. On May 4, Assistant Secretary of State Winston Lord said in a Senate hearing, "We are not seeking to transform Chinese society." And the latest formulation, offered by a senior official this week is, "We are not trying to change Chinese society overnight."

One option under discussion—though viewed as unworkable by economic advisers—is to raise tariffs only on Chinese goods produced by government-owned enterprises. It is unclear whether such an action is legal or practical. It would be difficult to distinguish among companies in China, many of which are joint ventures and others that are spinoffs from government ministries.

Another option is to target specific products—for example, textiles or tools—many of which happen to be made by state companies. This approach would be easier to enforce but it is certain to harm private investors, just the kind of group the administration hopes would benefit from trade.

A third approach would single out military industries. The army, prime villains of Tiananmen Square crackdown in 1989, sells thousands of assault rifles and other weapons in the United States. Washington could also cite China for violating labor rights and impose sanctions on selected products.

As yet another alternative, some U.S. business groups have proposed adoption of a code of conduct for their enterprises in China that would commit them to protect worker rights.

During the presidential campaign, Clinton took shots at Bush's unwillingness to condition trade on human rights in the aftermath of the Tiananmen Square crackdown.

Once in office, Clinton's position subtly changed. While still willing to threaten sanctions, he wanted to keep the decision out of the hands of Congress. Intense negotiations between the administration and leading China democracy advocates in Congress—including Rep. Nancy Pelosi (D-Calif.) and Senate Majority Leader George J. Mitchell (D-Maine)—resulted in an executive order last June setting the seven conditions for improvement in China's human rights record. Two conditions—emigration and prison-made exports—were mandatory under U.S. law. On the remaining five conditions, including release of prisoners and relief of repression in Tibet, China was told it had to show "overall, significant progress."

The order succeeded in mollifying Congress and to some extent the business community. Administration officials billed the conditions as easy for China to fulfill.

China apparently thought otherwise. "This policy was intended to solve a domestic political problem instead of a foreign policy problem," said Bonnie Glaser, a consultant on Asian affairs.

Relations quickly soured, not only over human rights, but also over alleged sales of Chinese missile parts to Pakistan and suspected shipments of chemical weapons to the Middle East. Lord wrote an internal memo that warned of a downward spiral in relations and called for a broad range of talks with Beijing. After several more months of further deterioration in relations, the administration shifted course and embarked on a new strategy of expanded diplomatic, economic and military contacts.

The policy appeared to win results. Just before a November meeting between Clinton and Chinese President Jiang Zemin in Seattle, the Chinese announced they would consider prison visits by the International Committee of the Red Cross. Washington responded with sale of a high speed computer.

But the rapprochement was short-lived. U.S. officials warned that China was not making enough progress on human rights. Economic advisers began to get nervous and extolled the worth of the China market, implying disaster if it was lost.

In a January meeting with reporters, Robert E. Rubin, Clinton's chief economic adviser, appeared to endorse decoupling of the human rights issue from renewal of MFN. State Department officials began to complain of "indiscipline" undermining Washington's human rights stand.

Visiting China in March, Christopher urged greater progress on human rights but detentions of leading dissidents soured the visit.

Since then, China has made a few gestures: the release of Wang Juntao, an ill, imprisoned dissident among the most important.

Supporters and critics of the president's policy converge on one point: Clinton must settle on a broad China policy and fit his coming decision into it. Hamilton said he was "hopeful" that the Chinese will make sufficient gestures to ease the burden on Clinton. "At that point," he said, "the president . . . should present to the Congress and the country a China policy that looks toward the future and not the past."

LAKE