

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. letter	Carl Spielvogel to Mack (1 page)	05/19/1994	Personal Misfile

COLLECTION:

Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 4888

FOLDER TITLE:

May 29-31, 1994

2018-0662-S

rs3098

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

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

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

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

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

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN

5 31 94

May 27, 1994

✓
MR. PRESIDENT:

At your request, and in response to the enclosed inquiry from Judge Arnold, OMB prepared a brief background piece on how and why the "negative allowance" might be used to reduce the FY 95 budget for the Federal Judiciary. I have also enclosed a draft response to Judge Arnold's letter for your signature.

Paul

R. Paul Richard

OK - Leo
Let Paul could have
explained facts -
make sure Leon
does so -

OK but
letter could have
explained facts -
make sure Leon
does so -

BACKGROUND

1. The Administration proposed a \$350 million budget amendment for the purpose of reimbursing State costs of incarcerating criminal illegal aliens. As part of the required offsets, the Administration proposed a \$285 million "negative allowance" (cut) associated with the Judiciary's budget.
2. The Judiciary asked for a \$288 million discretionary budget authority increase for 1995 (+ 13%). Both the House and Senate Budget Resolutions stripped out that increase by assuming a \$285 million reduction in the Judiciary's request. Therefore, the Administration was simply adopting a cut that the Congress was likely to enact anyway, in whole or in part.
3. The ploy of a "negative allowance" is required because, by law, the Executive Branch must transmit the Judiciary's budget requests to Congress without change.
4. Before this proposal was transmitted to Congress, Director Panetta checked with Mr. McLarty and OMB staff relayed the information to two staff of the Judiciary (Ames and Potok).

THE WHITE HOUSE
WASHINGTON

May 27, 1994

The Honorable Richard S. Arnold
Chief Judge
United States Court of Appeals
for the Eighth Circuit
Post Office Box 429
Little Rock, Arkansas 72203

Dear Richard:

Thanks for your letter of May 2 about the Federal Judiciary budget. I, too, am troubled by the use of the so-called "negative allowance" to decrease the Judiciary's budget. I have asked Leon Panetta to see whether anything can be done about this situation, and you should expect a call from him shortly.

Sincerely,

A handwritten signature in black ink, appearing to be "Bill Clinton", written in a cursive style.

THE PRESIDENT HAS SEEN
5.19.94

UNITED STATES COURT OF APPEALS

EIGHTH CIRCUIT

CHAMBERS OF
RICHARD S. ARNOLD
CHIEF JUDGE
P.O. BOX 429

LITTLE ROCK, ARKANSAS 72203

*I need an
answer to
this - it's
important to me*

*5/10
Let's
then to
Panetta
you up
for this*

May 2, 1994

94 MAY 11 4 9 : 56

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 WHITE HOUSE
WASHINGTON

94 JUN 1 17:37

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: STAN GREENBERG

Fax Number: 544-7020

Phone Number:

FROM: JOHN PODESTA

SUBJECT:

DATE: June 1, 1994

NUMBER OF PAGES (including cover sheet): 2

MESSAGE:

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

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ERNEST DUMAS

CLINTON'S WOES LIKE JEFFERSON'S

Paula Corbin Jones' charge that Bill Clinton made an indecent proposal to her in a Little Rock hotel room three years ago has tormented the nation's media, which are uncertain how deeply they should plunge into the personal lives of politicians to explore "character" and how they should report unprovable accusations.

The Washington Post settled the question, maybe for our time, by reporting Jones' story in detail just before she filed her lawsuit against the president in federal court. The rest of the media followed.

No president this century has had his past examined so minutely and often so recklessly or judged so rigorously, but Clinton is not likely to be the last. We have been advancing in this direction, and future candidates will have to pass a sterner test of character than anyone has ever had to meet.

Jones' allegation that she was propositioned crudely by Clinton after he picked her out of a crowd at the hotel and that she was hurt by the ordeal would be more credible and she might elicit sympathy were it not such a blatantly political gambit. She made her charges in the forums of right-wing political groups, and her pornographic pleading in federal court was unlike any federal court complaint anyone has seen. It was

drafted for political, not legal, effect.

How far has the public discourse fallen?

Almost exactly to where it was 192 years ago. Sexual promiscuity has been an undercurrent of presidential history, but Thomas Jefferson provides a good parallel to Clinton.

The newspapers in that day of a partisan and unprincipled press and Jefferson's political enemies had a wonderful time with stories of Jefferson's amorous pursuits. He was accused of fathering children by a beautiful slave at Monticello, of atheism and a general lack of character.

Jefferson steadfastly refused to admit or deny having sex with the slave, Sally Hemings, who seemed to become pregnant after long stays at Monticello. He said he did not comment on calumnies about his private life. Eventually, he was driven to publicly admit an indecent proposal.

Oblique charges of sexual promiscuity had circulated; Alexander Hamilton, his political enemy, called him "a concealed voluptuary." In Jefferson's second year in office they broke into the open.

A newspaperman named James Callender had some years earlier exposed an extramarital affair of Hamilton. Callender, who did prison time for sedition under President Adams, blackmailed Jefferson to keep quiet about Jefferson's

role in exposing Hamilton and about the president's own indecent amours. The president sent hush money, but not enough.

Callender reported that Jefferson's carryings on with his slave paramour were well-known around Monticello. Then he passed on the revelations of another newspaper that around 35 years earlier Jefferson had repeatedly tried to seduce a married woman named Betsey Walker. Callender said Mrs. Walker had repulsed the first attempt "with the contempt it deserved" but that Jefferson had persisted.

The woman decided to complain about the 35-year-old sexual harassment. Her husband challenged the president to a duel, but settled for what would now be called a slick, lawyerly letter. Jefferson was driven into a deep depression by the storm over his character but survived.

Callender was beaten bloody by Jefferson's lawyer and later was found dead in three feet of water in the James River. He was rushed into the ground the same day, and a coroner's jury ruled that he had gone to the river to bathe and had drowned accidentally. A special prosecutor never looked into the strange circumstances.

Early in his second term, Jefferson's enemies raised the ancient overtures to Mrs. Walker again, the Massachusetts legislature held hearings, and, after negotiations, Jefferson settled by writing a letter to the attorney general and secretary of the Navy formally admitting that he had offered unwanted love to Betsey Walker—but only once.

They wouldn't let slick Tom Jefferson off so easily now. 

6/1/20 6/1/20 6/1/20

THE WHITE HOUSE
WASHINGTON

94 JUN 11 A7:26

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: JAMES CARVILLE

Fax Number: 546-1490

Phone Number:

FROM: John Podesta

SUBJECT:

DATE: June 1, 1994

NUMBER OF PAGES (including cover sheet): 2

MESSAGE:

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

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① papers

In case of - did it

See map

Jefferson's lawyer
was found dead
in the James River
Callender was beaten
bloody by Jefferson's
lawyer

THE WHITE HOUSE
WASHINGTON

May 24, 1994

Harry Truman Moore
Post Office Box 145
Paragould, Arkansas 72451

Dear H.T.:

Thanks for your note of May 16 and for your idea about a group similar to the Arkansas Travelers called "Arkansans Fight Back." I appreciate your sharing it with me.

I share your belief that recent weeks have been frustrating, but I am convinced that if we can stay focused on the real problems of real people and the important challenges our country faces, then we'll be able to achieve great progress in the months to come.

Thanks, as always, for your insight.

Sincerely,

Bair

Mark

pub. ✓
Shel get H.T. and
Bair to work on this B.C.

HARRY TRUMAN MOORE
P. O. BOX 145
PARAGOULD, ARKANSAS 72451

May 16, 1994

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

Dear Mr. President:

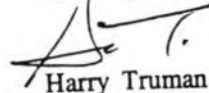
In the closing days of the presidential campaign when the Bush camp was running the "Trash Arkansas" ads, those of us who were in Georgia as Arkansas Travelers took on as our battle cry the phrase made famous by Peter Finch in the movie "Network" - "We're mad as hell and we're not going to take it anymore."

Why not consider a group similar to the Travelers called "Arkansans Fight Back." The group could be briefed on specific issues involving Arkansas which have been misconstrued by the national media. The recent telecasts by Jerry Falwell (of all people) are classic examples of things that needs to be addressed.

It has become increasingly frustrating for us to watch our President and his programs, and our State, get bloodied by extremists who cannot stand the fact that they are losing on legitimate issues.

Our country is becoming obsessed by a "peep show" mentality which is being fueled by a press corp whose ethics mirror those of "A Current Affair" rather than Walter Cronkite's.

Sincerely,

A handwritten signature in black ink, appearing to be 'H. T. Moore', with a stylized flourish at the end.

Harry Truman Moore

HTM:ldw

THE WHITE HOUSE

WASHINGTON
May 28, 1994

THE PRESIDENT HAS SEEN

53194

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE ✓

SUBJECT: China Op-ed

Attached is the revised China Op-ed that we sent out Saturday night. We expect it to run Tuesday morning.

David Dreyer helped edit the piece and add some "lift."

✓
S. D. Cunningham
Op-ed
5/29/94

Advancing Human Rights in China

While much of the world's attention has turned to Europe, the D-Day celebration, and the triumph of our values over tyranny in the long, Cold War, we must not waver in the challenge of advancing those same values -- freedom and prosperity -- in Asia, and especially in China. It is in this region that many of the profound challenges to America's national interest can be found; it is in this region that our generation's progress will in large part be measured.

A 21st century economy is taking shape in China. China, last year, was the world's fastest growing economy, a market for \$8 billion worth of American produced goods, and the source of 150,000 American jobs. China has an atomic arsenal and a veto in the UN Security Council; it is a major factor in Asian and global security. We share important interests, such as a nuclear-free Korean peninsula and sustaining the global environment. And it is here, in China, where the human march of freedom must cover some of its most difficult remaining ground.

We won the Cold War by realistically and persistently balancing the security, economic and moral interests of the United States. We will protect our interests and make progress in China, by doing precisely the same thing.

Our challenge is how to trade with China without trading away our ideals; how to help economic growth lead to greater individual freedom; how to advance our interests in a more open China while recognizing other substantial interests in China and throughout Asia.

That's why I have renewed China's MFN trading status and embarked on a new course to support forces of constructive change in China while strengthening the US-China relationship.

Last May, I issued an executive order conditioning future renewal of China's MFN on overall progress regarding seven aspects of its human rights performance. After years of argument and veto, we no longer had two China policies -- one from the Congress and one from the President -- but a single, American policy towards that nation.

The Executive Order, together with expanded high level contacts with China over the year, bore some fruit. The Chinese resolved urgent emigration cases we have called to their attention and are permitting inspection visits concerning Chinese exports produced with prison labor.

The government released Wang Juntao and Chen Ziming, two of the most important dissidents from the Tiananmen Square era, along with several prominent religious prisoners. It provided us with an accounting of some other prisoners. China has engaged in serious conversations with the International Committee of the Red Cross about allowing prison visits. The Chinese government has voiced its acceptance of the Universal Declaration of Human Rights, and they have begun technical talks with us about ending the jamming of the Voice of America.

I welcome these steps -- but I do not believe they constitute sufficient progress. To say otherwise would not honestly or accurately reflect the situation in China. Although China released some dissidents, it failed to release many more, and during the same period, arrested or detained other Chinese who appear to be guilty of nothing more than peacefully expressing their views. And there has been little or no progress regarding protection for Tibet's distinctive religious and cultural heritage.

While the Executive Order and our other efforts clearly produced results that made a genuine difference in some people's lives, linking human rights to MFN has taken us as far as it can. Because of the progress China has made in a time of political turbulence and difficulty, very few advocates of human rights have called for a total lifting of MFN. But some still propose targeted but sweeping sanctions or linking human rights to our annual MFN review.

I believe such approaches are less likely to advance the cause of human rights in China and more likely to undermine our own interests there than the approach we are pursuing. Annual debates linking MFN to human rights threaten to block needed progress on security and economic issues while yielding little if any further progress on human rights.

We must pursue our human rights agenda with China in a way that does not isolate China from us. We can't help change human rights in China if we're not there. The best way to do this is with more direct and targeted means to achieve continued improvements. Therefore, we will pursue a new and vigorous program to support those in China working for democracy and human rights, delinked from MFN.

We will tell freedom's story to the people of China. We will launch Radio Free Asia, increase the Voice of America's radio broadcasts to China and inaugurate a weekly VOA television program to report on developments in China.

We will support others who stand for the dignity of the Chinese people. We will encourage American non-governmental organizations to give assistance, where it is desired and can be lawfully received, to the many new private organizations working in China to advance the cause of human rights.

We will encourage the business community to work for progressive change. We will ask American business leaders to join us in developing a voluntary set of principles regarding the activity of American firms doing business with or in China, so that their presence will do more to improve working conditions, expand the access of Chinese people to information and otherwise enhance human rights conditions in China.

We will engage others -- in the UN and elsewhere -- in the efforts to improve human rights in China. This approach will help us to emphasize that human rights are universal standards not American imposed ideas.

As appropriate, we will maintain the pressure of sanctions to combat continuing human rights abuses. We will extend the

sanctions imposed by the United States as a result of the events in Tiananmen Square. I am also banning the import of munitions, principally guns and ammunition, from China.

I believe the course I have chosen gives us the best chance of advancing all our interests with China. We will have more contacts, more trade, more international cooperation, and more intense and constant dialogue on human rights issues.

We must see our relations with China within the broader context of our interests in the Asian Pacific region, of which we are an integral part.

In three decades and three wars during this century, Americans fought and died in the Asian Pacific to advance our security and our ideals. The goal of promoting more open societies abroad -- advancing democracy, human rights and an evolution toward market economics -- is deeply embedded in our nation's history, ideals and security. The actions I have taken with regard to China are in the long term interests of both the United States and China. I am confident that they will prove to be the best way to advance the cause of human rights.

Words 1143

THE PRESIDENT HAS SEEN
5-31-94

THE WHITE HOUSE
WASHINGTON

May 23, 94 MAY 27 P7:55

MEMORANDUM FOR THE PRESIDENT

FROM: BILL GALSTON *WAG*

SUBJECT: SEN. METZENBAUM'S TRANSRACIAL ADOPTION BILL

At your request, we have researched Sen. Metzenbaum's proposed legislation concerning transracial adoption policies. We conclude that his bill represents a reasonable, though not uncontroversial, response to a difficult problem.

Background. During the 1960s, the number of adoptions across racial lines increased significantly. In 1972, the National Association of Black Social Workers adopted a statement opposing such adoptions under any circumstances. In the wake of that statement, transracial adoptions declined sharply.

Over the past decade, the number of children in foster care shot up from 276,000 in 1986 to more than 450,000 today. By any reasonable standard, the foster care system is deeply troubled, and many children enmeshed in that system for an extended period encounter severe difficulties. Placing foster care children in stable and loving permanent homes as quickly as possible is clearly in their best interest. Evidence suggests that formal and informal policies against transracial adoptions employed by many adoption agencies retards such placements.

Sen. Metzenbaum's bill would prohibit any agency that receives federal funds from denying a foster care or adoption placement solely on the basis of race, color, or nation origin, and it would require HHS to withhold adoption assistance funds from any agency that violates this prohibition. The bill would however allow an agency to consider race, color, or national origin as a factor in making placement decisions "if such factor is relevant to the best interests of the child involved and is considered in conjunction with other factors."

At its introduction, the bill enjoyed the support of Sen. Moseley-Braun, Marian Wright Edelman, the Reverend Jesse Jackson, and the National Council for Adoption. Some of the more extreme groups continue to oppose transracial adoptions outright. The Child Welfare League of America accepts the appropriateness of such adoptions in limited circumstances but emphasizes the need for aggressive minority outreach and cultural sensitivity on the part of adoption agencies.

Real Q: whether we can support, long term groups to support always of making adoption this

PAT GRIFFIN

Basic Issues. The appeal of Sen. Metzenbaum's bill is obvious. It rests on the constitutional principle of non-discrimination, and it offers hope that placements can be accelerated, bettering the lives of thousands of children now moving from one temporary foster care situation to the next.

Those opposed to the bill offer two arguments in rebuttal. First, they assert that no families other than African-American (or Latino) can give African-American or Latino children the racial identity, connections, and strength to survive in a racist society. Second, they claim that there is in fact no shortage of acceptable African-American and Latino adoptive parents but that through indifference or prejudice, adoption agencies do not make adequate efforts to reach out to them.

Current Status. Sen. Metzenbaum's bill passed the full Senate on March 25, 1994 as an amendment to the Minority Health Act. The companion bill was introduced on April 12 on this year by Rep. Alan Wheat (D-MO) and was referred to the Ways and Means Committee, where it awaits action.

Recommendation. In my judgment, there is no compelling argument for taking an immediate public position on this bill, which has sharply divided minority communities and advocacy groups. As the bill proceeds through the House and to conference, however, we should be on the lookout for ways of supplementing Sen. Metzenbaum's entirely appropriate non-discrimination language with provisions for enhanced outreach to potential minority adoptive parents. Such an approach would almost surely seize the moral and political high ground and leave the staunch opponents of transracial adoptions without any broadly persuasive public arguments.

THE WHITE HOUSE
WASHINGTON

5/26/94

94 MAY 27 P4:26

John:

Please review the attached
requests and return at your
earliest convenience.

Thanks,

Dan

Room 457

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: May 27, 1994

Date of Request: 5/18/1994
Request for: POTUS/FLOTUS
Type of Request: Honorary Chairs
Requestor Name: Ms. Aline Franzen
Title: Chairman
Organization: The Humane Society of New York
306 East 59th Street
New York, New York 10022-2097
Contact Tel. #: 212/752-4840
Event Date: 6/21/1994
Event Description: Luncheon
Notes: The Humane Society is an organization
dedicated to the protection of dogs and cats.
It asks the President and First Lady to serve
as Honorary Chairs of its luncheon.

Recommendations: ,

MW _____

PL _____

JP _____

ND
5.31.94

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: May 27, 1994

Date of Request: 5/10/1994
Request for: POTUS
Type of Request: Honorary Chair
Requestor Name: Ms. Jinx Crouch
Title: President
Organization: Literacy Volunteers of America, Inc.
5795 Widewaters Parkway
Syracuse, New York 13214-1846
Contact Tel. #: 315/445-8000
Event Date:
Event Description:
Notes: LVA has been working to teach America to read. It offers free tutoring to adults through 450 community programs in 45 states.

Recommendations: ,

PL _____

JP _____

7
5.31.94

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: May 27, 1994

Date of Request: 5/13/1994
Request for: POTUS
Type of Request: Honorary Member
Requestor Name: Mr. Michael A. Gionini
Title:
Organization: Fraternal Order of Eagles
P.O. Box 1021
Stevenson, Washington 98648
Contact Tel. #: 509/427-4907
Event Date:
Event Description:
Notes:
Recommendations:

JP

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: May 27, 1994

Date of Request: 5/06/1994
Request for: POTUS
Type of Request: Honorary Chairman
Requestor Name: Mr. Talmage E. Simpkins
Title: President
Organization: United Seamen's Service
Suite 2161
One World Trade Center
New York, New York 10048
Contact Tel. #: 212/775-1033
Event Date: 10/28/1994
Event Description: Admiral of the Ocean Sea Award Dinner
Notes: The USS is presenting the Admiral of the Ocean Sea Award to a person or organization that has done the most to further American-flag shipping and seafarers. The President served as honorary chair for last year's dinner.

Recommendations:

PL _____

JP _____

YES
5-31-94

SPECIAL SCHEDULING REQUESTS
HONORARY CHAIR, HONORARY PATRON, HONORARY MEMBERSHIP

Today's Date: May 26, 1994

Date of Request: 3/28/1994

Request for: POTUS

Type of Request: Honorary Degree

Requestor Name: Dr. Robert Ross

Title: Chairman

Organization: Ross University School of Medicine
460 West 34th Street
12th Floor
New York, New York 10001

Contact Tel. #: 212/279-5500

Event Date:

Event Description:

Notes: The university asks that the President accept
an Honorary Degree in Humanities in absentia.
The university made the same request twice
last year. Both requests were regretted.

Recommendations:

PL _____

JP _____

5.31.94

TD 1C 5-31-94

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HOW TO PASS A BIPARTISAN HEALTH REFORM BILL

DAVE DURENBERGER
U.S. SENATOR

Congress is poised to construct a massive health reform bill. The cement mixers are turning, piles of lumber have been delivered, the workers stand at the ready. But, we have no consensus on a blueprint. We don't know if we are building a bus station or a palace.

Members are now reviewing lists of issues to determine points of agreement. These lists are inventories of the supplies that have been dumped on the construction site. We can agree on the size and quality of the lumber, but that won't get a building built.

To draft a blueprint, you have to know what the customer wants. When I listen to constituents talk about health care, they tell me that they want a system that keeps health costs under control, but which does not create a giant government bureaucracy or government control over our health care system.

President Clinton has called for reform of our health care delivery system. Recently, Mrs. Clinton commented: "we have one of the finest health care delivery systems but we have one of the stupidest financing systems you can imagine."

They are both right.

Health reform must proceed on two separate tracks -- reform of the delivery system and reform of the financing system. Delivery system reform will get us to cost containment. Reform of the financing system will get us to universal coverage so that health care of superior quality is affordable for all Americans without large new taxes or cost shifts to employers.

Delivery system reform and financing reform are necessary to meet the President's goal of "guaranteed private insurance for every American" and the American people's desire for lower costs without government control.

REFORMING THE DELIVERY SYSTEM

Getting high quality health care for more Americans at a lower cost means only one thing. We must increase productivity-- get more out of each dollar spent.

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We know how to do that in America. We do it by making markets work. Markets can give us better services for more people at lower cost. Markets are creative and innovative and constantly reinvent themselves organizationally.

Just for example, look what markets did for the telecommunications industry. When the telephone company was a regulated monopoly, improvements were few and far between. You paid what you were told to pay because you didn't have a choice. Once the market was created, and firms could compete for customers, the innovations and the savings came fast and furious. The quality, options, features and costs all improved once we had a working market for telephone services and equipment.

Markets in medicine will reinvent the product (medical services) and the process (the practice of medicine and the organization of delivery systems).

The single payers believe that government solves problems better than markets. They argue that markets have failed in health care, or that they never could be made to work, and must be replaced with government regulation, price controls, and global budgets. They are wrong. We have the problems of Medicaid, Medicare, and the VA system to prove it.

It may be impossible to reconcile those of us who believe that markets can lower price and raise quality with those who believe that the raw power of the government can deliver lower prices without quality reduction and rationing. But for those who are concerned with what is "tried and true" and what is "experimental" I must point out that the history of the western world is the history of successful markets raising the standard for everyone while the history of attempts at government planning of large economies, from Nixon wage and price controls to the Soviet Union is the history of disaster, unintended consequences and economic deterioration.

The President has stated his own belief in markets. In the State of the Union Address this year he said: "I want to work with Democrats and Republicans to reform our health care system by using the market to bring down costs and to achieve lasting health security."

The Clinton bill includes some of the market-based reforms that are supported by moderates in both parties. However, in its zeal to get to universal coverage before markets could conceivably be up and running, the bill imposes global budgets, premium caps, and price controls that are a sure-fire way to kill off emerging markets.

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The Kennedy modifications presented last week to the Labor Committee, despite its initial nod to the concerns of moderates, is no different. It merely transfers to the state governments all the regulatory powers of the Clinton alliance. ~~The rush for universal coverage before cost containment infects both approaches.~~

The "no-crisis Republicans" say they believe in markets and oppose government in health care. They accuse those of us who support market-based reform of fostering big government in health, as if our solution was similar to single payer advocates.

~~These Republicans are confusing setting rules for competitive markets, which I advocate, with a government takeover of markets through regulation.~~

Here's an analogy to clarify my point. All markets play by rules. For example, we have a private property market in this country. There are rules governing the transfer and sale of property, there are local property taxes, federal and state taxes on rental income, and so forth. The rules assure orderly market function.

Compare this to a situation where government tells people what price they can charge for their property or what profits they can earn. When government does that, it has replaced market forces with government control. That's what the Clinton-Kennedy approach would do to medical markets.

Our current health care market rules need to be fixed. ~~There are economic incentives to overconsume services. Tax policy insulates buyers from the cost consequences of their decisions. Fee-for-service means the more you do the more you make. Medical liability laws encourage providers to provide services as a defense. State anti-managed care laws, antitrust enforcement, mandated benefits, erect barriers to efficient organization of delivery systems. We have unlimited demand, creating unlimited supply, leading to skyrocketing costs.~~

Managed competition is simply jargon for fixing the rules. ~~Managed competition would change the economic incentives in our current medical market. Many of the entries on the lists we have been exchanging in the Finance Committee relate to reforms that will correct the economic incentives in the system.~~

Our goal is to reset the rules to encourage informed buyers to choose competing health plans on the basis of price and quality. ~~When the market works right, health plans will become more efficient in order to compete. When we get markets working, we will see a radical reduction in the use of inappropriate or inefficient medical services, replaced by more efficient services,~~

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and changes in lifestyle of consumers who can benefit financially by more responsible behavior.

We have seen that markets can produce reductions in price growth (see Bureau of Labor Statistics Data 1990-1993). Much of this effect is due to discounting prices rather than real changes in medical practice. Initially providers make up for price discounts by increasing volume. However, the data from markets that have achieved economies through integration of services shows sustained reductions in cost growth.

External constraints, like caps and budgets, may also reduce prices in the short run, but will eventually lead to rationing and lower quality care. Inefficient plans will "manage costs" by volume buying and discount pricing.

With volume and price caps set by government, providers will simply make it harder for people to get needed services in order to keep costs within the cap. Caps and budgets don't lead to efficiency. They always lead to lower quality and less care.

REFORMING THE FINANCING SYSTEM

Markets can work to reduce costs, but they don't do equity. In other words, delivery system reform won't get us to universal coverage. We have to reform the financing system to get there.

I believe that single payer advocates see the inequity in markets and conclude that the market cannot work. I am urging that we look at markets and equity separately. If the regulatory types could accept that private markets operating under appropriate rules will control costs without loss of quality, it would be much easier for all of us to find common ground in the idea that the federal government can and ought to do equity.

The President's goal is "guaranteed private insurance" for every American. The guarantee is met with a product called a health plan. Its price is called a premium. Because health insurance premiums are purchased on the margin of a person's monthly income, its price exposes millions of Americans to serious financial risk.

We can reduce that risk to zero by subsidizing the price. This requires several steps. First, markets. Second, we must eliminate insurance underwriting to get greater fairness and stability. Third, we must lower the cost of and thus encourage employer contributions, which now total over \$214 billion dollars in a voluntary system. Fourth, we must finance government subsidies --either tax credits or vouchers-- to those who cannot

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afford the price of coverage.

We currently spend billions on subsidies for low-income, disabled and elderly individuals. Those subsidies have supported the inefficient delivery system by promoting fee-for-service and permitting excessive geographic disparity. The rules are unfair because they don't cover the working poor, require some to spend down to welfare to get care, discriminate against the self-employed, and don't offer complete protection for long term care and catastrophic costs.

If we extend the existing government coverage system to the uninsured, we get more of the same at twice the price. Medicaid has increased at 24% a year and Medicare at 12%. Extending these programs will be inflationary and will increase both demand and utilization in an unmanaged and unreformed market. The result -- a giant sucking sound on the federal treasury.

We cannot get to universal coverage if we can't stop the cost increases in health care. We'll just continue dropping money down a bottomless pit. You can't force people into our delivery system through mandates and then try to control costs by price controls. You don't put out fires by stoking the furnace.

But, reforming health care financing will not happen by pretending that there is a painless way to pay for what we want. There is no pool of "obscene profits," "rich people" or corporate coffers to tap for the billions of dollars we need. If we are not frank and clear about the costs of whatever program we pass, we are looking at a political and fiscal disaster.

It's frustrating for those of us who believe in markets to be accused of not supporting universal coverage. We want universal coverage, but we want to do it right so that the system financing will work.

ITS TIME TO GET IT RIGHT

Nixon - reacted to costs with coverage mandates then price controls, then federal principles to govern local planning for local markets.

Carter - reacted to costs with price controls.

Reagan-Bush - reacted to costs by putting prices on services. There was a big impact on hospitals with PPS, but it led to more services performed in the unregulated out-patient settings.

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Clinton - reacted to costs with universal coverage via mandates and price controls.

WHERE DO WE START NOW?

The Senate has to start in the center.

We cannot start with the President's bill. The Health Security Act comes closer than previous efforts to reform the delivery system. Clinton believes in markets and was attracted to the market elements in the managed competition approach.

His task force drew on his belief system and included market elements in the bill. But, in their zeal for universal coverage NOW, and their drive to finance it with little or no new taxes, the drafters reverted to externally-imposed cost constraints and cost shifting onto the private sector.

The Health Security Act relies entirely on global budgets and premium caps to achieve savings. The caps are applied before markets can possibly be up and running in all regions. And, to accomplish these regulatory goals, the plan relies on government-run alliances to finance coverage through cost shifts onto employers.

Modifying the Health Security Act as Senator Kennedy's May 9th Mark proposes will produce the same result! Our health care engine is already overheated by incentives to spend not economize. This approach pumps more fuel into the engine and then tries to control it externally. This is a recipe for disaster.

The bill is so intricate, with its 800 inter-connected parts and its answers to every conceivable question, that to change one part unravels the fabric. With insufficient support in either House to pass, and with declining support from the public, we must start elsewhere.

We have to dig our foundation in the center, drawing on the spirit of the Clinton bill, and on the common principles in the Chafee, Boren and Breaux-Durenberger bills.

I am convinced that the majority of members in both parties agree that markets should form the basis of our medical care delivery system. With that perspective, our differences on how to reform markets will be over details only. Most of those details are not ideological nor are they partisan in nature. We need to design the best mechanisms to get the markets working. That exercise will involve such issues as:

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- rules for insurance reform
- rules for purchasing cooperatives
- rules for accountable health plans
- tax policy changes
- design of a basic benefit

I am also convinced that the majority of members in both parties are committed to the President's goal of universal coverage.

However, before we can move forward, we need to agree on a definition of universal coverage and its parameters-- (who, what and when).

Then, as responsible legislators we need to figure out how to finance the plan, including finding sources of new revenue and sources of savings that may accrue through reform of the delivery system and the financing system. We agree that we must be fiscally responsible as well as socially responsible.

Employer mandates and individual mandates have become a touchstone in the debate. Neither type of mandate gets us to a reformed system nor do they get us to universal coverage. They are simply two sources among many for financing subsidies. All sources should be put on the table for consideration. None should be an absolute line in the sand.

I believe that if we begin with the bipartisan center, we can succeed in passing a bill that will meet the President's goal in a manner consistent with his principles -- guaranteed private insurance through reform of health care markets and a responsible timetable for the phase in of guaranteed universal coverage.

I do not think I am being overly dramatic when I say that bold and courageous action will make this happen and has been lacking in the past. We are all fooling ourselves if we think that we can achieve some measure of universal coverage without some disruptions. We are fooling ourselves if we think the American people are going to accept the cost of universal coverage without complaint. Chairman Rostenkowski has lately been sounding this theme when he describes the tax increases that he believes are necessary to achieve universal coverage.

At some point this month we have got to start talking seriously in the Finance Committee about the real cost of doing this right. We cannot hide it or shift it. We cannot pretend we will take it out of "obscene profits" or "from the rich" or "through greater government efficiency" or "from Defense" or "from the welfare cheat" or "from big business" or "from sin taxes." We need broad based funding, reformation of the current programs

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(Medicaid and Medicare) and we need to propose it, fight for it and, perhaps, suffer for it or it will never happen.

Time is of the essence. As I see it, we must:

May - Develop a bi-partisan consensus; 70 votes, minimum.

June - Mark-ups in Senate and House committees

July - Floor action and conference
(GOP requires advance agreement in principle)

August - President signs the bill

One final point on politics. Democrats need leadership. Moderate Republicans have put their cards on the table in both the Chafee bill and the Managed Competition Act. There are many members of good will on both sides of the aisle that will support a bill that grows from the center. I believe it will be a program that we can all be proud of.

We need a strongly bipartisan bill. The support of one party is not enough to get a credible package to the American people. But, even more importantly, we need health reform that will stick. If the support is too thin, it will be easy for those who will resist changing their behavior in response to reform (i.e., insurers, some physicians, etc.) to press for repeal. We can't afford nor do we want another Catastrophic catastrophe!

To Then

THE PRESIDENT HAS SEEN

5.31.94



ARCHDIOCESE OF WASHINGTON

500 EASTERS AVENUE
POST OFFICE BOX 20200
WASHINGTON, DC 20007

THE PRESIDENT HAS SEEN

5.31.94

OFFICE OF THE ARCHBISHOP

May 28, 1994

Dear Mr. President,

As plans proceed for the International Conference on Population and Development at Cairo in September, we write with great urgency as leaders of the Catholic Church in our nation concerning your Administration's promotion of abortion, contraception, sterilization and the re-definition of the family.

We speak, Mr. President, not only for Catholics throughout the United States but also for many other people of good will. We are looking for leadership that truly respects the dignity of innocent human life and recognizes the fundamental importance of the family for the development of nations and individual persons. We are calling for policies which promote sound economic and social development throughout the world precisely because they recognize the indispensable role of the family and respect the innate dignity and rights of each person.

There is a broad consensus in our country that abortion on demand is morally repugnant. With millions of people representing all faiths, we recognize that abortion destroys not only the child in the womb but also creates untold conflict in the lives of millions of women. Abortion cheapens human life, tears apart families and contributes to the violence that plagues our culture. However cleverly the current Cairo document may be crafted, in fact it continues to advocate abortion as a way of controlling population growth and promiscuity.

Mr. President, we urge you to shun the advice of those who would apply pressure on developing nations to mandate abortion as a condition for receiving aid from other countries. Do not allow our country to participate in trampling the rights and religious values of people around the world. Please recognize that abortion is not a legitimate way to control population and that it does not improve women's lives. There is no such thing as a "safe" abortion; whether legal or not, abortion is lethal for the child and destructive of the mother and society.

The Draft Final Document of the Cairo Conference, with the support of the United States, also advocates the world-wide distribution of artificial contraceptives and the increased practice of sterilization which will have the effect of promoting a self-centered and casual view of human sexuality, an approach so destructive of family life and the moral fiber of society. When the United States supports such measures for unmarried adolescents as well as adults, what ideals are we holding up to young people? How are we helping them develop

The President of the United States
The White House
Washington, D.C.

The President of the United States
May 28, 1994
page two

authentic values and that mastery of self which is the calling of every human being? As we prepare for tomorrow, we dare not take the course of least resistance today!

So also, when our government advocates population control through abortion, contraception and sterilization, it is not a force for freedom but an agent of coercion. Sadly it appears that the United States is urging developing countries to adopt population control programs that will interfere with the rights of couples to make responsible and moral family planning decisions. Couples in poor countries will find themselves at the mercy of government officials and programs that have no real regard for the dignity of the human person. They will face the prospect of government agencies providing abortion and contraceptives for their adolescent children with utterly no regard for parental authority and responsibility. At the same time, such policies could be insensitive to the existing realities of strong family life in many of those countries. As you have stated, Mr. President, "families raise children, not governments."

Even if such coercive population control measures would lead to economic growth and development, they would still be morally objectionable. In fact, however, there is no proof that enforced population control will bring about economic development in the Third World. What will help poor nations develop their full potential is not pressure from the First World for population control but rather a greater commitment on the part of wealthy nations to foster sustainable economic growth in Third World countries. That is the kind of constructive leadership we should expect from our country!

The Cairo Conference represents a golden opportunity for nations to come together to improve the lives of people throughout the world. That improvement will come only if the participants have the vision and moral courage to recognize that the future of humanity lies in strong, stable families. Time and time again, the bishops of the United States have shared with you our alarm over Administration policies and statements that place non-marital sexual relationships on a par with marriage and family. Archbishop Keeler, President of the National Conference of Catholic Bishops, has pointed out the dangers in such positions in a personal letter to Secretary of State Christopher. Sadly, however, the United States' participation in the preparatory meeting of the Cairo Conference mirrored Administration policies and positions by advocating "a plurality of family forms."

The United States is doing the world no favor by exporting a false ideology which claims that any type of union, permanent or temporary, is as good as the traditional family. There is mounting evidence that being part of an intact, traditional family or an extended family helps children grow into emotionally well-adjusted and productive citizens. While it is true that many single parents do an admirable job of raising their children, nonetheless we owe it to the children of our country and of the world to encourage stable, intact two-parent families. Mr. President, we wholeheartedly agree with what you said in your 1994 State of the Union

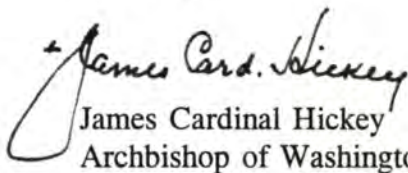
The President of the United States
May 28, 1994
page three

address: "we cannot renew our country when, within a decade, more than half of the children will be born into families where there is no marriage." We hasten to add that we will never develop and renew our world by encouraging substitutes for marriage and family life.

Mr. President, the United States' delegation to the Cairo Conference will have enormous influence; it will represent the power, prestige and influence of the United States among the family of nations. We ask you, as the leader of our country, to steer our nation away from promoting an agenda so destructive of our own society and of the nations of the world. We thank you for your attention to the pressing concerns we have shared with you in loyalty to our country and to the many citizens whom we serve.

I sign, Mr. President, for myself and for the following Cardinal-Archbishops of the United States listed below, who, together with the President of the United States Conference of Catholic Bishops, have explicitly authorized this letter.

Sincerely,


James Cardinal Hickey
Archbishop of Washington

Joseph Cardinal Bernardin
Archbishop of Chicago

Bernard Cardinal Law
Archbishop of Boston

John Cardinal O'Connor
Archbishop of New York

Anthony Cardinal Bevilacqua
Archbishop of Philadelphia

Roger Cardinal Mahony
Archbishop of Los Angeles

Most Rev. William H. Keeler
Archbishop of Baltimore
President
National Conference of Catholic Bishops



THE WHITE HOUSE
WASHINGTON

DATE: 05/31/94

TO: TREY SCHROEDER

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



Please rerun this letter to
Gayden Thompson, with no
changes in the text, and return
to Fran in my office.

Thanks.



THE WHITE HOUSE

WASHINGTON

May 31, 1994

Gayden Edward Thompson
2924 Oakbury Court
Oakton, Virginia 22124

Dear Gayden:

Thanks for your wonderful letter of May 20,
which I have carefully read. I appreciate the
insight you've provided me on the preparations
that have been made for the 50th anniversary
commemorations of D-Day. I am excited about my
role in the observance of this important event.

I know you've worked very hard on our behalf,
and I thank you for everything you've done.

Sincerely,

Bill

WENDELL H. FORD
ADMINISTRATIVE

COMMITTEE
COMMERCE, SCIENCE,
AND TRANSPORTATION
ENERGY AND
NATURAL RESOURCES
RULES AND
ADMINISTRATION

United States Senate

WASHINGTON, DC 20510-1701

March 24, 1994

Dear Ms. Biggins:

It is my understanding that there is an opening on the Federal Mine Safety & Health Review Commission. Tony Oppegard, the Directing Attorney for the Mine Safety Project of the Appalachian Research & Defense Fund of Kentucky, would make a great choice. He was in consideration for a similar position in the recent past, and I wouldn't want MSHA to miss out a second time on this fine candidate.

My previous letter of recommendation is on record with Richard Socarides, the White House liaison at the Department of Labor. Mr. Oppegard has also interviewed with Mr. Socarides, and everything appears to be in order. I trust that his application will receive every consideration.

I thank you for your time. If there is anything that my staff or I can do, just let us know.

Sincerely,

Wendell Ford

Ms. Veronica Biggins
Director of Personnel
White House Personnel Office
The White House
Washington, DC 20500

Phil Lader

5-31-94

*I had the
wrong job. Here's
what I was talking
about. Very strong
support on the HHP,
but evidently some
vetting problems.*

*John Palastka
cc. VERONICA BIGGINS*

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MILLER, GRIFFIN & MARKS, P. S. C.

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MICHAEL D. MEUSER

THOMAS C. MARKS
WILLIAM F. RIGSBY
THEODORE E. COWEN
JUDITH K. JONES
STEPHEN G. AMATO
CARROLL M. REDFORD, III

May 26, 1994

ROBIN GRIFFIN
RETIRED

JAMES M. MARKS
1028-1083

TELECOPIER (606) 250-1882

* ALSO ADMITTED IN OHIO

FAKED & MAILED (202) 219-7965

Richard Socarides
White House Liaison
U. S. Department of Labor
200 Constitution Avenue, N.W.
Room S-1004
Washington, D.C. 20210

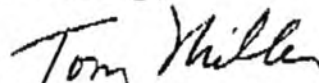
Dear Mr. Socarides:

My purpose in writing is to wholeheartedly and unequivocally recommend Tony Oppgaard for the position as a Commissioner on the Federal Mine Safety & Health Review Commission for which he has applied.

Tony and I have a long history of representing parties on an adversarial basis. He represented miners who had complaints filed through MSHA and I was defending a coal company. In every instance, Tony did an extremely capable job of representing the interests of his clients. He was always well prepared for any hearings, drafted articulate and well-reasoned briefs and forcefully set forth his clients' position. By the same token, he was most honorable with me. I could always depend on Tony's word and knew that his handling of all matters would be totally ethical and above-board.

While Tony and I occasionally see each other at soccer matches (our children all play, sometimes in competition with each other), we have no personal relationship. I am sending you this letter solely because I am highly confident that Tony will do an outstanding job if given the opportunity to work with you. Although he has traditionally represented labor, rather than the companies, I sincerely believe he will be unbiased in his deliberations, regardless of what parties are involved.

Sincerely,



THOMAS W. MILLER

TWM/bs/rs.526



COMMONWEALTH OF KENTUCKY
OFFICE OF THE GOVERNOR

BRERETON C. JONES
GOVERNOR

THE CAPITOL
700 CAPITAL AVENUE
FRANKFORT 40601
(502) 564-2611

September 15, 1993

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

Dear President Clinton:

I fully support the appointment of Tony Oppgaard to the vacant commissioner's position on the Federal Mine Safety and Health Review Commission. Tony is the directing attorney of the Mine Safety Project of the Appalachian Research and Defense Fund of Kentucky, Inc. As a young man, he has distinguished himself in the pursuit of fair and best effective mine safety. The enclosed editorials reflect the high regard we have for Tony here in Kentucky.

I understand Tony has been interviewed and is one of the top three contenders for the Commission position. I would certainly like to see him appointed at this time.

With best regards, I am

Sincerely,

A handwritten signature in black ink, appearing to read "Brereton Jones", written over a horizontal line.

Brereton C. Jones

cc: Hon. Robert B. Reich
Secretary of Labor

Bruce Lindsey, Director
Presidential Personnel

Fred Humphries, Director
Southern District
Democratic National Committee

Enclosures



Lexington Herald-Leader 1/14/93

The man for the job

Oppegard miners' advocate, should be on board

He's been down in the "dog hole," out in the coalfields and fighting in the courtroom for miners' rights.

And now, Tony Oppegard of Lexington knows what it's like to be the one championed rather than the one championing for someone else's benefit.

A stack of letters floating around Kentucky and Washington, D.C., makes clear the intensity of feeling folks have for Oppegard. The letters — from federal mine inspectors, citizens groups, miners and coal miners' widows — call on President-elect Clinton to nominate Oppegard to the Federal Mine Safety and Health Review Commission.

This commission with the long, bureaucratic title has a mission that is at its core simple — and vital. It is to help ensure safety at the mines. The five-member commission judges safety cases brought by miners and coal companies' appeals of safety violations.

Those who recommend Oppegard for the vacancy on the commission see him as a true advocate for miners, one who has long been vocal about safety taking precedence over production. The idea of safety first, of course, is nothing new, but it hasn't always received a warm reception during the Reagan-Bush years. The mining law, after all, recognized that miners are in the best position to spot unsafe conditions and practices and should be free from retaliation from coal operators if they express

their concern or refuse to work.

Those are the miners the 42-year-old Oppegard has represented. He is the directing attorney for the Mine Safety Project of the Appalachian Research and Defense Fund in Lexington and spent more than a decade litigating cases for the fund's Hazard office. Many of them were safety discrimination cases brought under the Federal Mine Safety and Health Act of 1977. He represented, in congressional hearings, widows and families of seven miners killed in the 1981 explosion at the Adkins Coal Co. at Topmost.

He has descended into the mines, including the "dog holes," those sites where miners will turn last for work. One miner recalled in his letter how Oppegard spent a shift alongside him in one of those mines, where the working places were only 29 to 31 inches high.

As one retired mine inspector put it in his letter, when it seems there is no one to stand and represent survivors when their sons', husbands' and daughters' lives are lost, "people like Tony will always be there to lift the survivors' hands and to (encourage) them."

If Clinton wants to build a government that will work in the best interest of people, with their health and safety given the highest priority, he can start by nominating Oppegard. He sees the world from the miners' perspective. After securing congressional approval, the next step should be to make him chairman.

In our opinion

"...It is the duty of a newspaper to become the attorney for the most defenseless among its subscribers."

—Col Harry M Ayers, President and Publisher, 1910-1964

H. BRANDT AYERS
Editor and Publisher

P. A. SANGUINETTI
President

Page 2C, The Anniston Star, Sunday May 15, 1994

The Anniston Star

Out here

China is too big to lose

By Brandt Ayers

DEAR MR. President: You already know what you have to do about China next month. You're not going to tell China to get lost. It's too big to lose.

You put it so well in the speech at Waseda University last July in Tokyo. "Expanded trade and more open economies not only enrich people, they also empower them. Trade is a revolutionary force that wears down the foundations of despotic rule ... The movement toward democracy is the best guarantor of human rights."



Ayers

You went on to cite the examples of the Philippines, Taiwan, Korea and others to support your belief that "more open economies also feed people's hunger for democracy and freedom and more open political systems."

That's a substantial philosophical framework for continuing free trade between China and the United States. Of course, you can and ought to apply limited sanctions against the Chinese to demonstrate the sincerity of our commitment to human rights — a value that defines our national conscience.

WE HAVE moral and historical reasons for imposing heavy duties on goods manufactured by Chinese prisoners, many of whom are guilty only of the "crime" of thought and speech. In the early part of this century, the United States eliminated the convict lease

trade accounted for more than half the new jobs in the United States. American families would suffer if China was denied "Most Favored Nation" status.

In China, the results could be destabilizing. Already there are estimates of 100 to 200 million unemployed peasants, "blind drifters," roaming the countryside and contributing to the crime problem. An army of unemployed the size of England, France and Germany could be controlled only by draconian police action.

China is obsessive about maintaining order, for understandable reasons. Its paramount leaders nervously recall the chaos of the Cultural Revolution and the bloody upheaval of civil war. Any threat to stability triggers harsh reactions, retarding or reversing human rights progress.

ALL OVER Asia there would be sighs of relief if you repeated the Waseda principle as a reason for decoupling human rights from trade. In Hong Kong, for instance, they fear that closing the trade door would cost them 10 percent of the gross domestic product and 10,000 jobs.

Just how alone are we in trying to make trade and human rights Siamese twins? Listening to experienced diplomats, academics, businessmen and journalists at British and American think tanks over a two-year period provides convincing evidence. There's us — and nobody else. We are utterly alone.

The same fair standard you used for judging a man, Richard Nixon, could be used to measure China's progress. You said President Nixon

THE PRESIDENT HAS SEEN

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HUMANKIND

A new politics

By Neal R. Peirce

WITHIN WEEKS, official Washington will be deluged with community applications to snare the benefits of nine empowerment zone and 95 enterprise community designations voted by Congress last year.

As the Clinton administration then gets to work on judging the entries, it's likely politicians and the media, as usual, will dwell on the old politics — who will win or lose? Is the competition "wired" for favored cities? how many federal dollars will the winners scoop up?

The real story, however, is about a different politics: the Clintonites' strategy to get cities and counties to tap the will to revitalize even their poorest communities, and to evoke new city and regional alliances to support those neighborhoods.

It is not the Jack Kemp vision of enterprise zones — throw out a bunch of tax incentives and see how many businesses then want to set up shop in graffiti-smear, crime-plagued areas. Nor is it Lady Bountiful liberalism — show how you can spend Washington's money.

Instead, Washington is



Peirce

If community performance-based Washington will be burdensome for

Second, the parties agree on a strategic plan for job opportunities, not only but by fostering a plan with safe streets, clean water and improved places that can attract investment. Finally, the feds agree that communities will compete for reaching performance-based benchmarks. If they don't, then Washington will give them preference. The burdensome federal Richest benefits will empowerment zones (three rural), less to the communities (65 urban).

EACH empowerment zone is supposed to get \$1 million in so-called block grants and enterprise credits for new jobs. Some (Atlanta and Detroit, for example) are facing nasty political dispute boundaries. But there's also a remarkable outpouring in the competition. F

this century, the United States eliminated the convict lease system in which prisoners were used as forced labor with little or no pay. The practice was judged to be both inhumane and unfair competition.

Happily, the Democratic trade hawks in Congress have become much more dovish as they contemplate the economic cyclone that denial of normal trade with China would cause here and in Asia.

As you also noted in the Waseda speech, increased

China is obsessive about maintaining order, for understandable reasons. Its paramount leaders nervously recall the chaos of the Cultural Revolution and the bloody upheaval of civil war. Any threat to stability triggers harsh reactions, retarding or reversing human rights progress.

to measure China's progress. You said President Nixon should be weighed by his entire public life — not by one mistake or achievement.

ISN'T IT fair to judge a nation by the same yardstick? When you were eight, Mao Zedong called for people to voice criticism of the leadership. "Let a hundred flowers bloom," he said. It was a cynical trick to smoke out enemies who were summarily imprisoned.

Two years later, he began the tragic "Great Leap Forward" when peasant farmers were taken from the fields to make steel in homemade furnaces. In the resulting famine, 30 million or more had starved to death by your 14th birthday. The unspeakable horror of the Cultural Revolution didn't end until you were getting ready to run for Governor of Arkansas.

In your lifetime, the lives of hundreds of millions of Chinese have been improved on a scale that divides the quick from the dead. Against that history, the nation's progress — or lack thereof — in a single year constitutes a pinched guideline for judging normal commercial contact.

Finally, there is this to consider. China already is the world's second largest economy, and may soon have dominating military power. How the U.S. and China organize the peace and stability of Asia makes everything else Lilliputian by comparison.

USE THE Waseda principle to get past the China trade bump so you can concentrate on the epic issues of peace or war in Asia.

Washington's money.

Instead, Washington is challenging applicant communities to show buy-in from a broad range of partners — grassroots community groups, local governments, health and social service agencies, environmental organizations, churches, businesses, universities.

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Taking a lo

By Molly Ivins

MAY 17 is the 40th anniversary of the great legal decision in Brown vs. Board of Education. Everybody and his uncle, journalistically speaking, will be holding forth about the meaning of that decision, its impact, how far we have come in 40 years and how far we have yet to go.

Cacophony being a permanent condition of democracy, you can expect lively

debate about whether this glass is half empty or half full. Your assorted extremists, black and white, will naturally be interviewed. Historic figures



Ivins

who played a role in the great case will be dug out, dusted off and quoted. Members of the Brown family, whose name just happened to alphabetically lead the list of plaintiffs in the famous case, are especially interesting. I'm looking forward to hearing from James Kilpatrick, a conservative whom I respect particularly for his constitutional views, who once spoke for the South not only in its long, failed legal strategy against integration but also with clear, undisguised though perfectly civil racism.

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To Don Bauer

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THE PRESIDENT HAS SEEN

GAYDEN EDWARD THOMPSON

94 MAY 27
May 20, 1994

President William J. Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

Let me begin by thanking you for your recent letter. It was greatly appreciated.

I cannot begin to express how proud I am to have one of my Gerogetown classmates representing our nation at the fiftieth anniversary commemorations of D-Day on June 6th.

Ironically, during the last year and a half of my Army career, I was responsible for conceptualizing, planning and coordinating the events for this day. As it became clearer during that period that you would become our President, the honor of having you lead our national delegation gave my work special meaning.

As you prepare to depart for Europe, I hope it may be of assistance if I passed along a few insights I gained while working on the event planning.

A little background. I participated in the fortieth anniversary commemorations in 1984 as Assistant Army Attaché in France. Since France would be the host for this year's commemorations, my past experience, fluency in French and familiarity with the French officials who would plan the events, led to my designation as planner for the United States' role in the 1994 commemorations.

I began the planning while I was assigned to France as Acting Army Attaché during early 1992. (That's why, as you recall, we corresponded several times during the campaign over French and European perceptions of your candidacy.)

Soon after I began, it became evident that our other European allies also wanted to hold commemorations and I quickly began coordinating with the British, Belgians, Italians and Germans as well the French. With changes of government and the natural European

tendency to commence planning at the latest possible point, my work had its share of interesting moments.

In France, there have been commemorations of the D-Day landings every year since 1945. Germany had just surrendered when the Mayor of Bayeux (the largest town adjacent to the landing beaches), Robert Triboulet, who was also a minister in Charles De Gaulle's provisional government, got the government to designate the local committee he had formed as the official planner for D-Day commemorative events. This designation eventually brought about its share of difficulties for all future commemorations. This year is no exception.

Mr. Triboulet's Normandy Commemoration Committee, made up of representatives from the local towns, has always felt responsible for sponsoring D-Day events. Since the commemorations are a considerable source of tourist revenue, the committee is not appreciative of outside interference. The national government, although represented every June 6, does not always show much interest in supporting the commemorations. However, during the big commemorative periods, such as the fiftieth, when large foreign participation is expected, the national government sees the event planning as their responsibility. You can well imagine the adversarial atmosphere that develops. While the national government easily prevails, there is a great deal of local resentment. I sought to bridge this problem by not only telling the national authorities what we were planning, but also by meeting with as many local authorities as I could to get their advice, and by keeping them informed on the state of planning. This really paid off as they told me about a number of problem areas I otherwise would not have known to avoid.

Another area of difficulty is the French aversion to long-range planning, which would have had us experiencing the same problems we had in 1984. At that time, Paris did not get interested in planning until 6 months before the events. Their invitation to us, and the beginning of our own planning, only came about three months before President Reagan was due to arrive. We never had the chance to properly prepare and a great deal of needless work and funds were wasted playing catch-up. I continuously sought to learn from 1984 and avoid making the same mistakes.

Fortunately, beginning the planning when we did proved to be an advantage. First, we were able to take the lead on when and where events would be held. In 1984, our events got scheduled around the

French events. That caused enormous problems because the times were not the best for T.V. coverage in the United States. So, I quickly began telling the French that our events were scheduled at particular times, and to my pleasure, since we were the first to have a plan, they agreed to our times and planned their events around ours.

One more difficulties in 1984 was, that in the rush to complete planning, the principal reason for holding commemorations, the veteran soldiers, sailors and airmen who carried the day, often were left feeling they were overlooked in programs that stressed modern day leaders and personalities. An example was the limiting of the number of veterans who could attend our American national ceremony at our cemetery. Adding insult to injury, most of the veterans were seated far to the rear, and I was often reminded how they felt excluded from the event they bought with their courage and effort. For that reason, I continuously aimed at ensuring that our veterans were the center point in our event planning. I spoke with many of them to get their ideas about how our events should occur. Your focusing on noting that the veterans are the "V.I.P.s" of June 6 will be greatly appreciated by them, and I know will lead to their giving you high marks.

A related veteran interest is the need to highlight all D-Day veterans--sailors and airmen as well as soldiers. While history rightly focuses on the feats of the five Army divisions that landed on June 6, 1944, they got there aboard ships or planes. Giving these other veterans your attention will also be well regarded. That is why I scheduled a special event for each Service, with a commemoration highlighting the air crews at the American cemetery near Cambridge, England, near where many of them flew and where many are buried. I also scheduled an event near Portsmouth, England for the Navy, and one near St. Mere-Eglise in France, the sight of the airborne landings, for the Army.

Additionally, I scheduled events to highlight the other Army divisions that came ashore after June 6 and ensured that the Normandy campaign was successful. Noting the role these units played is very important to the majority of those who consider themselves Normandy veterans, but who did not actually land on June 6.

The role of the American worker, particularly the women who first entered the workforce in large numbers during World War II, should also be noted. The fact that our forces had the materials they needed to carry the day in 1944 is due to them.

Finally, one of the trickiest problems I faced in planning the commemorations was the question of German participation. I was well aware of their pique at being excluded in 1984. Still, Germany's role during the war is resented by many French veterans. The fact that some German units committed atrocities in Normandy during the period after D-Day makes it very difficult for many French to accept German participation in World War II commemorations. It explains why France has always insisted that German graves be marked with black headstones. The additional fact that some French collaborated also makes German participation difficult. For these reasons, the French regard D-Day as a day to celebrate an Allied victory, since they were on the side that won. In the end, as the French are the hosts for the events, I decided that the decision was up to them. This is an important fact to remember. If the Germans are mad, it is with the French and not us.

While I believe that the fiftieth anniversary of D-Day should not only be a day to commemorate the past, but also a day to look towards the future, I can understand why this issue falls into the "too hard" category for the French government, and why it is they prefer to exclude the Germans.

My advice on how to bridge the problem of German participation is to focus on the individual during the commemorations. Personal courage knows no nationality. A point that always struck me was how young most of those were who are buried not only in our cemetery, but also in the British, Canadian, French and German cemeteries. Most were 18 or 19 when they were killed. If one remembers that when they died, the way the war would turn out was not clear, and for all those young men knew, the other side could have won and these commemorations could be reversed. They gave their lives for their nation and it is that personal sacrifice that should be commemorated, not their nationality.

I know you are going to find these commemorations to be very personally rewarding. One cannot help but be moved after looking out over "Omaha Beach" from our cemetery above it.

This will likely be the last time that there will be sizable veteran participation in D-Day commemorations. The fact that our President came to the site of their heroism will make a very important impression on them.

While there are many other observations I could make, I don't want this letter to be too lengthy. It goes without saying that I would

be very happy to help in any way I can to prepare you for this important trip. Please feel free to ask.

Debbie and I send our very warmest wishes for a most successful and enjoyable journey.

Very respectfully,

A handwritten signature in cursive script, appearing to read "Gayle", followed by a long horizontal line extending to the right.

P.S. It is interesting to note that the first anniversary of our wonderful class reunion at the White House will occur while you are in Europe.

2924 Oakbury Court
Oakton, Virginia 22124
703-255-3398

THE PRESIDENT HAS SEEN

5.31.94

Handwritten notes:
Hacker (lecher)
Sugru (65-ajur)
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Ins and Outs

REP. FRANK WOLF has pointed usefully [op-ed, May 23] to a weak spot in the disclosure and other rules meant to protect against conflict of interest in the conduct of government business. It involves the White House consultants who cluster around every modern president just as surely as does the White House staff. Because the consultants aren't government employees, they aren't subject to the same reporting and other such protective rules as other presidential aides. Yet they have comparable and often greater ability to influence policy. They can and frequently do represent major outside interests with business before the government even as they also represent the ultimate inside client, the president himself. Indeed, they are hired by the outsiders precisely because of their presumed inside access. Yet there is no regulation of them.

Mr. Wolf has tried to add a regulatory amendment to an appropriations bill, requiring that at least those consultants with White House passes disclose their clients. He has lost in the appropriations committee on pretty much party-line votes, and it may even be that this is not a fit subject to be dealt with by legislation. The Republican congressman is nonetheless right about the problem, which, to his credit, he also raised in the Bush administration. The question is what to do about it.

There are people on the periphery of every administration who have close ties and easy access to the president and White House staff while representing outside interests. Surely not every such outsider, every private friend or confidant of the president

needs to make formal disclosure. Where and how do you draw the line? Mr. Wolf would extend the requirement to those with White House passes, in part because that's a pretty good indicator of continuing stafflike participation and influence (though hardly perfect) and in part because it's as far as the appropriations process allows him to reach; no appropriated funds shall be used to issue passes to people who fail to disclose their outside interests, is his proposal.

But what's needed in this murky area is less a law than a policy. It ought to emanate from the president, and apply at least to his principal and paid advisers whether they have to call ahead to get into the White House or not. The president should say that in order to maintain public confidence he wants these paid advisers to disclose their outside clients and to forbear from certain conduct in the clients' behalf. There are all kinds of ways to determine who should be on the list—degree of access, roaming privileges in the White House, whether the political consultancy is close to full-time etc. Above all, the list should cover those whose advice has to do not just with the selling of policy but the making of it.

A presidential order of this kind would have the requisite cleansing effect without the difficulties inherent in writing a law that is meaningful yet doesn't overreach in what remains an area of partly private conduct. What better way for an administration that came to office saying it was determined not to do business as usual?

~~Lee~~ Lee

THE PRESIDENT HAS SEEN

5-31-94

Michael Kinsley

Why Burden the Health Plan With Abortion? ✓

Abortion rights have triumphed. Against all odds, the basic holding of *Roe v. Wade* is secure in the Supreme Court. It's easy to forget how unlikely this seemed just a few years ago. A clear majority of Americans favors a woman's right to choose. Opportunistic politicians who used to pander to the right-to-life movement now swear their fealty to choice. Republican leaders are desperate to reposition their party as moderate or agnostic on the issue.

Congress has passed, and the president has signed, a bill cracking down on disruptions at abortion clinics. The ban on medical research involving fetal tissues has been lifted. And the effective blockade against the French abortion pill, RU-486, has been lifted.

But the crowning triumph—a national Freedom of Choice law—has been sidelined. Why? Because the abortion rights movement has decided to concentrate on making sure that abortion is among the guaranteed benefits in health care reform. This is a pity, for two reasons. First, a Freedom of Choice law would guarantee abortion rights the correct way, democratically, rather than by constitutional origami. Second, guaranteed financing of abortion as part of health care reform is a much more dubious proposition.

Right-to-lifers ask a good question: Why should they be forced to help pay, through their taxes, for a procedure they find morally repellent?

In fact, mandating abortion coverage would forcibly implicate abortion opponents in two ways: through whatever government subsidies end up being part of the system, and through their private insurance premiums, which—by law—would have to pay for abortions. To be sure, two-thirds of all private health insurance now covers abortions. Millions of abortion opponents are already subsidizing the procedure either without

realizing it or without any special trauma. This is another example (like rationing) of how health care reform will force people to confront moral dilemmas that the old system left comfortably muddled. But at least anyone who really thinks that abortion is murder can opt out if she wants to. If abortion becomes a universal, guaranteed benefit, that will be impossible.

In a democracy, the majority rules. Everyone doesn't like something or other the government does, but the government obviously couldn't function if all taxpayers could pick and choose what government functions they cared to pay for. There are those who object to military spending, and argue with the same passion as the right-to-lifers that forcing them to pay for bombers leaves blood on their hands. Should they be allowed to opt out too?

The trouble with this tempting argument is that the national defense is what economists call a "public good": It's a benefit that cannot be supplied to one without being supplied to all. How much of it we buy has got to be a collective decision. That's not true of abortions.

Furthermore, abortion is a uniquely divisive and emotional issue in American democracy. A substantial minority of the populace believes deeply that it is morally wrong. By comparison, the number of Americans who have deep moral objections to bombers per se (as opposed to those who merely believe that the current level of military spending is unnecessary) is quite small. Simple political comity suggests that this passionate minority should not have its noses rubbed in the dirt. Respect for the sensitivities of a minority, even this minority, ought to come easily to liberals and civil libertarians.

There are less highfalutin' considerations as well.

Health care reform is the fight of the Clinton presidency. Does it make sense to force the president to use up chips, alienate millions of potential supporters, and end with a weaker reform or no reform at all, over a side issue? Women are disproportionately among the currently uninsured. Clinton's package contains a fairly generous array of benefits. But everything is up for grabs in the coming negotiations. How much is it worth giving up to save payments for abortion?

It's true, of course, that your right to abortion isn't worth much if you can't afford to exercise it. A less-than-satisfactory answer is that this is true of all our basic rights. Freedom of speech doesn't get you a megaphone. Freedom of religion doesn't buy you transportation to church. These are rights against government interference, not rights to a government-financed supply of the good in question.

In real life, how many women don't have abortions because they can't afford one? Some, to be sure. But a straightforward first-trimester abortion in a clinic costs about \$250. Thanks to the semi-repeal of the Hyde Amendment, Medicaid now pays for abortions in cases of rape or incest or when the woman's life is at risk. In other cases, even a poor woman will often be able to scrape together \$250—especially when compared with the cost of bearing and raising an unwanted child. The bigger problem isn't money. It's that in many places abortion is unavailable at any cost. But forcing opponents to pay for abortions against their will won't solve that problem.

We're still a long way from the point where abortion can be regarded as just one more "pregnancy-related service." I hope we get there. Meanwhile, even right-to-lifers deserve the right to choose.

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5.31.94

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+ what's y. reaction
+ me?
B.

Image Isn't Everything

What surprised you the most? I put that question to someone who has attended many of this administration's most important meetings about foreign policy and national security. The answer came without hesitation: "How much of the meeting was not about the meeting."

Then the official added after a pause: "And how much Bill Clinton hates making decisions on foreign policy. The only thing he would hate more would be letting someone else make the decisions. That he won't do."

Even so, Clinton has embarked on a foreign policy season, delivering commencement addresses that focus on his vision of the world and undertaking two trips to Europe: to commemorate D-Day in June and to attend the G-7 economic summit in Naples in July.

His advisers hope the speeches and the trips will muffle the fusillade of criticism directed at the president in recent weeks by those who have suddenly discovered that Clinton is not a Henry Kissinger nor will he employ one. These aides count on the trips to brighten Clinton's leadership image.

Bonne chance, monsieur le president.

But Clinton's advisers may also want to ponder the underlying problems suggested by those spontaneous comments from a Clinton friend about meetings and decision-making.

The comments help reveal why the administration's unheralded foreign policy successes stay unheralded and why Bosnia, Haiti and other trouble spots erupt in the media with the irregularity and ferocity of gout attacks.

"What gets brought into the meeting often has very little to do with the issue under discussion," the official continued. "Past battles won or lost get started again in the guise of dealing with today's subject. Issues are used to form or maintain alliances within the bureaucracy or within the leadership group itself. Little beyond the most immediate issue gets resolved absent a crisp sense of direction from the president."

Something new? Hardly. It is a description that applies to the difficulties faced by most new administrations, a key foreign policy-maker in the Bush administration said when I ran these comments past him. This rock-ribbed Republican recalled the stumbling start of the Reagan presidency and said the Bush team had been blessed to know each other well before taking office.

"If we had had to get to know each other and figure out whose judgments and motives to trust in a world without the Cold War, we would have faced many of the same problems," he added.

He went on to make what I think is the key

point: "But you have to wonder now if this is just a learning curve problem. There are no signs that this presidency's grip on foreign affairs is getting more solid as time passes. The same problems seem simply to recur often in the same form and on the same subject. That is the discouraging thing."

I heard similar observations from staunchly pro-American British, French and German officials on a recent trip to Europe, where the Bosnian crisis has significantly eroded American credibility.

To be blunt about it, some of America's best friends in Europe have concluded that they cannot work constructively with this administration and are resigned just to endure it. They will not say so publicly. But they no longer bother to hide that attitude in private.

The Europeans are accustomed to America's asserting its own agenda and muscling them to achieve its goals. They know how to respond to that approach and protect their interests. What leaves them at a loss are the inconsistencies and omissions of recent American diplomacy on Bosnia.

An important example: The British and the French felt significant progress had been made when the United States agreed to a Geneva conference on Bosnia based on a settlement giving the Serbs 49 percent of Bosnian territory. Barely 24 hours before the conference began, the Europeans discovered that the United States had also given its blessing to a Bosnian-Croat map that awarded the Serbs only 42 percent of the land.

The State Department initially could not explain to Paris or London how this had happened or which commitment was the real one. (It turned out to be the 51-49 division.)

"This is either completely amateurish or extremely cynical," a senior and long-serving British official said. "The lack of comprehension that now exists between us and Washington is greater than at any time in my experience."

European puzzlement over U.S. intentions will have been deepened by the May 12 debacle of the Senate's passing two conflicting bills on lifting the arms embargo against Bosnia and the president's qualified opposition to lifting the embargo spelled out in a major foreign policy address at the U.S. Naval Academy commencement May 25.

Clever stage management of the trips to Europe and some well-delivered speeches fall into the "necessary but not sufficient" category. Even as they polish their foreign policy image, the president and his advisers should be thinking hard about improving the product.

COLMAN MCCARTHY

Capriati Arrest Lets Society Blow Smoke

Because Jennifer Capriati can swat a tennis ball across a net better than most people, and because those swatting talents have earned her an Olympic gold medal and millions of dollars in endorsement deals, her recent arrest in Florida on a marijuana charge was national news. Police in Coral Gables searched the 18-year-old's motel room and found a small amount of the drug—less than an ounce—in a backpack.

Celebrity busts draw headlines, plus the predictable afterwash commentary: another of the mighty brought down by crime and pot. Newspapers ran police mug shots of Capriati, her glum visage contrasting with the bubbly smiles of her days as a court princess.

If Capriati were not a tennis star and just another teenager, she would have been one of 300,000 Americans arrested this year on marijuana charges. That is one person every two minutes, with Capriati's turn coming in a Florida motel. Her arrest has bolstered the addled notion that any youth, or anyone else, who messes around with marijuana is either on a downhill road to ruin or has hit bottom already.

Police found no evidence that Capriati possessed or used heroin or cocaine. But the misdemeanor charge is enough to have her singled out as a model for the evils befalling pot users. It is enough also to loosen a torrent of media speculation that because Capriati was caught with marijuana, she is a druggie who could also be hooked on harder stuff. Media comments ranged from "so sad, so ugly" in The Washington Post to "when did it all go wrong?" in the New York Times.

Criminal prosecution of pot users, whether celebs or low-end drifters, creates the illusion that those waging the drug war—the police, district attorneys, judges and jailers—are on the front line taking 300,000 captives a year.

User penalties range from fines and imprisonment in some states to forfeiture of public housing assistance or college loans in others.

Twenty-nine states have "smoke a joint, lose your driver's license" laws. Someone can murder, rape or be a serial arsonist and the driver's license is safe. Federal and state studies on auto accidents consistently report that when the dangers of booze and pot are compared, it is no contest.

Marijuana-related crimes are also minimal when

compared with the high rates of homicide, or spouse or child abuse, committed by drinkers. No other drug is tied to as much violent crime as alcohol.

The Capriati arrest raises civil liberties issues, which are at the core of the move to decriminalize marijuana. If the police have no right to charge into motel rooms, or homes, when they suspect an alcohol addict is on a bender, it is a bizarre law that sanctions ignoring the privacy rights of the marijuana user: a citizen using a substance acknowledged to be far less a danger to society and the individual than alcohol.

The war on drugs is actually a skirmish on selected drugs, with killer drugs like alcohol and nicotine exempted. It is also a war frequently against those least able to defend themselves. Few teenagers like Jennifer Capriati have either a knowledge of the law—or the spunk—to tell the police, no, you cannot nose through my room for pot, get a search warrant first. How many high school students, or adults even, know the law—including the right to remain silent—when the police show up? Did Capriati know when she gave police permission to search her room?

In "Marijuana Law," a 1992 book, defense attorney Richard Glen Boire writes that most arrests and convictions on marijuana charges could be avoided if citizens knew both the legalities and their constitutional rights. Because most users of this relatively harmless and non-addictive drug don't know when authorities may or may not legally search a person, car or home, criminal courts are congested with pot cases.

Jennifer Capriati is in a drug rehab program in Florida. The details of her problems are not known, as they should not be unless she chooses to announce them.

If Capriati has anything in common with other youths—her tennis talents aside—it is likely that if she is a marijuana user, the drug is less a cause of her troubles than a symptom. Should cannabis—the proper name for marijuana—have been her drug of choice, she is much better off than had she been hooked by the advertising lures of alcohol and nicotine companies, the nation's most despicable drug pushers.

Is this true?
I heard nothing about that!

VP

THE PRESIDENT HAS SEEN

5.31.94

U.S. Considers Ditching Big-Stick Foreign Policy

Clinton Seeks to Play Down Instant Gratification in Meeting Challenge of Rogue Nations

By R. Jeffrey Smith
Washington Post Staff Writer

The stubbornness of dictatorships has become one of the administration's chief foreign policy vexations.

Leaders in Haiti, China, and most recently North Korea, have found a way to thumb their noses at top U.S. diplomatic priorities.

Haiti's corrupt military regime showed no sign last week of buckling under to newly tightened U.S.-inspired economic sanctions aimed at forcing the return of former president Jean-Bertrand Aristide.

A clique of elderly Chinese generals and communist party bosses successfully called Washington's bluff by ignoring the threat of new tariffs on exports to the United States unless they improved their human rights record.

Then North Korea's communist regime on Friday appeared to rule out critical international inspections of spent fuel rods at a nuclear reactor north of its capital, giving every indication it will never allow the outside world to perform inspections needed to learn how much plutonium it may have accumulated for nuclear arms.

These dismal results of earnest U.S. diplomacy have not been flattering to America's self-image as a world leader, and if President Clinton's recent comments are any indication, they are provoking some reexamination not only of his expectations for U.S. foreign policy but also the administration's often blunt and demanding style of dealing with recalcitrant foreign leaders.

As one senior U.S. official explained, when Clinton arrived at the White House, he shared a popular notion that foreign relations is an extension of domestic U.S. business relations—a matter of rules and regulations in which the threat to sue, or impose legal sanctions, is a vital negotiating tool. Clinton had criticized President George Bush for "coddling dictators," for example, and

indicated he supported pursuing punitive measures such as economic sanctions if other nations did not comply with U.S. demands.

Recalling a statement by Dean Acheson that sanctions are essentially a declaration of war without the willingness to use force, the senior official said Clinton had a misplaced faith that they could alter other nations' internal priorities, without the direct compulsion of a military attack. "Sanctions did not get [General Manuel Antonio] Noriega out of Panama" in 1989 and they did not force the Iraqi military to withdraw from Kuwait in 1991, the official said, calling America's persistent faith in sanctions "pathetic."

But several officials said the frustrating experience of the last few months appears to have humbled the president's ambitions. At a White House news conference on Thursday, Clinton not only rejected future threats of higher tariffs on trade with China, he also counseled a more patient style of diplomacy, noting that "a great society, so large and with such built-in habits, does not change overnight." He compared the challenge of improving human rights in China to the reduction of "crime and violence" in U.S. society—a goal that would take years to accomplish.

Clinton had struck a similar theme of the limits of U.S. influence in a May 25 speech to the U.S. Naval Academy's graduating class, where he noted that many of the world's "most tearing conflicts . . . will rarely submit to instant solutions."

Noting that the resolution of the Cold War took decades, he said "we must often be willing to pay the price of time, sometimes the most painful price of all." In addition to lowering expectations about quick results, Clinton also seemed last week to be pointing the way to a less confrontational style of diplomacy.

Revealing what could be taken as a personal epiphany of sorts about the limits of U.S. powers of moral suasion, he said that "no nation likes to feel that every decision it makes for the good, to do something that's right, that makes progress,

is being made . . . only because of external pressure from someone else."

Clinton was trying to explain why China had rebuffed Washington's insistent entreaties to treat its people more like the United States treats its citizens. But several U.S. officials said they believe the lesson also may be relevant to Haiti and North Korea, which also have repeatedly ignored urgings that they respect U.S.-defined norms of international behavior.

The officials suggested that in both cases, Washington has backed itself into a corner by using or threatening to use sanctions unlikely to produce instant policy shifts. The officials said Clinton might have understood the magnitude of the challenge earlier had he listened to U.S. intelligence experts instead of popular opinion supporting tough demands and blunt threats.

A number of classified studies reported last winter, for example, that the Chinese leadership was beset by worry about growing internal unrest, officials said. The studies also said key Chinese officials were jockeying for power, anticipating the death of aged leader Deng Xiaoping, and would be unlikely to risk supporting any liberalization. They also reported that Chinese leaders were not taking seriously Washington's threat of higher trade tariffs—even though the threat was not lifted until last week.

A U.S. intelligence report predicted last fall—correctly, it seems—that North Korea would not accede to demands for nuclear-related inspections that would reveal the size of its stockpile of plutonium, a key ingredient of nuclear arms. Other U.S. intelligence reports have expressed skepticism that the economic embargo of Haiti would prompt its military rulers to resign soon.

In its dealings with both of these stubborn dictatorships, the Clinton administration might soon be faced with the same choice it faced last week with China: to continue to pursue a policy that has not worked, or to face up to a further humbling of American foreign policy ambitions.

Judy Shelton

Those Markets Aren't Crazy

The Federal Reserve Board decides to raise interest rates by a hefty one-half percent—and Wall Street cheers? Either financial markets are truly perverse, as some at the White House have suggested, or something else is going on. And it isn't inflation.

The United States under the Clinton administration is locked on a collision course between its desired domestic economic agenda and the demands of the international financial community. President Clinton has set great store on his ability to deliver low interest rates as the result of prudent budget decisions. While administration officials early on dismissed the stock market as a credible judge of their economic program ("It goes up, it goes down"), they have pointed to the low 30-year Treasury bond rate with pride and satisfaction.

But since that benchmark rate started climbing precipitously this year—it reached as high as 7.60 percent on May 11, compared with 5.78 on Oct. 14—the White House has been scrambling to explain to the American people what has changed. As it turns out, the U.S. domestic economic scene hasn't changed much in the past seven months, except for the better: Employment is up, inflation is down. What has been driving interest yields higher is the insistence by foreign investors that they be compensated for the impact of a falling dollar.

Ever since Treasury Secretary Lloyd Bentsen uttered "I'd like to see a stronger yen" at the National Press Club a month after Clinton's inauguration, the value of the dollar has been up for grabs in international currency markets. Clinton himself compounded the jaw-boning factor last spring, when he announced at a joint press conference with Japan's visiting prime minister that the weak dollar was "number one" on a list of the "things working today which may give us more results" in shrinking the U.S. trade deficit with Japan.

Global currency traders took notice. If officials in the White House wanted to see the dollar go down against the yen, they would be only too happy to accommodate them. Within four months, the dollar would hit post-World War II record lows approaching 100 yen to the dollar.

Still, bond yields seemed relatively unaffected by the sagging dollar until early this year. Then, suddenly, the dollar began losing value against the German mark also. Now global investors were demanding higher interest rates to offset the projected exchange rate loss from investing in dollar-denominated financial instruments.

By late April, officials at Treasury and the White House were alarmed by the backwash effect of a weak dollar on U.S. bond yields. A massive intervention effort carried out by the Fed in conjunction with the central banks of 15 other nations on May 4 gave currency speculators temporary pause as they weighed the willingness of foreign governments to endlessly shell out reserves to buy dollars. But U.S. bond yields continued to soar. A surprise move on May 11 by the Bundesbank to dramatically cut German interest rates tipped the currency scale in favor of the dollar. Still, investors were waiting for the other shoe to drop. Two weeks ago, with a Fed hike of 50 basis points in both the discount rate and the federal funds rate, it did.

So even as sharply rising interest rates are spooking average Americans and undermining the fundamental assumptions of Clinton's domestic economic program, the international financial markets are merely pacified for the present. Wall Street's seeming approval of the jump two weeks ago in key interest rates is a reflection of that. It does not mean U.S. business is eager to embrace a higher cost of capital or that consumers are ready to absorb higher borrowing costs.

Are financial markets irrational, superstitious? To the contrary. They are not prone to inflation myths, as Laura D'Andrea Tyson, chairman of the president's Council of Economic Advisers, would have us believe. They are registering their legitimate response to the Clinton administration's demonstrated willingness to let the dollar slide to achieve perceived gains in foreign trade. What is perverse is to proclaim a commitment to a strong dollar, as Clinton did in December 1992 (when it took 124 yen to buy a dollar), and then expect investors to passively absorb exchange rate losses as the White House talks down the value of America's currency.

The writer is a senior research fellow at the Hoover Institution at Stanford University.

Lou Cannon

Smeared In California

LOS ANGELES—The late Richard M. Nixon never quite understood what all the fuss was about when critics took him to task for winning elections to the House in 1946 and the Senate in 1950 by Red-baiting his Democratic opponents.

Nixon, after all, had grown up in California, where calling a political opponent a Communist was then as American as apple pie. And while communism is gone with the wind, the political smear unfortunately remains an enduring feature of California election campaigns.

Population growth and the high costs of television advertising have, if anything, lowered the tone since the Nixon days. The only effective way to access 32 million people dispersed among four major media markets and several minor ones is through the compressed sound bites of television commercials, which are better suited to smears than to high-minded policy discussions.

The champion smear artist of the current primary campaign is a former Democratic Party state chairman named Phil Angelides, who wants to become his party's nominee for state treasurer. The way he has decided to do this is by smearing his opponent, State Senator David Roberti, the author of the partial state ban on assault weapons who recently turned back a recall effort led by the National Rifle Association.

The gun champions who tried to get Roberti sometimes depicted him in the cross hairs of a marksman's sights. Angelides prefers character assassination. Because Roberti is a Roman Catholic who opposes abortion and 17 years ago co-authored a resolution calling for federal adoption of an anti-abortion amendment, Angelides is running an ad linking Roberti to the Florida murder of a doctor who performed abortions.

Because Roberti has been a leader in the State Senate, Angelides is running another ad that links him to the corruption trials of other state legislators. Even Roberti's foes acknowledge that he has a hard-earned reputation as an honest politician, but Angelides is too eager for office to let any facts stand in the way of his preposterous commercials.

But the most disappointing and effective of the current political commercials now polluting the California airwaves is the work of Republican Gov. Pete Wilson. It is disappointing because Wilson has on the whole been an able and determined governor who has stuck

THE PRESIDENT HAS SEEN

5.31.94

Bob Rubin
What do you mean of this?
31.991 THE WASHINGTON POST

to his guns through California's worst economic slump since the Depression.

Now, however, he is running for reelection with the aid of scary black-and-white commercials that show hordes of Mexican immigrants running across the border at San Ysidro, dodging cars as they pour into the United States. "They keep coming," a narrator's voice declares. "The federal government won't stop them at the border . . . Gov. Pete Wilson sent the National Guard to help."

The ad extols Wilson for working to deny basic services to immigrants and bashes State Treasurer Kathleen Brown, his anticipated Democratic opponent in November, for not doing enough to halt the "brown tide." In real life, as opposed to this low-blow commercial, Brown has displayed a disturbing tendency to engage in immigrant bashing of her own.

I am aware that the phrase "immigrant bashing" can itself be used to smear anyone who does not believe in open borders. There are people in all walks of life who believe that California is more burdened than enriched by immigrants or that it has reached its carrying capacity. There are also scholars who are supportive of immigration who share Wilson's view that the federal government is unfairly penalizing high-immigration states such as California, Texas and Florida by making them pay the bulk of immigration costs instead of dealing with the issue as a national problem.

Wilson is no yahoo. He understands, better than most, the inflammatory nature of the immigration issue. He has shown this in speeches calling for immigration reform in which he also expresses admiration for the courage of the immigrants he believes America cannot afford to keep.

The governor's understanding of the human side of immigration makes his ad that much more offensive. Lamentably, it draws upon the California tradition of political smear and an even darker tradition of scapegoating immigrants. This tradition began in 1877, when a San Francisco political demagogue named Dennis Kearney effectively appealed to native workers with the inflammatory battle cry, "The Chinese must go."

Ever since, immigrants of Chinese, Japanese, Korean, Vietnamese and Mexican descent have become periodic targets of demagogues in hard times. Invariably, they have blamed California's problems on outsiders with a different skin color who speak a different language.

Maybe Wilson is able to make a practical case for closing the border with Mexico. But he does himself no credit by basing his reelection campaign on the politics of fear.

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THE PRESIDENT HAS SEEN
5.31.94

Barry
can we / some we
do more?

Postwar Promise

Africa's Newest Nation, Little Eritrea Emerges As an Oasis of Civility

Independent at Last, It Shows
A Seriousness of Purpose
Forged in a 30-Year War

Free Market, With a Twist

By GERALDINE BROOKS

Staff Reporter of THE WALL STREET JOURNAL
ASMARA, Eritrea — The president of this African country wears plastic sandals to official functions, draws no salary and prefers dusty Jeeps to limousines.

The tree-lined streets of the capital are spotless and safe to walk until the wee hours. There isn't a gun to be seen, even at the airport or at government offices.

Eritrea is Africa's newest nation: a Mississippi-sized slice of rugged Red Sea coast that has become an unlikely oasis of peace and civility wedged between the clan-fighting of Somalia and religious war in Sudan. Secretary of State Warren Christopher calls Eritrea, independent since May 1993, "a beacon of hope astride the Horn of Africa."

The U.S., however, long opposed the Eritreans' struggle for independence from Ethiopia. Since the 1960s, successive U.S. administrations had characterized the rebels as leftists and claimed that their secessionist campaign, if supported, would start a chain reaction that could put all of Africa's fragile borders at risk.

African Model

Instead, the country is emerging as an African model, despite a history of misfortune on an almost biblical scale. Eritrea's scorched air swirls with the fine dust of drought-stripped topsoil, and the dry rattle of locust plagues provides a depressingly familiar background tattoo. Too few doctors treat too many famine-ravaged tuberculosis victims, while in the towns, the wheelchair-bound casualties of a 30-year war roll uncertainly down bomb-damaged streets.

A half-Christian, half-Muslim population of 3.5 million is further riven by nine separate ethnic groups and as many languages. With a per-capita income among the lowest in the world, the tiny country seems a prime candidate for the kind of tribal and religious strife tearing at so many other nations, such as Rwanda.

Yet at a political congress in February, the country's mufti, or supreme Muslim leader, sat companionably alongside his Christian Orthodox counterpart. Rural women wearing traditional veils joked with bareheaded city women in shorts. And by the time the conference ended, everybody had agreed to work toward multiparty elections for a democratic, secular government.

Perhaps even more astonishing, Eritrea is beginning to develop without the corruption so common elsewhere on the continent.

"You can't find anyone to bribe here," says a bemused American developer, Jo-



seph Torrito, who is negotiating to build a hotel on the Red Sea and apartment blocks in Asmara. Initially, Mr. Torrito had his eye on a site in Asmara's bougainvillea-splashed colonial center. "In West Africa, I'd have got it with \$180,000 slipped to the city planner," he says. "Here, the guy just said, 'Over my dead body you'll build there.'" Citing the Eritreans' intentions to preserve the city's picturesque turn-of-the-century heart, the planner steered Mr. Torrito to less-sensitive sites.

Part of the reason for Eritrea's promise lies in its long and solitary struggle for independence. Colonized late, by Italy at the turn of the century, Eritreans emerged from World War II expecting nationhood; instead, they were swallowed by neighboring Ethiopia in 1962.

For the next three decades, an ill-equipped band of Eritrean rebels resisted the takeover, fighting Africa's longest war. From mountain redoubts where schools, factories and surgical wards were gouged into hillsides to protect from aerial bombardment, the guerrillas slowly wrestled victory from black Africa's biggest army.

Bargain-Basement War

Ethiopia got millions in military aid from the U.S. during the reign of Haile Selassie and more from the Soviets during the Marxist dictatorship of Mengistu Haile Mariam. The Eritreans had no significant backers and fought a bargain-basement war, largely with captured weapons. Forced to sink their differences in the face of a common enemy, they gradually developed an egalitarian society in the wartime trenches, blind to gender, class and religion.

"We thought they were just a bunch of

Please Turn to Page A10, Column 1

Continued From First Page

Arab-backed terrorists," says an Israeli foreign-ministry official. "Was that ever a mistake." Having supplied military assistance to Ethiopia during the war, Israel now is scrambling to offer aid, providing training in agriculture and hydrology, books for the libraries and even small amounts of military assistance for the new state, whose coastline commands a strategic stretch of the Red Sea.

The U.S., too, is struggling to undo years of enmity. President Clinton has turned to the Eritrean president, Isaias Afwerki, to help mediate the bloody clan-war in neighboring Somalia. U.S. Navy ships are making port visits, and major oil companies are negotiating exploration deals. The U.S. military is in advanced talks on installing powerful over-the-horizon radar in Eritrea that would allow monitoring of the region as far as Iran.

Mr. Torrito, who once owned a gold mine in Sierra Leone, was among the first Americans scouting prospects. A retired U.S. Army colonel, he isn't put off by spartan conditions. His most recent hotel room was "what you might call air-conditioned — by a shell-hole in the wall where a small mortar had ripped through." He says it is Arab businessmen, familiar with the hard-working habits of Eritrean refugees in nearby Persian Gulf countries, who are flocking to explore business opportunities. "It's the smell of money," Mr. Torrito explains. "It's like Faberge."

Inexpensive Lenses

Among projects already under way is a sophisticated laboratory making lenses that can be surgically implanted to cure cataract blindness. An Australian eye surgeon, impressed by a pharmaceutical plant built by the Eritreans during the war, raised donations to equip the factory. With its skilled but extremely cheap labor, Eritrea can make a lens for \$10 that Western producers usually sell for \$120.

Despite its roots as a leftist guerrilla movement in the 1960s, Eritrea's provisional government now is unabashedly free-market. "I'm glad in a way that the Soviets intervened against us" during the war with Ethiopia, says a foreign-ministry official. "If they hadn't backed Mengistu, we might have kept believing in [the Soviets] and ended up like Angola or Kampuchea."

But while the new investment code is

liberal, government policies are shaped by a social agenda. To avoid Africa's typical slum-producing rural migration to the capital, the government has turned away investors who want to finance projects only in Asmara.

"One of the benefits of starting late is that you can learn from others' mistakes," says Saleh Meki, the minister for marine resources, who is moving his own department to the bombed-out rubble of Massawa, the port city that saw the war's worst fighting.

Free Labor

For now, many of his staff are still "fighters" — the term used for members of the 95,000-strong guerrilla force that waged the war. The government has asked them to donate their labor to the country's reconstruction. They receive only a tiny allowance plus food and barracks-style accommodations.

At first, some objected to the proposal that they work free for two more years, saying they had neglected their families long enough while they were at war. "If I'm a fighter struggling to liberate my land, who cares if my father is starving in Asmara?" says Mr. Meki. "But it's another thing saying I can't help him because I have to build a railway to Massawa."

In protest, many of the former combatants took to the streets. The president, Mr. Afwerki, who led the fighters during the war, waded in among the demonstrators, trying to reason with them. Without firing a shot or throwing a punch, the two sides reached a compromise. The government promised that if the fighters worked for nothing a while longer, the government would cut back on opening embassies and delay development projects in order to find money to pay wages.

The fighters' sense of duty astonishes outsiders. "Office hours here officially start at 7," says Sei Etoh, a U.N. development expert working in Massawa. "but the fighters always show up early and stay late." Eritreans say it is possible to tell

who is a fighter simply by the way a man or woman speaks. "They use less 'I' and 'my,'" explains an Eritrean who recently returned from the U.S. "The way they've lived has made them tend to talk in terms of the group rather than the individual."

But civilian life is putting unexpected strains on that idealism. At a bar in Massawa, a group of young fighters nurse glasses of tea and discuss their predicament. For some, peace has brought bitter-sweet changes. Fatieha, a slightly built 20-year-old, is glad she won't have to witness any more of the woundings and killings that were a constant during five years in the trenches. She has gladly shed her khaki shorts for a silky dress. She has styled her hair and frosted newly grown fingernails. Still, she misses the sexual equality of the front.

"Some of the civilians don't understand that a woman must be free to go out, to work, to sit in a bar like a man," she says. While the society sees her as a heroine, she worries that it doesn't necessarily see her as an eligible bride. Some fighters who married at the front have been divorced by husbands under family pressure to take submissive civilian wives.

Meanwhile, Fatieha's friend Saleh misses a different kind of equality. At the front, he says, university graduates shared the same status as fighters who had never had a chance to go to school. Now, he works at an unpaid job alongside non-fighters earning fat salaries from the U.N. "It's hard, when you've been at war and they've had the chance to get an education," he says. "When we were at the front, we didn't need money, but in town, you need clothes, you need cash to have a beer."

The rebels' success in war also has raised high peacetime expectations that aren't easily met with a shattered infrastructure and an empty treasury. So committed to education that they carried blackboards into the trenches for literacy classes during breaks in fighting, the Eritreans now have too few teachers to serve the civilian population. In some areas, children draw lots to see who will go to school.

Health care, too, is a problem. "Their health-care system in the war was excellent, but it was an emergency system," says Cesare Manetti, an Eritrean-born pathologist from Rockford, Ill. "When it had to meet the needs of a civilian popula-

tion, it faltered. People in the cities felt, 'Now our brothers are here — they'll help us.'" Faced by the pent-up demand created by neglect during Ethiopian rule, barefoot doctors from the front lines couldn't cope. For at least a year, the health minister, a surgeon, had to divide his day between the operating theater and his government office because demand for his surgical skills was so high.

Dr. Manetti is trying to set up a volunteer program to have U.S. experts help the Eritreans with training. But the government, faced with an acute housing shortage, hasn't yet been able to figure out where to put the volunteers when they arrive.

The short-term answer is an infusion of foreign aid, but with the demands from Eastern Europe and the former Yugoslavia, Eritrea hasn't enjoyed the attention from donors that it might have merited a few years ago.

That makes one U.S. aid official wishful. Of more than 20 countries he has worked in, he says, Eritrea "is the one where you feel comfortable that every nickel you put into the place is going to be used properly." He hopes the U.S. will open its purse a bit wider. "They're on a takeoff here," he says. "All they need is a little wind."

Security Capital Industrial Trust

Planned Offering of Stock Is Priced at \$15.125 a Share

Security Capital Industrial Trust priced a planned offering of stock to existing shareholders at \$15.125 a share, or a total of as much as \$67.2 million.

Under the plan, shareholders will receive rights to acquire one new Security Capital share for every seven shares they currently hold. In New York Stock Exchange composite trading Friday, Security Capital Industrial shares closed at \$16.125, down 12.5 cents.

Security Capital, a Denver real estate investment trust, said it will use the proceeds to repay bank debt and to invest in additional industrial properties. The trust said it has letters of intent or contracts involving \$72.6 million in new acquisitions and developments, and is in talks to acquire more than \$125 million in other properties.

Security Capital Realty Inc., which is the trust's principal shareholder with a 48.85% stake, intends to exercise all of the rights it is granted, the trust said.

The rights are expected to trade on the New York Stock Exchange until the offering closes in June.



Isaias Afwerki

Homeless: A Local Problem

Stephen S. Rosenfeld

The Clarity of D-Day

The muddle of today's internationalism

D-Day: landing boats, dramatic action, a known and evil foe, full power, victory. Nothing has changed more in 50 years than the way in which we routinely tend to the global stability that was bought by massive commitment and sacrifice in World War II. The United Nations peace-keeping operations now scattered around the world are everything D-Day was not: marginal, ambivalent, ragged, controversial. But how could it be otherwise? And who would again want total war?

We must deal with the world we live in, and we live in a world where peace-keeping in its various forms is unavoidable and important to us. We have not done it well enough and as a result we face a certain crisis of internationalism. Bill Clinton is blamed for wobbling, Boutros Boutros-Ghali for overreaching. But such criticisms miss the main point. The real trouble is that in this time of relative safety and security for the favored nations, peace-keeping can mean an unwelcome degree of personal risk to the forces taking part and political risk to their sponsoring governments. Americans have spent the past few years wrestling with this dilemma.

The post-Cold War vista opened with the rosy and mistaken diagnosis that Soviet-American confrontation alone had kept the United Nations from ushering in a new world order. In the second, more sober stage we are seeing that the United Nations is not merely an irregular contributor to global stability but sometimes itself a contributor to disorder. The primary contributors to disorder are the governments and their challengers. But the deeds done by peace-keepers sometimes have the unintended but perverse effect of enabling the parties to extend war and avoid peace.

To use the United Nations as an instrument of relief, for example, sounds noble. But it can also encourage combatants to shift some part of their war budget to others and can spare them the discipline of an early reckoning. Are we ready to use relief explicitly as a political lever? The new pattern of ethnic wars makes this disturbing question increasingly difficult to evade.

The international presence in Bosnia is being used by the Serbs in an effort to freeze their gains and by the Muslims to reverse their losses. This is understandable: They are at war. But peace-keepers lend only themselves to the belligerents' maneuvers when they make their own safety their first concern.

In Bosnia, the United Nations now routinely softens NATO's ultimatums to avert expected Serb retaliation against exposed U.N. forces. This makes the world body a partner in diluting its own credibility and effectiveness. It gets worse when such limited self-defense as peace-keepers do conduct is treated as a loss of neutrality. But Americans are poorly placed to complain as long as American forces do not share the risks on the ground.

The embarrassment in Rwanda is scarcely less painful. The United Nations' first response was to pull peace-keepers out, abandoning the helpless civilians it was ostensibly there to protect. Some U.N. forces remain, but with both the Hutu army and Tutsi rebels threatening to fire upon them if they get in the way, they may not be there for long.

It's not "the U.N.'s" fault. A membership organization, it must heed members unwilling to take more than token casualties. But in that case, the talking part of the United Nations should stop issuing resolutions, instructions and promises premised on the notion that the peace-keeping force is a military juggernaut. The now-desultory discussion of tactics must get serious. Ground forces might be reduced and air power brought to bear against the violators of U.N. decrees. Or forces might be increased and unleashed.

Many people have already concluded that international peace-keeping involving the use of force is a passing phase in global politics, a post-Cold War experiment that did not work out. But it's early to throw in the towel. I think there is still a logic in proposals for a standby U.N. combat force that members had endowed with a mission and with suitable resources. Not that the members—sovereign states, after all—couldn't later take back their approval. But at least there would be an effort to deal with the real world of hard choices rather than a pretend world in which everybody acts as though peace comes for free.

In any event, let us not slip too casually and uncritically into D-Day celebration of a war that, after all, involved a global cataclysm and caused more than a quarter-million American combat deaths. It was horrible. We should be glad that our security and stability cares, though they use up our whole frazzle quotient, are trivial compared with the challenges that America and its allies faced and mastered in World War II.

No problem better highlights the limits of collective compassion than that of the homeless. Just last week, the Clinton administration proposed raising federal spending on the homeless to \$2.2 billion in 1995, double the 1993 level and more than four times what it was in 1987. Even the administration does not claim that its program will reduce homelessness by more than a third, and this may be optimistic. All the federal spending to date has barely dented the problem.

We Americans are eternal optimists. We think that all problems are solvable. We believe in the "indefinite perfectibility of man," as Alexis de Tocqueville put it. But people are permanently imperfect, and all problems are not solvable. Some will endure forever. There will always be a sliver of society—especially in a nation as big, diverse and individualistic as ours—who will be more than desperately poor. They will drop off the edge.

Many of these people used to be called "vagrants, tramps, bums," as the writer

First, help families with children.

Tom Wolfe once put it. Homelessness is a blander term, implying that the homeless bear no responsibility for their own plight. All labels simplify the human condition, and if homelessness is too forgiving for some, "bums" may not be forgiving enough for others. But whatever the labels, some people will always fall to the bottom.

Why, then, is homelessness so conspicuous now when it wasn't 15 or 20 years ago? The main explanation is that the problem we now call homelessness existed before in other forms and other places. In a new book ("The Homeless," Harvard University Press), sociologist Christopher Jencks of Northwestern University has meticulously reviewed the various studies and concludes that a large part of today's problem results from the destruction of "skid rows" and the "deinstitutionalization" of mental patients.

Skid rows were rarely visited by the middle class. The homeless were out of sight and out of mind; they slept on the streets or in flophouses. In 1958 Chicago's so-called "cage hotels"—which offered single, windowless rooms for less than \$1 a night—housed 8,000. By 1992 only one similar hotel remained with, perhaps, 200 rooms. Skid rows were regarded as disgraceful. They often became sites for urban renewal, or strict enforcement of building codes put hotels out of business. In the process, the down-and-out lost their most reliable form of housing.

That loss, writes Jencks, "combined with changes in the laws about panhandling and vagrancy, encouraged destitute single adults to spread out over the entire city, turning every doorway into a potential flophouse." Homelessness increased and became a lot more visible, though the numbers were never huge. A 1958 survey in Chicago found about 1,300 homeless; three decades later, the number was about 2,800 in a city of 2.8 million.

"Deinstitutionalization" has had a similar effect. It transformed an invisible problem into a visible one. People who had no place to go were released from state hospitals; involuntary commitment

became almost impossible. Slightly less than a quarter of today's homeless have been in mental hospitals. But as Jencks points out, this does not cover those homeless with recent mental problems who might have been hospitalized under previous policies. Including these, he reckons that perhaps a third of today's homeless are mentally ill.

There are other causes of higher homelessness. Jencks says that crack addiction (cheaper than cocaine), more long-term unemployment and a decline in welfare benefits all mean that people with the most precarious lives stand a greater danger of landing in the streets. What Jencks does not think caused homelessness is a drop in government-subsidized housing. Between 1979 and 1989, he points out, the number of tenants in subsidized housing rose from 2.9 million to 4.2 million. Though the Reagan and Bush administrations disliked these programs, previous spending commitments kept construction expanding.

Nor has housing for the poor generally deteriorated, though obviously much of it remains below middle-class standards. "The low-rent housing available in 1973 often lacked amenities, such as central heat and hot water," Jencks reports. "Many poor tenants who came of age before World War II saw these amenities as luxuries." By 1989 surveys showed tenants had more rooms, more "complete bathrooms, complete kitchens... modern plumbing, central heat and air conditioning" than in 1973.

What remains is a small, highly visible and largely insoluble problem. Jencks thinks that the homeless at any one time tripled or quadrupled in the 1980s to 300,000 or 400,000; the administration uses a figure of 600,000, which seems on the high end of reasonable estimates. Some people experience brief periods of homelessness, so that in the late 1980s, as many as 1.2 million people annually might have been on the streets sometime. All estimates are rough; all seem large but are relatively small in a nation of 260 million.

What can be done? Families with children deserve the most help. But they account for less than a fifth of the homeless, and most already use shelters and tend to move fairly rapidly out of homelessness. Many of the rest (mostly single men) are barely employable. Many are alcoholics or drug users. Many have chosen panhandling as a way of life. The odds of helping them are long. If we had no other social problems, we might still spend heavily to beat the odds. But there are many demands on limited public funds for other pressing needs: to control crime, reduce welfare dependency, improve schools or provide more health care. Spending more for the homeless crimps spending for something else.

Is the extra effort worth it? The hard questions are best settled locally. People can weigh their own conditions, competing needs and moral sensibilities. Homelessness is mainly a local problem. Transforming it into a national issue is convenient for advocates, because it provides the most government money for the least amount of lobbying. But this is ultimately a corrupt and delusional bargain. It makes people less responsible for local problems and imposes a moral burden on the federal government to try to solve problems that it can't.

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This will only work
in US if US soldiers volunteer
for it - Dad JCS against
so far as unqualified but
only way it will work

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VP
was on your mind
then!

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Charles Krauthammer

Stop the Genocide In Rwanda

For all of the hyperbolic use of such terms as genocide and holocaust to describe Bosnia, the worst violence on earth today is occurring in Rwanda. Unlike Bosnia, where the combatants are fighting over 4 or 6 or 9 percent more territory, in Rwanda the issue is not territory but existence. This is a tribal war of extermination, of mass murder at a Hitlerian rate. Between 200,000 and 400,000 have been massacred in seven weeks—as many as have died in all two years of the Bosnian civil war.

Yet Bosnia has a vocal, articulate constituency. Rwanda has none. Bosnians are white, European, familiar. Rwandans are black, African, foreign. For Western intellectuals, Sarajevo evokes Spanish Civil War romance. Kigali evokes nothing more than Heart of Darkness nihilism.

It is a curious humanitarianism, however, that advocates humanitarian intervention on grounds of familiarity, race and romance. What counts is the scale of the violence and the suffering. Rwanda is the one unequivocal case of genocide occurring in the world today, and genocide demands intervention.

But by whom? The best answer, but unfortunately of use only to future Rwandas, would be a small U.N. army, as first proposed by U.N. Secretary General Trygve Lie in 1948.

The current chief advocate for the idea is former U.N. under-secretary general Brian Urquhart. Urquhart is a humanitarian realist. He knows that where individual Great Powers have no interests, they will in the end not intervene. It is the godforsaken places that need a U.N. army made up not of units cobbled together from existing national armies but of individuals enlisting under the U.N. flag in a U.N. uniform.

Such an intercession force could be rapidly deployed to danger zones on order of the Security Council. No need with each crisis to canvass for a new set of volunteers. No need to patch together Malaysian and Moroccan, Pakistani and Italian units into some rickety uncoordinated force (see: Somalia). A small mobile U.N. legion would be ready to go anywhere and quickly.

But what to do for Rwanda today? The best answer is a regional force drawn from African countries. Three African states—Ghana, Senegal and Ethiopia—have already volunteered troops for Rwanda peacekeeping. One wishes, however, that one particular African state—the leading African state—were on that list too.

South Africa is sub-Saharan Africa's regional superpower, an advanced industrialized country with a powerful army and the proven ability to fight far from home. It is doubly blessed by having such an army now commanded by the man who carries more moral authority than any national leader on the planet, Nelson Mandela. As the leading black African state, South Africa should be granted the authority—and most urgently encouraged—to lead an African response to an African tragedy.

Only South Africa has the power and prestige to head a regional intervention into Rwanda. It would be objected, of course, that the new South Africa, barely weeks old, has other problems. This would be yet another added to a full plate.

True. But all countries have problems, and Rwanda's neighbors all



ASSOCIATED PRESS

FRIDAY, MAY 27, 1994 THE WASHINGTON POST

have full plates. Which is why they turn away and Rwandan genocide goes on unchecked without the most minimal outside effort to do anything beyond evacuating whites. (That was done immediately.)

Moreover, intervention need not mean active participation in Rwanda's civil war. Entering Kigali with the intention of stopping the war and separating the combatants is too ambitious and difficult an objective. The most urgent need, as the relief agencies on the scene have insisted, is far less dangerous and costly: the establishment of havens for the feeding and protection of those threatened with massacre.

The outside world could help South Africa by lightening the economic burdens of leadership. South Africa is already reducing military expenditures. Why doesn't the world community, through, say, a financial pool established by the G-7 countries, create a fund for those units of the South African army dedicated to African peace-keeping?

One could even imagine South Africa being given eventual trusteeship of a place like Rwanda. At the time of Somalia's crackup, trusteeship was raised as a way of establishing effective and internationally recognized authority over failed states like Somalia.

But tinged as it is with the memory of imperialism, trusteeship by the Great Powers would not have a chance of gaining worldwide support. Trusteeship by a country like South Africa would. And there is precedent. After World War I, the white government of South Africa was given trusteeship over the former German colony of Southwest Africa (today Namibia). Why not grant the majority black government of South Africa trusteeship over some of the wreckage of the post-colonial era?

But what if South Africa declines to lead in Rwanda? Then America should step in as the last resort. Somalia again? Yes, but this time we do it right: in and out in 90 days. No nation-building fantasies, just rescue and protection. Create the havens, then turn them over to the multinational African force. Genocide demands no less.

For the Record

From a commencement address yesterday by U.N. Secretary General Boutros Boutros-Ghali at Johns Hopkins University's School for Advanced International Studies:

Recently, the United Nations Development Program asked people around the world, in many different situations, the question, "What does security mean to you?" Their answers focused not on state, but on human security. People think of freedom from fear, disease, death. They think of health, education, jobs and the well-being of the family. These issues often span state borders. They require cooperative understanding and effort—not only among states, but at all levels—global, international, regional, national, governmental and nongovernmental, local and personal. . . .

In a report on an agenda for development provided to the General Assembly [Wednesday], I offered a new framework for thinking about this problem. Development has many dimensions. Peace, itself, is a foundation for development. The lack of development. . . breeds confrontation. This cycle must be broken.

. . . Economic growth remains the driving force of development. Without economic growth, the resources will not be available for any efforts at progress.

Environment is critical to development. A country's natural resources are often its most exploitable assets. Present needs must be satisfied in ways that make development sustainable. Justice is a source of social progress. The poorest countries need help to prevent disease, achieve good governance and strengthen education. . . .

Democracy and development are linked. In some countries, development has been followed by a trend toward democratization. Elsewhere, democratization leads the way to economic revolution. Stability, good governance, participation and creativity are all products of democracy. All are critical to lasting development.

LAKE
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Sho boat with
Dr. J. Curran / and
Donna B

THE PRESIDENT HAS SEEN
5.31.94

Freeh Warns of a New Russian Threat

Rise in Organized Crime Could Pose Nuclear Danger, FBI Chief Says

By R. Jeffrey Smith
Washington Post Staff Writer

AT

Russian organized crime groups have made substantial inroads in the United States, engaging in activities such as tax fraud, insurance scams and drug trafficking, FBI Director Louis J. Freeh told a Senate panel yesterday.

Freeh said the rapid growth of such groups poses "a mounting threat to the safety and well-being" of Ameri-

cans, not only because of the crimes but also because the groups could obtain nuclear weapons materials or a completed nuclear bomb.

"Such stolen weapons could be sold potentially to terrorists who could use them against the United States and other countries," Freeh said. "We have all been fortunate—maybe lucky is a better word—that there apparently have been no nuclear thefts so far."

He added, however, that an inter-

national probe is underway into a possible theft from the area of St. Petersburg, Russia, of two kilograms of highly enriched uranium capable of being used in a nuclear weapon. That is less than a third the amount needed to fashion a crude nuclear device.

Freeh's unusually blunt warnings at a hearing of the Governmental Affairs permanent investigations subcommittee prefaced his announcement that the FBI soon will open its first office

See FBI, A40, Col. 1

Senate Panel Told of New Russian Threat

FBI, From A1

in Moscow, for the purpose of forging anti-crime links with the Russian law enforcement community.

This move—and Freeh's grim depiction of a new threat to U.S. security—come at a time when federal intelligence-gathering and law enforcement agencies are under pressure to trim their budgets and develop new missions in the aftermath of the Cold War. Freeh did not offer many examples of Russian criminal activity abroad but said the FBI has received a growing number of reports of such action.

As part of a new effort to cooperate with a country long regarded as the FBI's principal nemesis, Freeh said he is willing to begin FBI training of Russian police officers in techniques to fight organized crime. He also plans to establish a joint intelligence data base and install secure communication links to exchange leads on organized crime groups.

Details of the new cooperation are to be discussed when Freeh travels to Moscow next month with senior officials of the Treasury Department, the State Department and the Drug Enforcement Administration. Freeh said the "template" for such cooperation is a 1981 arrangement with Italy that has sent hundreds of Mafia members to prison in both nations.

Seated near Freeh at the hearing was the top Russian official charged with fighting organized crime, First Deputy Minister of the Interior Mikhail Yegorov, who confirmed and en-

larged on Freeh's warnings about the threat to Americans.

According to information reaching Moscow, Yegorov said, 24 Russian organized crime groups are operating on U.S. territory, principally in San Francisco, Los Angeles, Miami, Chicago and New York. He said they engage in "money laundering, illegal money transactions and narcotics," with assistance from emigres now living in America.

Freeh said FBI probes of "Russian/Eurasian" organized crime and racketeering had increased from 13 in 1992 to 35 early this year. He said, for example, that the FBI had evidence Russian emigres were working with La Cosa Nostra organizations to control the illegal, untaxed sale of 50 million gallons of gasoline a month, costing the Treasury \$7 million a month.

Profits from the scheme were funneled to import-export firms conducting business in Eurasia and to an organized crime figure in Moscow, Freeh said. He added that 18 individuals and three companies have pleaded guilty to the fraud, including two people hunted down in Russia and returned to the United States.

Freeh also said that a Russian emigre affiliated with an organized crime group operating in the Baltic states was convicted three years ago in a medical insurance billing scheme that netted \$50 million. He said FBI information "clearly indicates" Russian emigres are laundering millions of U.S. dollars "that originated as rubles" and in some cases stemmed from criminal activities.

According to Yegorov, the United States is not alone in providing fertile ground for Russian criminals. He said 47 organized groups are operating in Germany and 60 groups in Italy, often banding together with local criminals to commit extortion or fraud or to provide a conduit to the West for narcotics from central Asia.

Yegorov said that during the past 18 months, his organization had investigated 47 criminal cases involving radioactive materials, including nine alleged thefts of highly enriched materials of the sort needed for nuclear weapons. Only one such theft involved organized crime groups, he said, adding that nonetheless this danger should be taken more seriously.

Hans-Ludwig Zachert, the president of Germany's Federal Criminal Police, also underscored Freeh's warnings about the potential for trade in nuclear materials from the former Soviet Union and eastern Europe.

Zachert told the Senate panel his organization in 1992 investigated 18 such alleged thefts. Weapons-grade materials were offered for sale in several of the cases, although no such materials were found. Two cases investigated in 1993 involved attempts by eastern Europeans to extort money by threatening the use of nuclear arms against Germany or Austria.

"Crime and particularly organized crime has become one of the most dangerous forces from the collapse of the Soviet system," said Sen. Sam Nunn (D-Ga.), the subcommittee chairman. "It may ultimately pose a threat to peace not only in that region but others."

S-31.94

Pre-Joe Hickey

New York Finds Fewer People Have Health Insurance a Year After Reform

By LESLIE SCISM

Staff Reporter of THE WALL STREET JOURNAL

Almost one year after New York State adopted stiff insurance reforms, fewer people have health-care coverage than under the old system.

The surprising decline provides ammunition to supporters of nationwide mandatory insurance, and could prove troublesome for advocates pushing for incremental insurance reforms.

Under New York's system, insurers are required to offer one-size-fits-all pricing, a method that sharply decreased rates for older, sicker people but increased them for others. The law also forces insurers to take all comers, and, as a result, some insurers contend that disproportionate numbers of young, healthy people are dropping coverage on the assumption they can buy it later if needed.

With increasingly fewer healthy people counterbalancing the sick, the result, according to the insurers, is the start of an upward spiral in rates for those still in the pool. If the trend continues, insurers contend, the very people that the program was intended to help could again be priced out of the market.

Crumbling Barriers

"There should have been a substantial gain in people insured [in New York] because a number of barriers for people to be insured came down," says Robert Laszewski, a partner with Health Policy & Strategy Associates, a Washington consulting firm. But the abrupt increase in rates for young, healthy people has "affected the ability of New York to achieve a lower-cost pool. Now we may have a pool in New York skewed toward the sick, and in the long run that doesn't help the consumer."

Ronald Pollack, executive director of Washington-based Families USA Foundation, a consumer group that backs President Clinton's plan of mandated coverage, adds: "New York's experience gives very little comfort to those who just want incremental insurance reforms." Mr. Pollack insists that reforms, in isolation, "can't keep insurance affordable and available for families."

New York's effort is one of the nation's most sweeping attempts at reform and is closely watched by national policy makers. New York Insurance Department figures show that, overall, 1.2% fewer people — or 25,477 fewer people — were insured individually or in small-employer groups as of Jan. 1, nine months after the law, which covered those categories, took effect. The decline was particularly pronounced among individual policyholders — 12.4%, or 43,666 people. The figures represents people insured by conventional insurance

companies, health-maintenance organizations as well as Blue Cross/Blue Shield.

Insurance-department officials downplay the slight drop in overall enrollment, citing a "disruptive phase-in period." As for the steeper drop in individual coverage, they suggest some people previously covered individually are now in small groups, perhaps because their employers were prompted to add coverage.

'Unqualified Success'

New York Insurance Superintendent Salvatore Curiale calls the state's effort an "unqualified success" because it opened the system to those needing insurance the most. "The reason for all the effort to portray this as a failure is because the health-insurance industry is deathly afraid it will be taken up as a national policy," Mr. Curiale says. "What they're afraid of is that their profits will decrease" if they can't make money "on the backs of young, healthy people."

Many insurance companies that strongly opposed the New York law say their individual and small-group businesses have always had thin profit margins. Although they are allowed under the law to raise rates anytime they wish, the insurers contend that forcing them to take on a disproportionate number of less-healthy policyholders makes it even tougher to turn a profit, making rate increases necessary.

The insurance industry's practice of rejecting sick people, or charging them exorbitant rates, has long been one of Hillary Clinton's biggest complaints. But her calls for change have generally been in the context of sweeping reform that would bring all Americans into the health-care system, mostly by forcing employers to pay for premiums. The debate over insurance-underwriting practices has revved up recently as some leading legislators have suggested that Congress enact moderate reforms now and revisit the issue of a massive system overhaul later.

'Bailing Out'

In New York's case, the state adopted a "community rating" system, so-named because insurers must charge all people within given communities the same price regardless of such factors as age and medical condition. While considered a revolutionary effort, the state still allows insurers to refuse to cover prior medical conditions during an individual's first 12 months of coverage. The idea is that the exclusion will induce healthy people into the system before they get sick.

But Cecil Bykerk, chief actuary for Mutual of Omaha, which along with HMOs and Blue Cross/Blue Shield provides indi-

Please Turn to Page A4, Column 3

New York's Reform Leaves Fewer People With Health Care

Continued From Page A2

vidual coverage in New York, says young, healthy people are nonetheless "bailing out." The average age of the company's New York policyholders has gone up 3.5 years under the new law, to 45 years, he says. The average New York claim more than doubled, to \$7,900, while the company's claims nationally rose just \$400 to \$3,800.

The result at Mutual of Omaha: average 35% rate increases in New York this year, which come on top of increases for some young, healthy people of as much as 79% when the law took effect in April 1993. Before the reform, a 25-year-old male in Albany paid Mutual of Omaha \$64.45 a month for coverage, and a 55-year-old paid \$141.79; in the law's first year, each paid \$107.33, and, with the newest rate increase, the bill is \$145.10.

At New York Life Insurance Co., a small-group insurer, the average age of insured New York employees is up three years. Chubb LifeAmerica, a unit of Chubb Corp. that also sells small-group insurance, says people over 50 years old now represent 26% of New York enrollment, up from 20%.

"There's no question we have an adverse-selection cycle setting in," says Seymour Sternberg, a New York Life executive vice president, calling the situation "very unstable."

John Swope, president of Chubb LifeAmerica, meanwhile, speculates that some small employers with mostly young workers ended coverage because of the rate increases imposed when the law took effect, while employers with older workers "grabbed it because it was such a bargain."

At Chubb and New York Life, rates are jumping more than 20% this year. But Mr. Curiale says some small-group insurers with double-digit increases underpriced their policies last year and are playing catch-up. He says more representative increases are in the single-digit range.

For now, the state has no plans to reconsider the law, saying the problems are overdramatized. "The figures still don't show the system isn't working," Mr. Curiale says. "There's no doubt that there are younger, healthier people who decided not to pay the premium increases. But you can extrapolate that these are people who can get back into the system if they want to."

THURSDAY, MAY 26, 1994

Huber
Do you agree with Greenspan?
How often do you have a meeting with him?
By



Lois Raimondo for The New York Times

s in Hanoi alongside Hoan Kiem
ness to foreigners and commerce.

s Vietnam

Asia-Pacific development of Minneapolis-based Radisson. "With that kind of demand you'll have lots of businessmen, technicians and support personnel needing roofs over their head, in addition to the growing number of tourists."

To prevent "our competitors winding up serving our guests," as Mr. Olson put it, Radisson and potential partners from Thailand and Malaysia anticipate putting up hotels in Hanoi, Ho Chi Minh City (the former Saigon), and Da Nang.

Avis is also moving aggressively. "We've had a lot of interest from investors who want franchises in Hanoi and Saigon," said Michael Collins, an international vice president, "and because we see good growth opportu-

Continued on Page D19

Split Its Units

closed at \$53.75 on Tuesday, never opened for trading yesterday. According to a spokesman for the New York Stock Exchange, the opening was delayed because of an order implemented by 10:35 A.M. the exchange cited the reason to "news" but not because of a company to suspend trading to a company

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Derivatives Get a Key Supporter

Greenspan Doubts They'll Cause Crisis

By SAUL HANSELL

Special to The New York Times

WASHINGTON, May 25 — Strongly disagreeing with a new Congressional study, the chairman of the Federal Reserve Board, Alan Greenspan, said today there was "negligible" risk that the rapidly growing market for financial derivatives might someday require a taxpayer bailout.

In testimony before a House subcommittee, Mr. Greenspan and other senior financial regulators said there was no need for new legislation to supervise derivatives.

Derivatives are highly profitable products offered by banks and brokerage firms to corporations and investors. They are contracts with cash values that are tied to, or "derived" from, the price of financial assets like stocks, bonds, commodities or currencies.

Variety of Uses

Most often, derivatives are used by companies as a form of financial insurance; they can, for example, help protect against a decline in the dollar value that would raise the cost of a company's imports. Derivatives can also be used by investors as a substitute for owning securities.

Several large companies recently reported losses from unusual derivative transactions that combined normal hedging of risks with speculative bets on interest rates.

Last week, the General Accounting Office, an arm of Congress, released a study that called for vastly expanded regulation of the dealers and users of derivatives. In particular, the G.A.O. called for much closer supervision of the derivatives activities of brokerage firms and insurance companies, which are not regulated as tightly as federally insured banks.

Fears of a Bailout

The G.A.O. said that because derivatives activity was concentrated in a few big banks and brokerage firms, there was an increased possibility of a market crisis leading to a taxpayer-financed bailout that might have to be extended even to uninsured brokerage firms.

Mr. Greenspan challenged the G.A.O.'s assertion that the Government could be at financial risk. He noted that brokerage firms can borrow from the Federal Reserve's discount window in case of emergency but he emphasized that such loans are backed by collateral and, in his view, pose virtually no risk to the Government.

Moreover, Mr. Greenspan played down the risk of derivatives to commercial banks. "There is no presumption that the major thrust of

Periscope

EXCLUSIVE

Kim Speaks

SOUTH KOREAN PRESIDENT Kim Young Sam wants to cool down the rhetoric over North Korea's nuclear threat. In an interview with NEWSWEEK Editor-in-Chief Richard M. Smith and Tokyo bureau chief Bill Powell last week, Kim dwelt on the North's deepening economic problems in an apparent effort to draw attention away from the show-down over the International



Lowering the heat: The president

Atomic Energy Agency's inspection of Pyongyang's nuclear facilities. Kim's low-key tone matched a recent de-escalation of rhetoric from North Korea.

Asked whether Washington has become "hysterical" over the nuclear issue, Kim said: "I perceive some exaggeration in media account it as a 'crisis.' He went on to ment of North ic situation: "In condition. The ages. In the co is not enough t have one meal trition has eve the military . . 80 percent of t tories do not w only about thre tricity a day."

The possibi could break ou ar issue, Kim s ly nil," because knows that if it "irrational" it v damage to itself.



Burning out the staff? Clinton signs a bill earlier this month

THE WHITE HOUSE

All Stressed Out?

AFTER WHITE HOUSE DEPUTY COUNSEL VINCENT FOSTER'S suicide last summer, Bill Clinton urged his staff to ease up. But it wasn't long before they resumed their workaholic ways. Now it's their doctors who are telling aides to "be careful." NEWSWEEK has learned that half-a-dozen White House officials have been told by their personal physicians that their stress levels are so high they are flirting with danger unless they slow down. One top aide was recently hospitalized. Several have consulted doctors for what turned out to be stress-related symptoms. "We're working too hard, sleeping too little, eating too much or too badly," says an aide, who describes White House life as "late hours and too many pizzas."

The burnout factor is likely to contribute to an exodus of senior aides after Congress adjourns in October. Counselor David Gergen has already said he's leaving, and Special Counsel Lloyd Cutler, who signed up for 180 days, will be gone by fall. Now other senior hands are having second thoughts about the long haul. Staff secretary John Podesta, who has won high marks for his handling of the Whitewater affair, complains that he never sees his children. Political director Joan Baggett and health guru Ira Magaziner are also expected to quit.

THE FIRST LADY

SCANDALS

Hot Summer Reading

FICTION OR NONFICTION, Paula Jones's harassment suit against Bill Clinton is a best seller. At \$17.50 a copy prepaid, the U.S. district court in Little Rock can hardly keep up with the demand. Since the suit was filed May 6, the clerk's office has received 200 requests for copies from across the country. "Seldom do we get more than half a dozen requests," says clerk James McCormack. In this case, "they're averaging 10 a day." Most have come from Kansas City, Mo.—probably because the local paper published the clerk's address and phone number. "People are curious," says McCormack.



'People are curious': Jones

CONVENTIONAL WISDOM WATCH

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then there's ESPN? Even
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Wisdom

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MACK —

is someone upstairs
trying to send me a
message?

John

5-31-94

copy sent to
McLarty
on
5/27
S

THE WHITE HOUSE
WASHINGTON

DATE: 5/31/94

JOAN BAGGETT

TO:

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

Please coordinate with Mack.



THE PRESIDENT HAS SEEN

5 27 94

94 MAY 27 A 8: 53

CHIEF OF STAFF TO THE PRESIDENT
THE WHITE HOUSE

May 25, 1994

Mr. Carl Spielvogel
BSB Worldwide, Inc.
The Chrysler Building
405 Lexington Avenue
New York, NY 10174

Dear Carl:

Your letter of May 19th regarding the DNC
Dinner on June 27 is received.

Your concerns, as illustrated by Arthur
Liman's letter, are noted and have been
shared with the appropriate people in the
White House.

Personally,

Mack McLarty

bcc: The President
Joan Baggett
David Gergen
Harold Vche.

Mack
me on
discussion
needs my
to Arthur

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CARL L. REISNER
SIMON H. RIFKIND
STUART ROBINOWITZ
SIDNEY S. ROSENBERGER
RICHARD A. ROSEN
STEVEN S. ROSENFELD
PETER J. ROTENBERG
ERNEST RUBENSTEIN
WARREN S. RUDMAN
JEFFREY S. SAMUELS
TERRY E. SCHMER
KENNETH M. SCHNEIDER
BRIAN L. SCHORN
ROBERT A. SCHUMER
STEPHEN J. SHIMSHAK
JOHN A. SILVERMAN
MOSES SILVERMAN
EILEEN S. SILVERMAN
STEVEN SINKIN
ROBERT S. SMITH
MARILYN SOBEL
THEODORE C. SORENSEN
PHILLIP L. SPECTOR**
JUDITH R. THOYER
JAY TOPKIS
DAVID T. WASHBURN
ALFRED D. YOUNGWOOD

(212) 373-3132

May 16, 1994

*NOT ADMITTED TO NEW YORK BAR.
**ADMITTED IN FRANCE ONLY.

Mr. Carl Spielvogel
Backer, Spielvogel, Bates Inc.
405 Lexington Avenue
New York, New York 10174

Dear Carl:

On the evening of June 27 I will be in Ireland. In any event, I am directing my efforts toward assisting the reelection of some Democratic senators and congressmen who are in trouble, and not to a presidential campaign that has two years to get underway and that is sopping up money that these congressional races can use. The President will have an immensely more difficult two years if the Republicans gain control of the Senate.

Sincerely,

Arthur L. Liman

① paper
In case of - did it see map
ARKANSAS TIMES • MAY 12, 1994 19

ERNEST DUMAS CLINTON'S WOES LIKE JEFFERSON'S

Paula Corbin Jones' charge that Bill Clinton made an indecent proposal to her in a Little Rock hotel room three years ago has tormented the nation's media, which are uncertain how deeply they should plunge into the personal lives of politicians to explore "character" and how they should report unprovable accusations.

The Washington Post settled the question, maybe for our time, by reporting Jones' story in detail just before she filed her lawsuit against the president in federal court. The rest of the media followed.

No president this century has had his past examined so minutely and often so recklessly or judged so rigorously, but Clinton is not likely to be the last. We have been advancing in this direction, and future candidates will have to pass a sterner test of character than anyone has ever had to meet.

Jones' allegation that she was propositioned crudely by Clinton after he picked her out of a crowd at the hotel and that she was hurt by the ordeal would be more credible and she might elicit sympathy were it not such a blatantly political gambit. She made her charges in the forums of right-wing political groups, and her pornographic pleading in federal court was unlike any federal court complaint anyone has seen. It was

drafted for political, not legal, effect.

How far has the public discourse fallen?

Almost exactly to where it was 192 years ago. Sexual promiscuity has been an undercurrent of presidential history, but Thomas Jefferson provides a good parallel to Clinton.

The newspapers in that day of a partisan and unprincipled press and Jefferson's political enemies had a wonderful time with stories of Jefferson's amorous pursuits. He was accused of fathering children by a beautiful slave at Monticello, of atheism and a general lack of character.

Jefferson steadfastly refused to admit or deny having sex with the slave, Sally Hemings, who seemed to become pregnant after long stays at Monticello. He said he did not comment on calumnies about his private life. Eventually, he was driven to publicly admit an indecent proposal.

Oblique charges of sexual promiscuity had circulated; Alexander Hamilton, his political enemy, called him "a concealed voluptuary." In Jefferson's second year in office they broke into the open.

A newspaperman named James Callender had some years earlier exposed an extramarital affair of Hamilton. Callender, who did prison time for sedition under President Adams, blackmailed Jefferson to keep quiet about Jefferson's

role in exposing Hamilton and about the president's own indecent amours. The president sent hush money, but not enough.

Callender reported that Jefferson's carryings on with his slave paramour were well-known around Monticello. Then he passed on the revelations of another newspaper that around 35 years earlier Jefferson had repeatedly tried to seduce a married woman named Betsey Walker. Callender said Mrs. Walker had repulsed the first attempt "with the contempt it deserved" but that Jefferson had persisted.

The woman decided to complain about the 35-year-old sexual harassment. Her husband challenged the president to a duel, but settled for what would now be called a slick, lawyerly letter. Jefferson was driven into a deep depression by the storm over his character but survived.

Callender was beaten bloody by Jefferson's lawyer and later was found dead in three feet of water in the James River. He was rushed into the ground the same day, and a coroner's jury ruled that he had gone to the river to bathe and had drowned accidentally. A special prosecutor never looked into the strange circumstances.

Early in his second term, Jefferson's enemies raised the ancient overtures to Mrs. Walker again, the Massachusetts legislature held hearings, and, after negotiations, Jefferson settled by writing a letter to the attorney general and secretary of the Navy formally admitting that he had offered unwanted love to Betsey Walker—but only once.

They wouldn't let slick Tom Jefferson off so easily now.

5/31
In case of - did it see map
ARKANSAS TIMES • MAY 12, 1994 19

THE PRESIDENT HAS SEEN 5/31

John SD Eisenhower
27318 Morris Road
Trappe, MD 21673

May 25, 1994

NSE
for reply
cc: Gergen

1 sure reply
Mr. David Gergen
White House
Washington, DC

Dear David,

Just a note so say how much I appreciate your cordiality at the White House yesterday evening. You and Diana Pierce, who watched out for me and took me on a nostalgic tour of the West Wing, provided me with an unforgettable experience.

I didn't contribute much to the discussions but I didn't need to. The President was subjected to a tremendous amount of fairly detailed information, which he seemed to absorb readily. Above all, he seemed to get what he wanted, which is all that counts.

As the discussion at dinner far transcended the President's speech of June 6, I feel a compulsion to send him a copy of my book, Allies. It deals in broad terms with the war in Europe up to D-Day. No acknowledgement is necessary.

Maybe I'll see you in Normandy. I hope so. But in any case, thanks again.

Sincerely,

John Eisenhower

Done

Attached is a letter from David Leopoulos
thanking you for his stay at the White
House.

He was thinking about you and your mother
on Memorial Day and he mentions the
circumstances surrounding his mothers death.

He sends his best wishes for a good trip
to Europe.

THE PRESIDENT HAS SEEN

5/31

May 31, 1994

Dear Mr. President,

I have been needing to write you for some time, but I have been very busy existing. You know what I mean.

First of all thank you very much for the stay at your house. As usual I enjoyed myself watching all of the excitement around there. You certainly had a busy schedule that week. I am very sorry I didn't get in early that first night. I assumed that you would be busy until late as you usually are. When you told me that you came up to my room twice earlier that evening I nearly died. It would have been great to be with you (by ourselves and just talk). We don't get much of a chance to do that anymore. I have had more time with you this last six months, I can't complain. You are a very special person and you mean a lot to me.

I finished my second of four courses in grad school this month. My instructor was very nice to me, to let me be gone as much as I was and just take the final. When I started selling this legal software, I started traveling a lot and could not attend class. I have two courses left and then I take the national licensing test in counseling. That will be the biggest hurdle of all. I would like to borrow a little of your brain for that one.

I was thinking about you a lot yesterday. Memorial day, I know must be hard on you. It seemed, at least on the news, that you were treated better this year. I hope so. I spoke with Steve Scully with CSPAN a couple of weeks ago, and he said that he had just gotten back from Normandy getting ready for your trip. Steve said that it was a very teary place. He said that the feeling you get over there is incredible. I know it will affect you a lot when you are there. Good Luck. It should be a very special time for you. Even though I am a vet, I have not been affected by this special day much until this year. I don't know why. This year I have been reading and watching the special reports about Normandy and thought about my father-in-law, who was shot down in W.W.II and became a POW. He still has nightmares. It has just hit me how people have changed and how the world has changed. Role models and heroes have certainly changed.

I did not write you, but I also thought about you on Mother's day. I know how it feels to lose my mother and I did not quite know how to feel on the first Mother's day after her death. Most Mother's days I don't quite know how to feel. I was thinking of you non-the-less this Mother's day. I loved your Mom so much and admired her tenacity for life.

Speaking of my mother, I want to ask you if you ever heard the rumor I heard for the first time when George my brother came down for Dad's funeral. He told me that he heard Mom's murder was a mistake. That my Aunt Glenna (Harry's wife) was the target. Some underworld gambling thing. Did you hear anything like that? I am pretty devastated by that possibility.

Well, I have been talking to a lot of people in Colorado the last several months. Every now and then I speak with people about you. Their thought processes are interesting. I expected the reactions I have been getting. I spoke with one country lawyer (Judge also). He said that he

Handwritten notes and signatures in the right margin, including "5/31" and "P.2".

wanted so much to believe in you and that after speaking with me he was relieved and felt better. He feels that Americans need to believe in their President. He said that once he spoke to someone that **really** knew you and had such good things to say about you, that it confirmed what he wanted to think about you. He said that all of the negative publicity about you made him wonder about. I asked him to focus on what you have accomplished since you have been in office and he said that you have done a lot and obviously work very hard - but this negative stuff seems to always be there and sort of wears him down. The old, "where there is smoke there is fire" thing. I get this same reaction from most I speak to. Once they speak to someone who knows you and hears normal stuff about you people seem to turn around quickly. I don't know if this helps at all but I thought you would like to know. I keep trying to get on to CSPAN to try and balance things. They get good reactions from their audience whenever I am on.

Well, have a good trip to Europe. God Bless

Your Friend,

David L.

A handwritten signature in black ink, appearing to be 'D. L.', written in a cursive style.

Economy's Pace Revised Upward For 1st Quarter

GDP Grew at a 3.0% Rate; Current Picture Seems To Satisfy Fed's Chief

By LUCINDA HARPER
And DAVID MULHOLLAND

Staff Reporters of THE WALL STREET JOURNAL
WASHINGTON — The economy grew faster than originally thought in the first quarter, and Federal Reserve Chairman Alan Greenspan said it is "well-balanced" and "doing well."

The Commerce Department said gross domestic product, the value of goods and services produced in the U.S., grew at a 3.0% annual rate in the first quarter, compared with the 2.6% rate originally estimated.

The rate, which was much slower than the skyrocketing 7% pace of the fourth quarter last year, suggests that the economy is expanding and adding new jobs but that inflation is under control. "Inflation is low and growth is steady," said James F. Smith, professor of finance at the University of North Carolina at Chapel Hill. "We're not in danger of the economy overheating."

That feeling, held by many economists, is why Mr. Greenspan was on Capitol Hill Friday testifying about the health of the economy and other matters. The chairman came under fire from hostile Democrats for raising short-term interest rates to head off inflation when the economy doesn't seem in danger of overheating. A broad range of statistics, including consumer and producer price indexes, have shown prices to be very well-behaved.

Mission Accomplished

Mr. Greenspan explained why the Fed had chosen to raise interest rates four times since February, but shed little light on what the Fed is planning for the future. The chairman said the "mission" of low interest rates — steady, consistent growth — had been accomplished. "In an underlying sense, real GDP clearly has accelerated," Mr. Greenspan said. He blamed market speculation for the volatility of the markets after the first several rate increases.

Mr. Greenspan noted that although there haven't been lots of signs of inflation pressures, "manufacturers have reported paying higher prices to suppliers" and industrial commodity prices have been rising as well.

Also, in the government's GDP report the fixed-weighted price index for gross domestic purchases was revised upward to 3.1% from the 2.8% first reported. While this shows a slight uptick in inflation, economists said the increase was because of federal pay raises and isn't a harbinger of creeping inflation.

Spending and Trade

Stronger spending by consumers and the federal government and a better trade picture than first thought were the main reasons for the upward revision in the GDP rate. Many analysts had anticipated a slight downward revision.

But few economists felt the new numbers were significant enough to change their estimates of second-quarter growth or growth for the year, which ranged from 2% to 4%. Even those who revised their estimates did so tentatively.

First-quarter after-tax corporate profits fell 3.7% from the first period, the department said, after a 7.7% jump in the last quarter of 1993. Economists said the drop was expected after such a good performance in the last part of the year.

Separately, the University of Michigan's index of consumer sentiment in May crept up to 92.8 from April's 92.6. The index consists of an index of expectations and an index of current conditions.

All figures have been adjusted for normal seasonal variations.

GROSS DOMESTIC PRODUCT
Here are some of the major components of the gross domestic product expressed in seasonally adjusted annual rates in billions of constant (1987) dollars:

	1st Qtr. 1994	4th Qtr. 1993
GDP	5,264.1	5,225.4
less: inventory chng	19.1	8.5
equals: final sales	5,245.0	5,217.1
Components of Final Sales		
Personal Consumption	3,546.3	3,506.9
Nonresidential Invest.	635.0	625.7
Residential Invest.	231.4	227.2
Net Exports	-100.8	-84.5
Gov't Purchases	933.1	941.7

Clinton's Encryption Proposals Collide With Licensing Problems

Three Patent Holders Seek Royalties From U.S. On Code Technologies

By DON CLARK

Staff Reporter of THE WALL STREET JOURNAL

The Clinton administration's controversial code plans are running into patent problems.

The U.S. Commerce Department's National Institute of Standards and Technology has been in licensing discussions with three patent holders who claim they were first to invent key encryption techniques the government has proposed. The latest to come forward is a Massachusetts Institute of Technology computer scientist who believes his patent entitles him to royalties on sales of the hotly debated Clipper chip, which scrambles phone conversations while retaining a way for authorized government agencies to decode them.

Encryption mathematically scrambles telephone traffic or computer data to make them unintelligible to eavesdroppers. Related code techniques are used to prove who sent a message or document. Both are believed essential to protect the security of sensitive communications and financial transactions, but cause potential problems for agencies that use wiretaps in law enforcement and espionage activities.

Royalty Payments

While patents shouldn't derail the code plans altogether, they are likely to complicate efforts to popularize the proposed standards. Any deals with patent holders that require royalty payments could raise the cost of the technology and reduce its appeal, especially to private users and foreign governments.

"There is no way foreign governments are going to go along if their citizens have to pay royalties," said Mark Voorhees, editor of Information Law Alert, a newsletter in Brooklyn, N.Y.

NIST wouldn't disclose details of the negotiations, but reiterated past statements that it doesn't believe any patent objections are valid. "Sometimes it makes sense to engage companies in legal discussions, even if you think there are no valid claims," an agency spokesman said.

The patent holders say they have run into resistance from NIST, but vow not to back down.

"If they don't get a license I will sue them," said Silvio Micali, the MIT computer scientist. "There will be a lot of money to be made; there will be a lot of these Clipper chips."

Andrew Logan, a Philadelphia inventor, said he has given up hope that NIST will license his patent amicably. "They are infringing and they are going to pay me for infringing," he said. None of the patent holders would disclose the amount of royalties they are seeking. Technology royalties typically range from 2% to 5% of the value of the products that use the

technology, patent attorneys said.

Clipper, formally adopted by the Clinton administration in February, was developed by the National Security Agency to protect sensitive but unclassified telephone conversations. Unlike earlier technologies, the chip uses a classified mathematical formula to encrypt conversations. Authorized government agencies can decode those calls by presenting a request to two so-called escrow agencies, which hold two halves of a mathematical key that can unscramble the code.

On May 19, NIST adopted a complementary technology for ensuring the authenticity of electronic contracts and messages. The Digital Signature Standard allows computer users to electronically sign documents with a mathematical formula that guarantees that a document hasn't been changed since it was signed.

Most large computer makers have licensed technology from RSA Data Security Inc., a company in Redwood City, Calif. that has been fighting with the National Security Agency for years. RSA's founders hold several encryption patents related to digital signature technology. They are being enforced by Public Key Partners, a limited partnership that includes Cylink Corp., a maker of encryption equipment in Sunnyvale, Calif.

Tentative Agreement

Last June, NIST announced a tentative licensing agreement with Public Key Partners that later fell through. The latest negotiations in Silicon Valley, on May 12, included members of the partnership and five senior attorneys from Commerce, NIST and National Security Agency.

Robert Fougner, an attorney who attended the meeting for Public Key, said that instead of presenting financial terms, the government lawyers presented a list of unacceptable demands that included royalty free-use of its patents.

NIST's general counsel, Michael Rubin, declined to comment through a spokeswoman, who cited the sensitive stage of negotiations with Public Key Partners. But James Bidzos, RSA's chief executive officer, said "there is no deal in the works."

Mr. Logan's patent, issued in March 1993, describes a technology for protecting computer software against unauthorized use. But Mr. Logan contends that claims in his patent cover a technique used in the Clipper chip to allow law enforcement officials to decode conversations. He said NIST negotiators once informally offered him \$500,000 to license the patent, but later changed their minds and decided to ignore his patent.

Mr. Micali, whose patent was issued in January, says his patent covers the concept of breaking an encryption key into multiple parts that are guaranteed to work, and are held by escrow agents. He has been trying to convince NIST that his system is better than Clipper, because computer users generate their own keys in a way that could make it practical for companies, if authorized, to decode employees' communications.

5/31

THE WHITE HOUSE

WASHINGTON

24 May 1994

94 MAY 31 A 9:55

MEMORANDUM FOR THE PRESIDENT

FROM:

HAROLD ICKES (NE)

SUBJECT:

Announcement of site for the 1996 Democratic National Convention

Chairman David Wilhelm wants to know if you want to announce, or participate in the announcement of, the city selected for the 1996 Democratic National Convention. He expects the announcement to take place on or about 22 June which is the same day as the DNC fundraiser (which you are addressing) in Washington, D.C. I think David contemplates the announcement as a separate event from the fundraiser.

If you decide not to participate in the announcement, he will handle it on his own.

Please let me know.

cc: Ricki Seidman

V.P.

WACK

Don't
forget to
sign



ONE LINCOLN PLAZA
NEW YORK, NY 10023
(212) 595-3456

94 MAY 31 8 25 32
GARY E. KNELL
Senior Vice President
for Corporate Affairs

May 24, 1994

John D. Podesta
Assistant to the President and
Staff Secretary
Ground Floor, West Wing
Executive Office of the President
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear John:

I know this is probably not on your list of a million and one priorities, but the Executive Producer of Sesame Street has written the attached letter to your boss formally requesting his presence on next season's premiere of Sesame Street.

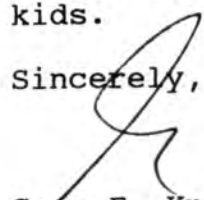
As you can see from the proposal, our writers have come up with a great concept which would have the President promoting literacy for young children which would provide a natural followup to the recent initiatives you have undertaken with Head Start. I predict this would get a wonderful amount of positive press for the President which would reach millions of preschoolers, their parents, and other caregivers across the nation.

If you feel it appropriate, please pass it along to the President with a positive recommendation. As we showed with the First Lady last year, CTW is well positioned to manage such an appearance and gain the high positive visibility which the President expects and deserves.

Ricki —
Can you let me know what
you decide on this. Gary
is a good friend
JDH

If you have any questions, please call me. Best to Mary and the kids.

Sincerely,



Gary E. Knell

P.S. I would like to borrow your agent after that wonderful piece in the Washington Post. Congratulations!



ONE LINCOLN PLAZA
NEW YORK, NY 10023

(212) 595-3456

May 24, 1994

President Bill Clinton
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20006

Dear Mr. President,

Since you are a very busy man, let me cut to the chase immediately. We, at *Sesame Street*, are inviting you to be our guest performer to inaugurate our 26th year on television.

Considering the many articles that have recently appeared about the disappointing reading scores in America's schools, *Sesame Street* has decided to go "back to basics" and emphasize something that we pioneered on television--pre-reading. Our research department has indicated that a valuable component of this is reading stories to children. Therefore, we are preparing to launch a nationwide campaign much along the lines of the successful "Designated Driver" campaign. Our campaign will be a "Designated Reader" campaign and the thrust of it will be for families to have one member (mother, father, grandparent, aunt, sibling etc.) read to their preschooler at least once a day.

In line with this campaign, our premiere episode (which will air the Monday of Thanksgiving Week 1994) will underscore the reading theme. And here's where you fit in, Mr. President. The storyline we envision features Big Bird who wants to have someone read to him. Our adult characters are eager to do so but have immediate pressing concerns that interfere. But they, being responsible adults, all pursue a designated reader for Big Bird. In the middle of their search, a call comes in to the fixit shop. It is the White House inquiring about their toaster which is in for repair. The toaster is ready and before Maria and Luis hang up they inquire as to whether the caller (the President) might have a few moments to be Big Bird's designated reader. The President has a few moments. Big Bird races off to Washington. He is ushered into the Oval Office where he presents the President with his now-repaired toaster, is invited to sit on the presidential lap, and the President begins to read a story to him. They are interrupted by the ringing of the red phone. The President picks up the phone and says, "I'll have to get back to you, I'm reading to Big Bird right now." He hangs up and continues to read to Big Bird.



© 1993 HENSON

This is the present concept for the show. The final script would be submitted to you in advance for your approval. We estimate that filming the last scene in the Oval Office would take up to one hour (most likely less.) We will have teleprompters available.

Mr. President, I've given you the chase, I've given you the background, now the heavy-handed pitch. We've been honored to have Mrs. Clinton and Mrs. Bush on our show but we have never had The President of the United States, so this would be a first. Through the years a great many celebrities have delighted our audience...(most recently they included Garth Brooks, Maya Angelou, Michael Chang, Jodie Foster, Little Richard and Marilyn Horne.) *Sesame Street* has not only been seen in America for 25 years, but is currently viewed in over 50 countries around the world. We have won more Emmy Awards than any other show in the history of television. The United Nations has come to us to ask us to prepare a special *Sesame Street* show which would celebrate the 50th anniversary of the United Nations at the UN building next year.

And finally Mr. President, (this is pulling out all the stops) nothing could more enhance the importance that reading has for our children than a picture of you in the Oval Office reading a story to Big Bird sitting on your lap. Obviously, that photo would be seen everywhere.

Thank you for your time in considering this. Our very best thoughts are with you always.

Sincerely,

A handwritten signature in black ink that reads "Michael Loman". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Michael Loman
Executive Producer
Sesame Street

ONE HUNDRED THIRD CONGRESS
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THE PRESIDENT HAS BEEN 5/31
COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6348

May 12, 1994

Handwritten:
Held to reply
C. H. Chen
L. P. Griffin

The Honorable Bill Clinton
President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

I enjoyed our conversation yesterday. It made this old heart feel good to hear that the gruff Chicago pol and the bright young man from Arkansas have a few more things in common these days. I couldn't be prouder of the work you have done as President, especially the way you have established an agenda and revitalized our party. Keep the faith -- and call me any time you need someone to commiserate with.

In the meantime, I thought you would appreciate a brief report on our work so far with respect to health care reform and my thoughts on the rest of your legislative agenda. We have spent the past several weeks in a Democratic caucus of the Committee, helping those Members not on the Health Subcommittee to get more familiar with the major issues we face, and, as you know, awaiting word from the Congressional Budget Office (CBO) on the cost implications of the Subcommittee bill.

As I told you on the phone, I don't view CBO as the enemy here, although I understand why you may be wary of CBO, given their scoring of your bill. But from where I sit, CBO always calls them straight. Sometimes I don't agree and occasionally I wish they could be more flexible, but in the long-run I think it best that they maintain their reputation for professionalism and neutrality. Of course, the entire process is taking longer than even I expected; I am as frustrated as any one.

The good news I can report from our deliberations so far is that I think I have a fairly good shot at delivering universal coverage through an employer mandate in my Committee. To do that, I will have to rely on only Democratic votes. The Republicans don't want to help if it means "real" reform but are positioning themselves to make sure they get no blame if we fail.

The Honorable Bill Clinton
May 12, 1994
Page 2

Universal coverage won't happen, however, without some concessions to small business. I don't expect to garner much support from the organized small business groups -- no matter what we do -- and I worry about the cost of providing relief to small business. The more we help them, the more we have to subsidize individuals, and the greater the threat of cost-shifting to larger companies. Solving that problem won't be easy but I have to say I was encouraged to hear yesterday that some elements of the small business community may be distancing themselves from the NFIB. That would certainly help.

It will be no easy matter to maintain private sector cost containment either. The forces against us -- from the hospitals and doctors to the insurance companies -- work hard and are well organized. I will try to delay the effect of cost containment rather than drop it altogether but I worry that the votes may be against me. It would be a shame to lose private sector cost containment because, in my view, controlling health care costs is one of the main things the American people want.

Beyond that, the real tough question in my Committee is -- no surprise -- how to pay for the package. I have been pleased that most of my Democrats have expressed a willingness to take some tough votes. But we are nowhere near consensus on what that means. I plan to keep making the point that every segment of our society is going to have to make a contribution, which is what I mean when I say we need a broad-based tax. I know that gives you a fair measure of heartburn but you know, as well, that it is the truth. Don't worry, I'll continue to take the bullets.

I also believe it would be a mistake to think that the answer to our problems is an even bigger hit on tobacco. Over the long-term, the money just won't be there, and I am not willing to make the tobacco industry shoulder a disproportionate share of the burden for health reform. Besides, on the floor -- and probably even in my Committee -- we will need the votes of tobacco-State Democrats. My job is to find the middle ground for them.

One final note on health, I expect that you may be pressured -- by a number of my colleagues -- to publicly declare the Rowland-Bilirakis health reform bill unacceptable. I think you already know how I feel about your administration getting involved in the negotiating when we are trying to work out a bill. These days, even "no comment" gets interpreted as sending a signal. But, for the record, since we can't predict where this is going to end up, I think silence is your best choice.

The Honorable Bill Clinton
May 12, 1994
Page 3

Health care isn't the only item you placed on our agenda this year. There is also the GATT Uruguay Round implementing The legislation which should be enacted this year. While there seem to be no easy funding sources for this important initiative, I continue to believe it must be financed under normal budget rules. If we truly care about the deficit, we cannot bend the rules each time it suits some of us. Editorials like the self-serving one in today's Wall Street Journal do not help us do our job. (You won't be surprised to hear that I have written to tell the Journal so.)

Then there's pension reform and worker retraining. I hope we can move quickly on your proposal to reform the Pension Benefit Guaranty Corporation (PBGC). You have done the right thing in proposing it. Too often we shirk our oversight responsibility to concentrate on legislating. Our "reward" for that is problems like the savings and loan crisis -- which could have been avoided. I also appreciate your efforts to overhaul our unemployment system. Focusing more on re-employment is wise. Much of our workforce will need retraining in the years ahead but we must also be realistic about the role the Federal government can afford to play. Training benefits that last 18 months may be more than we can deliver.

Finally, I understand you plan to send your welfare reform proposal to Congress in early June. Again, I know you are trying to be realistic in your expectations by downsizing your proposals. Unfortunately, those who want you and the Congress to fail will make this debate more partisan and contentious than it should be. But the opportunity to make real improvements is there.

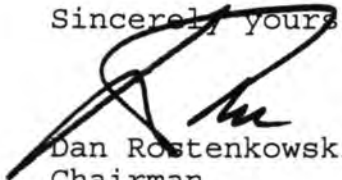
Mr. President, as I look back on 36 years of service in the House of Representatives, I can easily say there is no President with whom I have been prouder to serve. You've made an admirable start. You have to keep it up. Most Presidents have tried to improve our country. Some have let other issues and problems distract them. And some have let the fear of controversy deter the ambitious agenda they knew our country needed. Those other Presidents also faced a minority party but never one as diligent and uncompromising as the one you face today. Too often, this forces you to secure the support of 85 percent of your own party. That is a major, major task.

The Honorable Bill Clinton
May 12, 1994
Page 4

Regardless, don't let the naysayers have an effect on you. Stay in there, God damn it. Fight for what you think is right. We may not accomplish all that you would like, but we will certainly accomplish much more than we would have without your leadership.

With warm regards, I am

Sincerely yours,



Dan Rostenkowski
Chairman

DR/dcc

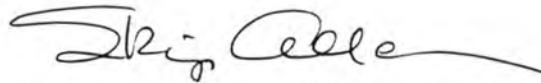
THE WHITE HOUSE
WASHINGTON

May 19, 1994

Mr. President,

Pat Griffin called at 8:00 pm, Sen. Mitchell called him and asked if you spoke to Sen. Moynihan, ask the senator to include Sen. Daschle in the bi-partisan group. Sen. Pryor is not sufficient in Sen. Mitchell's judgement, upon his reflection on the eariler conversation.

In Pat Griffin's judgement, Sen. Moynihan is likely to resist this suggestion, but Sen. Mitchell feels it is necessary to pursue it.



James W. F. Allen
Assistant Usher
Executive Residence
The White House

Pat
Shel (call)
Moynihan before 1/5

5/31/94

Japanese Rightist Fires at Ex-Premier ✓

By ANDREW POLLACK

Special to The New York Times

TOKYO, May 30 — A suspected right-wing militant fired a shot near former Prime Minister Morihiro Hosokawa tonight in apparent anger over Mr. Hosokawa's apologies for Japan's behavior in World War II.

Mr. Hosokawa, who resigned last month amid questions over his financial dealings, was unharmed. The bullet hit the ceiling of the Tokyo hotel lobby as the former Prime Minister was leaving a party held there.

The police immediately overpowered the assailant, who was identified as Masakatsu Nozoe, 52. The police said Mr. Nozoe had told them that he was angry at Mr. Hosokawa's comments about Japan's role in World War II and at his economic policies, according to the Kyodo News Service.

In his first news conference upon taking office last August, Mr. Hosokawa called World War II a "war of aggression."

Japan has hundreds of right-wing groups that embrace the idea that the nation did no wrong in World War II. These groups do not have a wide following, and most Japanese ignore their preachings from dark trucks equipped with deafening loudspeakers.

Occasional Violent Attacks

But ultra-nationalists occasionally resort to violence. In January 1990, the Mayor of Nagasaki, Hitoshi Motoshima, was shot in the chest by a right-wing gunman. Mr. Motoshima, who recovered, had said Emperor Hirohito bore some responsibility for World War II.

In March 1992, a rightist fired three shots, all of which missed, at Shin Kanemaru, who at the time was one of Japan's most powerful politicians but who has since been disgraced in a bribery scandal. The assailant said he had heard that Mr. Kanemaru had been trying to normalize Japan's relations with Communist North Korea.

Anger over official apologies for Japan's behavior during the war.

The shootings have evoked memories of the 1930's, when right-wing military officers committed a wave of assassinations as Japan moved toward involvement in World War II. Some analysts have said such attacks stifle free speech by causing people to think twice before condemning Japan's behavior in the war.

Nearly 50 years after the end of World War II, Japan is still having trouble coming to grips with its role in the conflict, and the issue can arouse fierce passions.

This month, Japan's Justice Minister, Shigeto Nagano, was forced to resign after only a week on the job because he said the so-called Rape of Nanking, a massacre of hundreds of thousands of Chinese people, was a "fabrication." The remark enraged Japan's Asian neighbors, who still have bitter memories of Japan's con-

quests and colonial rule.

The Government recently decided not to have Emperor Akihito and Empress Michiko visit Pearl Harbor on their trip to the United States in June. Right-wing groups and officials opposed the visit, saying they did not want the imperial couple to have to apologize for the surprise attack that drew the United States into the war.

Just before tonight's shooting, Mr. Hosokawa was attending a rally at the Keio Plaza Hotel for the Japan New Party, the political organization he heads. It was one of his first public appearances since he resigned last month after heading the first government in nearly 40 years that was not controlled by the Liberal Democratic Party.

Since his resignation, Mr. Hosokawa has been trying to avoid questioning about his financial transactions, including a huge loan he received from a scandal-tainted trucking company.

The assailant fired a revolver after Mr. Hosokawa had come out of the party gathering into the lobby of the hotel, which was crowded with television cameras and reporters. Some early reports said the gunman's hands were deflected by policemen, causing the shot to miss, but Mr. Nozoe later told the police that he had meant to fire at the ceiling.

THE NEW YORK TIMES, TUESDAY, MAY 31, 1994

Reuter's



The High-Tech Gravy Train ✓

By Gary Chapman

The Clinton Administration is planning to spend up to \$1 billion to help American firms compete with the Japanese in producing flat-panel displays. These are thin video screens, used primarily in laptop computers, that may be integral to consumer products that will tap into the much-hyped information superhighway.

The Administration has portrayed the plan as an economic boost for a potentially lucrative industry and as an essential initiative for U.S. national security. In fact, it is a Government subsidy for a politically well-connected industry whose executives have won over technology-dizzy Federal officials.

Yes, the new flat-panel displays will help update some military hardware, but the same could be said of countless other high- and low-tech products that are not being touted as "essential" or singled out for Federal subsidies.

The flat-panel plan is more than just another pork-barrel scheme. It points out larger flaws in the Administration's technology plans. Bill Clinton's campaign mantra — "It's the economy, stupid!" — was transformed after the election into an obsession with American economic competitiveness and generating jobs.

But rather than seriously addressing the issue of developing quality

Gary Chapman is coordinator of the 21st Century Project, a public-interest program on science and technology policy.

jobs at livable wages, the Administration has turned its economic growth agenda over to high-technology executives determined to put their industries on the Federal gravy train. The Commerce Department has been turned into a national Chamber of Commerce for high tech.

Technological development, however, continues to displace manufacturing workers. And the high-tech industries favored by the Administration employ a great many fewer workers. Telecommunications companies (which are on the Administration's front burner because of its fascination with the information superhighway) are laying off workers at

facturing is headed in the same direction as agriculture, which was once America's largest employer but now feeds the entire country and much of the world though it employs only 2 to 3 percent of the work force.

We are building an economy that has fewer and fewer good jobs, even for talented people with advanced training. A young Ph.D. in physics can expect to compete with a thousand other applicants for an assistant professorship with very little job security. At the same time, we encourage young people to study science based on the uncritical belief that the nation needs more young scientists and engineers. It's increasingly and unfortunately clear that the economy won't be able to support them.

This is not to say that there isn't any meaningful work left in our society. The problem is that few people are willing to pay for what really needs doing: a better educational system; crime-free neighborhoods; a healthy environment, and better roads, public buildings and parks. Governments are supposed to provide these things. But because the Clinton Administration is in thrall to high tech, we're getting flat-panel displays instead.

Of course, a robust Federal science and technology policy is needed. But the Administration should figure out what a good science and technology policy, one that is tied to public needs, looks like. What public need does a \$1 billion investment in flat-panel displays answer? What societal problems will the information superhighway really solve? Until the Administration thinks long and hard about these sorts of questions, its priorities are more likely to worsen our problems than to solve them. □

Subsidized computers will yield few jobs.

record rates. Biotechnology, a field often held up as the savior of some local economies, generates very few jobs. It is capital-intensive, and because the product literally grows itself, productivity is tied to how fast it reproduces, not to hiring more and better workers. One Eli Lilly plant in Kalamazoo, Mich., already produces all the recombinant human insulin needed for the U.S. market — it will generate few new jobs.

Manufacturing industries, including high tech, account for only 16 percent of the national work force, down from 20 percent two decades ago. Nothing the Administration does will seriously alter this shift. Manu-

*orig. went
to Lake*

THE WHITE HOUSE
WASHINGTON

*lift all live sightings
Blr. due to lack
of all live sightings*

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE

SUBJECT: Progress on POW/MIA Accounting and Live Sightings

You asked for an update on our progress in accounting for Americans missing in Southeast Asia, in particular our efforts to follow up on reports of live sightings. In July, we will be sending another delegation including Win Lord, Hershel Gober, and representatives from DOD, veterans groups and the families to Vietnam to evaluate progress to date.

Last February, you announced your decision to lift our trade embargo against Vietnam to sustain Vietnamese cooperation in achieving the fullest possible accounting of missing Americans. That decision reflected Vietnamese progress in four areas you specified in July 1993:

More concrete results to recover and repatriate American remains:

- In 1994, 24 remains have been repatriated so far.
- Between July 1993 and January 1994, 39 remains were repatriated, bringing the total repatriated in 1993 to 67 -- more than twice the number repatriated in 1992 and the third highest number for a single year since the end of the war.
- In direct response to your July 1993 request, the Vietnamese expanded their efforts in accounting by increasing publicity for its remains amnesty program and establishing an office to that objective in Ho Chi Minh City.

Resolution of 92 discrepancy cases and investigation of live sightings:

- When you made your announcement in July 1993, there were 92 remaining priority last-known-alive discrepancy cases out of 196 original cases. Since July 1993, 19 of those remaining cases have been resolved bringing the current total of outstanding cases to 73. (When remaining cases are reviewed again in early June, their number is expected to drop even further.)
- Also as of January 1994, the Joint Task Force - Full Accounting (JTF-FA), in cooperation with the Vietnamese, had conducted 90 short-notice investigations of live sighting reports.
- Since early February, the JTF-FA has received 11 live sighting reports requiring field investigations, 10 of which

have been completed. (The 11th case is ongoing due to the refusal of the original witness to be reinterviewed.)

- Shortly before you announced the lifting of the embargo, you received reports of American remains buried in 5 Vietnamese prison camps. All five camps have been investigated and no evidence of American remains was uncovered.

Assistance in arranging trilateral border cooperation with Laos:

- In August 1993, Vietnam's ministries of defense and interior for the first time pledged to cooperate on border cases (mainly along the Ho Chi Minh trail). Discussions with the Vietnamese and Lao authorities led to a trilateral agreement to collaborate on MIA investigations along the border where there are scores of aircraft crash sites and other likely remains locations.
- In December 1993, we completed the first ever trilateral investigation of 14 border cases involving 39 individuals.

Accelerated efforts to provide documents on POW/MIAs:

- Since July 1993, the Vietnamese have given us access to particularly important wartime political and military documents directly related to POWs and combat incidents, including a 46-page document on shootdowns of 2,466 aircraft, that could provide leads to the location of remains of MIAs.
- To date, more than 25,000 documents, artifacts and photographs related to U.S. POW/MIAs have been examined with over 600 items correlating to missing Americans.

In addition to significant advances in the four key areas, there are other examples of progress:

- The number of permanent staff of our POW/MIA office in Hanoi, established in July 1991, has increased from 4 to 19.
- Vietnam has instituted an oral history program designed to gain information from the memories of Vietnamese participants of operations during the war. 70 of 120 identified individuals have been interviewed, resulting in information on 20 unresolved questions.
- The Defense Department established a POW/MIA office to increase the efficiency and responsiveness of our Washington-based POW/MIA efforts.
- Fulfilling your pledge of last Memorial Day, by Veterans Day 1993 the U.S. Government declassified and released approximately 1.7 million pages of documents relating to the Vietnam War and American POW/MIAs in Southeast Asia.

In all of these areas, more progress needs to be made. But this has been a year of significant accomplishment.

THE PRESIDENT HAS BEEN 5/31



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

THE DIRECTOR

MAY 26 1994

94 MAY 27 PM 12:16

MEMORANDUM FOR THE PRESIDENT

FROM: Leon E. Panetta

SUBJECT: House Appropriations Committee Approves FY 1995
Treasury/Postal and Energy and Water Bills.

On May 26th, the House Appropriations Committee approved the FY 1995 Treasury/Postal and Energy and Water bills. House floor action is expected on June 9th and June 14th respectively. Highlights follow (funding levels preliminary):

Treasury/Postal

(budget authority in billions)

<u>FY 1994</u>	<u>FY 1995 Request</u>	<u>FY 1995 Committee</u>	<u>Difference</u>
\$11.6	\$12.5	\$11.5	-\$1.0

- o The Hoyer Amendment was adopted (voice) which struck the language taking away your alternative pay plan authority and substituted a 2.6% January 1995 Federal employee pay raise. This amendment will add \$.7 billion in pay costs relative to the President's budget (which funded a 1.6% pay raise). The full 3.8% pay raise that would have been required by the Subcommittee version of the bill would have added \$1.7 billion in costs relative to the Budget.
- o A McDade amendment was defeated 20-28 (party-line vote) that would have provided a \$.7 billion FY 1994 supplemental to forward fund part of the pay raise. This is the same \$.7 billion of ceiling that we hope to use for UN Peacekeeping arrearages.
- o A series of Wolf, Istook and Lightfoot amendments were defeated on party-line votes that would have: mandated financial disclosure for all individuals with White House passes; limited the type of trips that could be taken by White House personnel on military aircraft; and required public disclosure of White House personnel salaries.
- o The IRS Information Systems budget is \$1.24 billion, \$.5 billion below the request and \$.2 billion below FY 1994. This eliminates the proposed investment funding increase for the tax systems modernization effort.

- o The bill includes the full \$4.4 billion request for IRS tax compliance (including the \$405 million adjustment permitted in the Budget Resolution).
- o Most accounts are at the lower of the FY 1995 request or the FY 1994 level. This means that the White House Office (-\$2.9 million) and the Office of Administration (-\$3.3 million) and most of the other EXOP accounts are frozen at the FY 1994 level (below the request by the amounts noted).
- o Last year, the prohibition on the use of the Federal Employee Health Benefit program for performing abortions was dropped. An effort is expected to make in order a floor amendment to restore the prohibition.

Energy and Water

(budget authority in billions)

<u>FY 1994</u>	<u>FY 1995 Request</u>	<u>FY 1995 Committee</u>	<u>Difference</u>
\$21.9	\$20.5	\$20.4	-\$.1

- o The Committee funded much of our investment program including: solar energy (\$301 million, as requested), the B factory (\$44 million, as requested), Advanced Neutron Source (\$21 million, \$19 million below the request, with most of the reduction in construction funds), Climate Change (\$72 million, as requested).
- o The bill includes \$150 million for over 100 unrequested Corps of Engineers water projects and studies.
- o The bill does not include \$32 million, the level that the Department of Energy believes is required for SSC termination costs.
- o Atomic Energy Defense programs were cut \$244 million below the \$10.5 billion request.



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

THE DIRECTOR

May 24, 1994

94 MAY 24 P2:17

*ever bid to
Turkey cut?*

MEMORANDUM TO THE PRESIDENT

FROM: Leon E. Panetta

SUBJECT: House Appropriations Committee Approves FY 1995 Foreign Operations Bill

On May 23rd, the House Appropriations Committee approved the FY 1995 Foreign Operations bill. House floor action is tentatively scheduled for May 25th. Highlights follow (funding levels are preliminary):

(budget authority in billions)

<u>FY 1994</u>	<u>FY 1995 Request</u>	<u>FY 1995 Subcommittee</u>	<u>Difference</u>
\$13.4	\$13.9	\$13.6	-\$0.34

- o The bill has few significant changes from the request and it has no earmarks in bill language.
- o A Hoyer amendment was defeated 19-22 which would have prohibited the use of funds in the Act for enforcing an arms embargo in Bosnia. Reps. Obey and Murtha opposed the amendment.
- o \$.9 billion is provided for aid to the New Independent States, as requested.
- o A Durbin amendment to prohibit aid to Russia if they maintain troops in the Baltics after December 31, 1994, was approved (voice). Chairman Obey went along with it when Durbin agreed to provide a Presidential waiver authority if you determine that such aid is in the "national interest".
- o The multilateral development banks were reduced by a moderate amount, about \$90 million below the request. In addition, a \$.1 billion payment to the IMF was denied.
- o \$100 million was provided for International Narcotics programs, the same as the FY 1994 level, but \$52 million below the request.
- o AID Development Assistance is funded at \$811 million, as requested. Population assistance is funded at \$450 million, as requested. AID Operations was cut by \$9 million, to a level of \$517 million.

*Can we
do anything
about this?*

- o The Economic Support Fund is at \$2.34 billion, \$75 million below the request and \$25 million below FY 1994. Earmarks that total \$2.015 billion for Israel and Egypt are in report language.
- o Peace Corps is funded at \$220 million, \$6 million below the request and the same as FY 1994. Authority is provided to support Peace Corps activities in Russia with funds from the aid to the New Independent States.
- o \$3.15 billion is included for Foreign Military Financing, \$25 million below the request and virtually the same as FY 1994. Earmarks that total \$3.1 billion for Israel and Egypt are in report language.
- o Migration and Refugee assistance is at \$671 million, the same as FY 1994 and \$38 million above the request. An additional \$12 million is also included for refugee resettlement assistance to communities (normally funded in the Labor/HHS bill).
- o Ex-Im Bank funding is \$793 million, \$7 million below the request.

Rep. Callahan indicated that he intends to offer a floor amendment to further restrict aid to Russia.

News Hour

OFFICE OF MANAGEMENT AND BUDGET

May 24, 1994

MEMORANDUM FOR THE PRESIDENT

94 MAY 24 P2:17

FROM: Leon E. Panetta

SUBJECT: House Appropriations Committee Action on FY 1995
Legislative Branch and Military Construction Bills

On May 19th, the House Appropriations Committee approved the FY 1995 Legislative Branch and Military Construction bills. Floor action on both bills is expected next week. Highlights follow (numbers are preliminary):

Legislative Branch (Budget authority in billions)

<u>FY 1994</u>	<u>FY 1995 Request</u>	<u>FY 1995 Committee</u>	<u>Difference</u>
\$1.8	\$2.0 (their request)	\$1.9	-\$.1

- o The bill is six percent over FY 1994. When Senate programs are added in the Senate, the bill will total approximately \$2.4 billion (unless it is cut on the House floor). GOP floor amendments to reduce the bill, are expected.
- o There are no significant provisions that effect the Executive Branch. The bill includes sufficient funds to pay for a 1.6% pay raise for Legislative Branch employees.
- o A Packard amendment, which will likely be offered to all thirteen bills, was defeated (voice) that would have prohibited the use of funds in this Act from being used for providing assistance to individuals who are known to be illegal aliens.

Military Construction (Budget authority in billions)

<u>FY 1994</u>	<u>FY 1995 Request</u>	<u>FY 1995 Committee</u>	<u>Difference</u>
\$9.5	\$8.3	\$8.8	+\$.5

- o The bill includes \$.8 billion for 143 unrequested construction projects, many of which are for the Guard and Reserve. \$119 million is provided for the NATO Infrastructure account, \$100 million below the request.
- o The full request of \$2.8 billion for base closure was approved.
- o A Livingston amendment to strike \$12 million for the Homestead Air Force Base (Florida) was defeated (voice). He may offer the amendment again on the floor.

Murphy
twary

THE WHITE HOUSE

WASHINGTON

May 26, 1994

94 MAY 27 P12:55

MEMORANDUM FOR THE PRESIDENT

FROM: LLOYD N. CUTLER
SPECIAL COUNSEL TO THE PRESIDENT

JOEL I. KLEIN
DEPUTY COUNSEL TO THE PRESIDENT

SUBJECT: JUSTICE DEPARTMENT BRIEF IN RELIGIOUS
FREEDOM RESTORATION ACT CASE

As has recently been reported in the Washington Post, the Justice Department has intervened in a pending litigation that addresses, among other things, the Religious Freedom Restoration Act (RFRA).

The case at issue -- Christians, Trustee v. Crystal Evangelical Free Church -- principally involves Section 548 of the Bankruptcy Code, which allows recoupment of gratuitous transfers by an insolvent debtor made in the year prior to the debtor's declaration of bankruptcy. The rule embodied in Section 548 reflects a fundamental and longstanding principle of bankruptcy law: that an insolvent debtor should not be able to give away money that is owed -- and therefore belongs -- to his or her creditors.

The specific question in the case is whether a bankruptcy trustee can recoup a \$13,500 gift to a church -- in the form of periodic donations -- from a couple who were insolvent at the time of the gift and who filed for bankruptcy within a year of making the gift.

A federal district court originally decided the case before RFRA went into effect. The district court held that application of Section 548 of the Bankruptcy Code under these circumstances did not discriminate against religion or otherwise violate the First Amendment. While Section 548 recoupment does not apply in cases where an insolvent couple has received "reasonably equivalent value" in exchange for transferred funds, the district held that charitable contributions are clearly gratuitous transfers "despite the fact that debtors feel morally obligated to tithe." The court noted that the Bankruptcy Code provision applies equally to both religious and secular organizations.

The church that received the gift has appealed the district court's decision to the Court of Appeals for the Eighth Circuit. The church has now included an argument that application of the Bankruptcy Code in this case violates RFRA because it substantially burdens the exercise of religion and there is no compelling governmental interest for doing so.¹ The church concedes that the debtors were insolvent at the time they made their donation to the church, and that the donations were made within one year of the bankruptcy filing.

The Court of Appeals offered the Department of Justice the opportunity to intervene in the case, and in April the Department filed a brief with the Court. The Department argues in its brief that Section 548 of the Bankruptcy Code is a valid law that applies equally to religious and non-religious institutions, and that application of the provision here does not discriminate against religion or violate RFRA.

The brief explains that Section 548 does not substantially burden any free exercise of religion because it merely limits the ability of a debtor to give away money that the debtor has no right to give away. The money belonged to the creditors at the time the debtor gave it to the church.

The Department also argues that there is a compelling governmental interest in using Section 548 to protect the property of creditors, and that there are no less restrictive alternative means to advance that interest. The Department explains that it is not practicable to limit recoupment of church donations to cases of actual fraud by a debtor, since proof of actual fraudulent intent is difficult and it was, in part, to avoid the need for such proof that the per se voiding of transfers from insolvent debtors was incorporated into the Bankruptcy Code.

The White House Counsel's Office learned after the fact that the Justice Department had filed its brief in the Eighth Circuit. We believe that the arguments set forth in the brief, including the Department's position on the inapplicability of RFRA in this context, are correct as a matter of law. We do note, however, that more might have been done in the brief, in terms of tone, to emphasize the Administration's commitment to enforcing RFRA. We have expressed this view to the Justice Department, and are

¹ RFRA provides, in relevant part, that "[g]overnment may not substantially burden a person's exercise of religion even if the burden results from a rule of general applicability," unless the government shows that application of the burden to the person "is in furtherance of a compelling governmental interest" and "is the least restrictive means of furthering that compelling governmental interest."

continuing to work with officials there to ensure that, in the future, the White House will have an opportunity for advance input in cases such as this one.

The Justice Department has asked the Eighth Circuit for permission to participate in oral argument in this case. The Court has not responded to this request, and no date for argument has been set. Oral argument would present an opportunity for the Department to clarify that the Administration supports RFRA and that its position in this case is not inconsistent with the Act. In the event the government's request for oral argument is granted, we will work with the Justice Department to ensure that the Administration's views are accurately represented.

THE WHITE HOUSE
WASHINGTON

Mr.
DATE: 5/29/94


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

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

The attached has been forwarded
to the President.






MEMBER

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

94 MAY 27 P 6:38

May 27, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: ALAN S. BLINDER *ASB*
SUBJECT: Foreign Economic Developments

Exchange Rates: The value of the dollar changed little this week.

Dollar's Value in terms of:	Week Ending 5/20/94	Week Ending 5/27/94	Change from previous:		
			Week	Quarter	Year
Deutschemark	\$1 = 1.6440 DM	\$1 = 1.6422 DM	-0.1%	-3.6%	+2.3%
Yen	\$1 = 104.00 ¥	\$1 = 104.23 ¥	+0.2%	-0.0%	-3.1%
Multilateral (3/73 = 100)	92.29	92.36	+0.1%	-2.3%	+3.1%

Japan: ▶ Household spending in March was 4.3% below a year ago. This is the sharpest 12 month drop since 1981. The government also announced that wage earners' real incomes (including bonus payments) fell 0.4% in the 12 months ending in March. Consumer prices rose 0.2% in April and are just 0.8% higher than a year ago.

EU: ▶ West German inflation continues to fall gradually. Consumer prices are 2.9% higher than a year ago—this is the lowest 12 month inflation rate since April 1991. Strong foreign sales pulled manufacturing output up 0.9% from a year ago.

▶ The **British** economy continues to expand steadily. Real GDP rose 0.7% in the first quarter and is 2.6% higher than a year ago. Retail sales rose 0.4% in April and are 4.4% higher than a year ago. Consumer confidence rose modestly this month.

▶ **Italian industrial production** in March was just 0.7% higher than a year before.

Other Countries: ▶ **China** increased its effort to join the new World Trade Organization by announcing the removal of import licenses and quotas on 195 items. Quotas remain on about 700 products. The Chinese government said that about half of these quotas would be phased out under an existing agreement with the United States.



MEMBER

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20500

94 MAY 27 P 6 : 38

May 27, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: ALAN S. BLINDER *Ala*

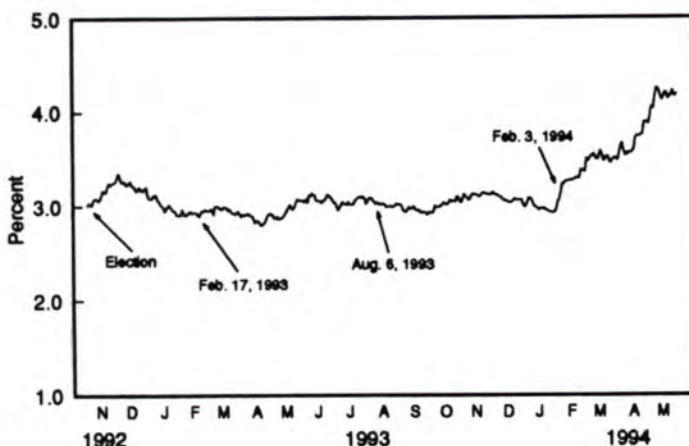
SUBJECT: Interest Rates and the Stock Market, Week Ending Friday, May 27, 1994

Long-term interest rates rose this week. Virtually all of the increase came on Monday, and was ascribed by some observers to a rise in the CRB index of commodity prices. Friday's upward revision to first-quarter GDP seemed to boost rates just a little. Changes in Treasury borrowing rates were as follows:

	Close 5/20/94	Close 5/27/94	Change
3-month bills	4.15	4.18	+0.03
10-year notes	7.02	7.12	+0.10
30-year bonds	7.30	7.40	+0.10

The stock market closed mixed for the week. The broad-based S&P index closed Friday at 457.33, up 0.5 percent from the preceding Friday's close. The Dow Jones Industrial Average closed Friday at 3757.14, down 0.2 percent for the week.

Three-Month Rates



Thirty-Year Rates

