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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. form	re: AF From 707A (2 pages)	06/00/1994	b(6)

COLLECTION:

Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 4889

FOLDER TITLE:

June 19-25, 1994 [1]

2018-0662-S
rs3101

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]
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b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Tony Lake
Bob Boorstin
Jim Dorskind to
coordinate reply

THE WHITE HOUSE
WASHINGTON

DATE: 06/30/94

NOTE FOR:
TONY LAKE
BOB BOORSTIN
JIM DORSKIND (to coordinate reply)

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

Information ☐

Action ☒

Thank you.

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

cc:

THE PRESIDENT HAS SEEN
6/27/94

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO THE PRESIDENT

To Thalia [illegible]

I ~~[illegible]~~ should Do a note to him
+ we should have
him down someday

FROM: Bob Boorstin

RE: Attached article on China policy

DATE: June 17, 1994

I thought you should see the attached article -- and a note from Tony Lewis to the writer -- on the MFN decision and your China policy.

It was written by Jim Thomson, a longtime China expert and my thesis advisor from Harvard. Unfortunately, I can't claim any ghost-writing influence.

FOCUS

THE BOSTON SUNDAY GLOBE • JUNE 5, 1994

AP FILE PHOTO

A man blocks an advancing army tank in Beijing in spring 1989.

CHINA

5 YEARS LATER

The lesson of Tiananmen: Time is on democracy's side

By James C. Thomson Jr.

Tiananmen, 1989: Who can forget the pictures, the sounds, the words of that glorious Beijing Spring? The whole world watched, our hearts at one with those brave Chinese, our hopes soaring with theirs. Our longtime American dream on the verge of fulfillment: democracy winning China.

But then, five years ago this weekend, the ugly denouement: the movement crushed by massive brute force – the protesters' bodies smashed or dragged off to prison, their hopes shattered, and ours as well. Frightened tyrants again had prevailed. Our dream was only a dream. And from afar we – like our Chinese friends – could only "eat bitterness."

A curious thing, not much noted by our reporters and officials in 1989, is how deep-rooted and resilient has been that American dream about a democratized China – and how often the hope has been dashed. And how often its residue has been bitterness in the form of anger and the punitive impulse. Seldom do we ever restrain our itch "to change China" – and instead, let China be China, changing at its own peculiar pace. History is littered with the wreckage of Western, and especially US, efforts to reshape China in our own image.

The good news on this fifth anniversary of Tiananmen is that President Clinton has sworn off our national addiction. He has "delinked" our post-Tiananmen coupling of the Chinese government's internal practices (human rights) with the country's biggest external enterprise (trade). Washington will perhaps now cease its agonizing, highly public and politicized annual weighing of China's human rights report card before granting Beijing renewal of the lower tariffs in trade that we give to virtually all of our significant trading partners, regardless of their records. We will thus cease to be some kind of self-appointed nanny with regard to China's behavior toward its own citizens. This does not at all mean an end to our caring and pushing; it merely means delinking, period.

CHINA, Page 70

James C. Thomson Jr., a professor of history and journalism at Boston University, was an East Asia policy aide in the Kennedy and Johnson administrations.

②

AP FILE PHOTO MAY 1989

Students sculpt a 30-foot-tall styrofoam "Goddess of Democracy" in Tiananmen Square.

China

Continued from Page 67

When you think about Clinton's decision in the context of China's 20th-century history, it becomes a big and sensible step. Consider, for instance, that it was only about 50 years ago (1943) that the United States finally terminated its century-old first "unequal treaty," forced upon China at the end of the Opium War, one that made all Americans in China absolutely immune from Chinese law. Those Western-imposed treaties shackled Confucian China and its republican and Nationalist successors because, ironically, the foreign powers back then demanded wide-open trade access and also regarded Chinese judicial punishments as barbaric (for instance, death by a thousand slices).

Or consider the United States' relentless 22-year international campaign, from 1950 onward, to keep the newly-born communist government in Beijing from diplomatic recognition and United Nations membership, and to deny them all trade – because we disapproved of their agenda and assumed them to be Moscow's puppets. Only in 1972 did President Nixon end that folly, understanding that peace and security in East Asia required Beijing's participation in the international community. And President Carter followed suit in 1979 by giving the People's Republic full diplomatic recognition at long last.

Clinton's decision, announced May 26, has avoided the self-defeating traps and dead-end streets, the excessive moralism and preachments, of our past China policies. He has given both nations a welcome and overdue breathing space for the time ahead; and he has avoided premature and unnecessary confrontations.

One reads everywhere, of course, critiques of how Clinton arrived at his decision. Most vivid are the journalistic accounts of how he tossed and turned this way and that, buffeted by conflicting opinions and pressures in the Congress, the executive branch and elsewhere. Should this surprise those who have tangled with the China issue in the five years since Tiananmen? Certainly not. China specialists, in and out of government, and Chinese dissidents in exile here and elsewhere – all have been in the throes of the argument that some put too simply as "trade and profits" vs. "human rights." The president's problem was much augmented, of course, by his own rhetorical stance as candidate Clinton, who had charged President Bush with coddling tyrants "from Baghdad to Beijing."

It is to Clinton's great credit that he can change his mind, and face the public fallout. Most presidents who "stand firm" on bad or outdated or self-defeating policies live to regret it (try Vietnam, for instance). It is also, to me, as one who once worked in the White House, extraordinarily refreshing to have a president who apparently encourages and seeks out diverse and conflicting views on the way to a decision. The last chief executive who could tolerate such dissonance was John F. Kennedy; a reading of recently declassified papers about his decision-making – much of it, in the end, right – reveals a degree of "disarray" and mind-changing that could make Bill Clinton look like Dwight Eisenhower. The difference, of course, is that the internal politics of policy making are, in these times, much more subject to discovery by a relentlessly sleuthing and cynical press corps.

But now that Clinton has done his delinking – causing outrage among some in Congress and also human rights groups, while evoking a warm response from Beijing – where should we try to go in US-Chinese relations? How can we honor the spirit of Tiananmen's heroes while dealing with their oppressors?

What Clinton and his prevailing advisers must have understood was this:

- As Nixon finally fathomed, China is the key to peace and stability in East Asia and the West Pacific. Beijing governs the world's largest population and army, and also the world's third-largest and fastest developing economy. China also holds a United Nations Security Council veto, a vital factor on many issues but especially in our dealings with that dangerously loose cannon, North Korea.
- The extremely old men who still rule that huge nation are not long for this world and undoubtedly know it. A possible succession crisis in Beijing must worry everyone, beginning with the Chinese and their Asian neighbors.
- It does Chinese dissidents and the cause of human rights little good for the United States alone to be the public monitor and would-be enforcer. The issue of human rights abuses in China must never be dropped; but Beijing's continuing violations are better addressed privately at the governmental level, and also multilaterally, using such instruments as China's admission to the General Agreement on Tariffs and Trade. Prideful Chinese nationalism – a potent *non*-Leninist force – responds poorly to Western public preachments.
- The peace and security of the nations on China's Pacific rim and inland frontiers require our maintaining a strong, non-provocative but reliable military presence in the region, to help balance China's growing power and to ease anxieties over the fallout of a succession crisis.

In the end, finally, there is a wondrous certainty for those of us, in China and the West, who can never forget the images from Tiananmen – like the lone brave man in front of the tank, the goddess of democracy and those fresh-faced students quoting Jefferson.

That certainty is that time is entirely on our side, and that time is running out for the angry and frightened old Leninists who smashed the hopes of Beijing Spring. There is no way that their younger and more cosmopolitan successors could isolate China ever again from the contagious ideas about freedom that surfaced in 1989 and never got crushed.

The United States' role, the president seems to have decided, is to re-engage, to talk and trade, to be firm but patient, and to bide our time. I cannot think of a wiser US policy.

The New York Times
2 FANEUIL HALL MARKETPLACE
BOSTON, MASS. 02109

ANTHONY LEWIS

June 6, 1994

Dear Jim:

I have read a lot about the China MFN question, trying to decide what I believed. You decided it for me.

Your piece was the best I have read, by far. Three cheers.

Best -

Tony

original
cc to
clerk

THE WHITE HOUSE
WASHINGTON

DATE: 06/30/94

TO: THE SECRETARY OF DEFENSE,
WILLIAM PERRY

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

FYI

THE WHITE HOUSE
WASHINGTON

DATE: 06/30/94

TO: THE VICE PRESIDENT
PHIL LADER
GEORGE STEPHANOPOULOS
VERONICA BIGGINS

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

FYI.

DEFENSE BASE CLOSURE AND REALIGNMENT COMMISSION
1700 NORTH MOORE STREET SUITE 1425
ARLINGTON, VA 22209
703-696-0504

June 30, 1994 94 JUN 30 P2:16

President William J. Clinton
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

To clear the way for your administration to fully prepare for a vigorous round of military base closures in 1995, I hereby tender my resignation as Chairman of the Defense Base Closure and Realignment Commission effective immediately, June 30, 1994.

The Defense Base Closure and Realignment Commission process is an example of open, participatory government at its finest. As a former Member of Congress and as an informed observer of the political process that is the strength of our nation, I found it refreshing to lead an effort that embraced full and open debate as a necessary prerequisite for timely and meaningful results.

I deeply appreciate your confidence in my abilities to continue as Chairman for the 1993 round of base closures. I consider it a distinct honor to have served as Chairman for both the 1991 and 1993 rounds and to have served with bipartisan Commissioners of such high integrity and personal commitment.

You have my profound best wishes for a smooth and successful base closure round in 1995.

Sincerely,

Jim Courter

JIM COURTER

THE PRESIDENT HAS SEEN
6/30/94

THE WHITE HOUSE

WASHINGTON

June 17, 1994

94 JUN 29 A 8:30

original performance report sent to Toni Stevens mil off

MEMORANDUM FOR THE PRESIDENT

FROM: PHILIP LADER PL
ASSISTANT TO THE PRESIDENT AND
DEPUTY CHIEF OF STAFF

SUBJECT: Officer Performance Report for Major Michelle D. Johnson, USAF

I. ACTION FORCING EVENT

Service regulations require officers to receive an evaluation upon their reassignment and annually. This will be Major Johnson's second evaluation as your Military Aide.

II. ANALYSIS

Major Johnson has served as your Air Force Aide since June 1992. In that capacity she has demonstrated outstanding abilities and sound ~~judgement~~ judgment. Michelle is not only an outstanding representative of the Air Force and the White House but, most importantly, she represents you with distinction. I feel very confident Michelle will continue to perform in this same manner and will be promoted ahead of her contemporaries.

III. RECOMMENDATION

That you sign the attached report, where annotated, as Major Johnson's rating officer. Handwritten comments are welcome, if desired, in "block VII."

IV. DECISION

___✓___ Approve

________ Approve as Amended

________ Disapprove

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THE PRESIDENT HAS SEEN
4/30/94

THE WHITE HOUSE

WASHINGTON

June 24, 1994 94 JUN 24 P6: 43

MEMORANDUM FOR JOHN PODESTA

FROM: MARCIA L. HALE MLH

SUBJECT: PRESIDENTIAL SIGNATURE ON PRESS RELEASE

Gary Barron called to ask if I could assist him in getting the attached press release signed by The President. As you know, Gary has long been involved with the Democratic National Committee as well as past administrations. Specifically, he was very helpful in the final days of the campaign. It is my hope that we can accommodate his request. Please let Dawn know if this is possible.

original signed press release sent to Hale

S

THE WHITE HOUSE

WASHINGTON

To Gary Barron with best wishes Bill Clinton

Office of the Press Secretary

For Immediate Release **June 17, 1994**

PRESIDENT CLINTON APPOINTS 9 MEMBERS TO THE UNITED STATES HOLOCAUST MEMORIAL MUSEUM

President Clinton today appointed nine members to the United States Holocaust Memorial Council. The council was established in 1979 to provide for the annual commemoration of the Days of Remembrance and to construct and operate a permanent living memorial museum to the victims of the Holocaust. The Holocaust Memorial Museum was dedicated on April 22, 1993.

Brief bios on the members appointed today follow:

BENJAMIN MEED of New York
Mr. Meed is a Principal founder and President of the American Gathering of Jewish Holocaust Survivors. He is also a founding member of United States Holocaust Survivors and the United States Holocaust Memorial Council. He was born in Warsaw, Poland, worked as a slave laborer for Germans outside the Ghetto during World War II and was an active member in the Warsaw Underground.

JOHN T. PAWLIKOWSKI of Illinois
Mr. Pawlikowski is a Servite Priest and Professor of Social Ethics at the Catholic Theological Union, a constituent school of the Chicago Cluster of Theological Schools at the University of Chicago. He is a founding member of the Holocaust Memorial Museum and chairman of its Church Relations Committee.

DEBORAH E. LIPSTADT of Georgia
Ms. Lipstadt is a Professor of Modern Jewish and Holocaust Studies at Emory University and the author of Denying the Holocaust: The Growing Assault on Truth and Memory and Beyond Belief: The American Press and the Coming of the Holocaust. She is also an historical consultant to the Holocaust Memorial Museum, where she participated in designing the section of the Museum dedicated to the American response to the Holocaust.

-MORE-

DAVID BERGER of Pennsylvania
Mr. Berger is a senior partner in the law firm of Berger & Montague. He is a also a strong supporter of the Holocaust Memorial Museum.

GARY A. BARRON of Florida
Mr. Barron is Director of Corporate Affairs and Executive Assistant to the Chairman of Vitas Healthcare Corporation. He was Executive Director of Vote Now '92, which issued grants to non-partisan voter registration and Get-Out-The-Vote (GOTV) groups during the 1992 campaign.

MENACHEM Z. ROSENSAFT of New York
Mr. Rosensaft is Vice President and Senior Associate Counsel for Chase Manhattan Bank.

ABIGAIL S. WEXNER of Ohio
Ms. Wexner serves on the Board of Directors of the Children's Defense Fund, the Governing Committee of the Columbus Foundation, and the Board of Trustees of Columbus Children's Hospital. She was formerly an attorney with Davis, Polk & Wardwell. She and her husband Les Wexner, Chairman and CEO of the Limited, have been very involved in Jewish affairs, as well as founding the Wexner Heritage Foundation.

ARTHUR L. SCHECHTER of Texas
Mr. Schechter is an attorney with Schechter & Associates. He is also President of the American Jewish Committee, Chairman of "Operation Exodus II," a program to raise $1 billion for the resettlement of Soviet Jews and a member of the Executive Committee of the Southwest Region Anti-Defamation League.

LAWRENCE M. SMALL of the District of Columbia
Mr. Small is President and Chief Operating Officer of Fannie Mae (Federal National Mortgage Association). He is also a member of the Board and the Treasurer for Morehouse College and a director of Paramount Communications Inc. and the Chubb Corporation He has been leading the corporate fundraising effort for the Council on a volunteer basis.

-30-30-30-

THE WHITE HOUSE

WASHINGTON

27 June 1994 94 JUN 30 P3:58

MEMORANDUM FOR THE PRESIDENT
THE FIRST LADY

FROM: HAROLD ICKES

SUBJECT: "Cry Shame" by Martha Gellhorn from The New Republic, 27 June 1994

Attached is a copy of the above referenced article published in The New Republic of 27 June 1994, which you might find interesting.

HAROLD

P

has already seen

JDP
6-30-94

fastest-growing HIV infection rate—back the test. In the CDC survey, 35 percent of African Americans and 30 percent of nonwhites, who are mostly Latinos, said they would use the test. The National Minority AIDS Council is "leaning in favor of the test," says President Paul Kawata, while the National Council of La Raza wrote to the FDA arguing that Hispanics, who have twice the percentage of AIDS cases of any population, are "uncomfortable visiting existing testing facilities," and would prefer the home test.

On June 22 an FDA advisory committee will meet in Washington to decide what to do about home testing. It will evaluate the clinical trials and hear from the public. The NALGHC plans to bring an army of expert therapists opposing the test. Meanwhile, another company has applied for approval of a test that can be analyzed at home, and a second is developing a saliva test. It will be another classic battle of the HIV epidemic, a battle between a fear of innovation and the chance to save lives. "Changes are inevitable," says Donald Francis, a former CDC AIDS researcher. "The bottom line is this is a huge epidemic and we are sleeping. It's this desire not to know which breeds the epidemic." •

Are White House reporters rats?

CRY SHAME

By Martha Gellhorn

Franklin Roosevelt, dead for nearly half a century, is revered as one of America's few great presidents. You have to be very old to remember that between his inauguration in 1933 and our entry into World War II, FDR was steadily vilified in the Republican press, its serious and scurrilous branches alike. The New Deal was a rescue operation based on the principle of social justice. The Republican Party, home of Big Business, Big Money and conservatives of every stripe, hated and feared New Deal policies and the man who personified them. "Rosenveldt the Red" is something I dredge from my memory: a Jew, of course, which made it worse.

Mrs. Roosevelt was even more viciously attacked. Her noble and stubborn concern for the have-nots, the causes she sponsored, her travels around the country, her column and her press conferences were all execrated. Who did she think she was, this multi-meddler? "Nigger lover" is another tidbit lodged in my memory. The famous columnist Westbrook Pegler made it his major work to insult Mrs. Roosevelt. He even mocked her appearance. Eleanor Roosevelt is now honored as unique in American public life.

There was no T.V., and radios cost too much for th mass of Americans. Apart from newsreels, the prir press had almost a complete monopoly on informin the country. Newspapers sold for pennies. But wheth they admired or loathed the Roosevelts and the Ne Deal, none of the press snooped in the private affairs the president and his wife. The Roosevelts were impe vious to assault. Effortlessly, as I remember, Mr. Ro sevelt was elected four times and lived to serve f twelve years—a record in American history.

Nine presidents have come and gone since Frankl Roosevelt died. None was subjected to public scrutiny his personal life. These nine men were elected to ho the nation's highest office; the voters' choice and t dignity of the position guaranteed their personal priva They were not nine saints. In our long, imperfect poli cal story, no acting president has ever been beset by a pack chewing on his private life. Repeat: never before.

It is not enough to defame President Clinton; fo really good job, his wife must also be discredited. T true scandal in America is the spectacle of the rat-bit at work.

The duty of a responsible press is to discover, ify and report facts about the management mismanagement of public business. The pol cal actions of any president are rightly game for censure. (In my opinion, the politics of former nine presidents were not criticized nea enough.) The irresponsible press has no duty what ever and accepts no tiresome obligation for accurac aims only to get what it wants. Apparently the irresp sible press is in control in the United States now. W it fiercely wants is to demolish the Clinton adminis tion. The means to this end is character assassinatio

You could see this unprecedented onslaught as a t ute to the Clinton policies; too many important toes be crushed by Clinton's planned reforms. (The industry is in pain due to the first ever, though m federal law against guns in a country diseased by the The Clinton enemies are numerous and easy to lo and understand. But where are those who should be Clinton friends? Where are those who ought to be ing the pertinent questions in his defense, uphol his necessary reforms, praising what this young p dent has already accomplished? Where, for God's s is the responsible press?

I have been a journalist for sixty-four years regard the honest practice of journalism as vital decent society. Now, I am ashamed of the serious p that I respected: ashamed of its silence, ashamed o thoughtless aid to the rat-biters. Why is it giving p and air space to unproved accusations? Doesn't it that this campaign to degrade the president and wife degrades America in the outside world? And should the defamation offensive ever stop, while responsible press sits idly by? Strange accusers from past can be dug up for years.

Why wasn't the responsible press in there from beginning to fulfill its absolute duty: discover, *verify* report facts? I cannot assume that those in the press are all closet Republicans; I fear that the responsible press has become morally careless. And I don't know what I feel most: disgust or anger. I know that I feel betrayed by my own profession.

In 1947, after ten years of working abroad, I returned to America to live and settled in Washington, D.C. Unknowingly, I rented the house of Helen Gahagan Douglas, the liberal Democratic congresswoman who had just been defeated by Richard Nixon in his first smear campaign. He flooded their district with fliers printed on pink paper; not daring to call Douglas a Communist, he branded her a "pinko." In the early days of the American Dark Age that was enough to finish her.

I wanted to see the workings of government and wandered, with a dozen other casual sightseers, into a hearing of the House Committee on Un-American Activities. Perhaps it was the only caucus room in use that day. A sick-faced prosecutor snarled, shouted and entrapped a small fat German composer who earned his living by writing movie music in Hollywood. His heinous crime was that he had joined the German Communist Party in 1926, though he forgot to pay his dues or attend a meeting. A young musician, not attuned to politics, he drifted away from his brief impulse to protest the rise of fascism in his country. The German stood blinking and dazed under the glare of camera lights, clearly harmless, clearly confused by this counterfeit trial in a language he spoke badly.

Four congressmen gloated at a long table behind the prosecutor, vultures on chairs. After enough toying with their prey, the chairman declared that the pudgy German was a member of the Comintern, although no one could say what he had been doing in this unlikely implied role. The House Committee on Un-American Activities never proved criminal or treasonable acts by anyone. It was enough to be called before those congressmen to have your career and your life ruined. Murder by insinuation.

To me, this ugly performance looked like a cheap copy of the People's Courts of Nazi Germany. I wrote a piece then for THE NEW REPUBLIC called "Cry Shame," being sick with shame for a government, a responsible press, a citizenry that would tolerate the existence of that committee. This was not the America I grew up in. This was not the America I was so proud of during the Roosevelt era. After four more months of watching the Un-Americans and foreseeing what their reign of terror would do to American life, I decided that I did not want to live in such a country, and left.

In a different context and for different purposes, this same process is now being used against President Clinton and his wife. Trial by denunciation. Sentence by slander.

From 1934 through the rest of their lives, I knew President and Mrs. Roosevelt as friends. They were naturally at home in the White House; their innate elegance of manner made the later imperial pomp and frippery needless. They were experienced and wise and securely rooted by birth in American society. They were easy to talk to, open to any disinterested news and views brought to them. They were inspiring because of their genuine compassion and their belief that social justice was the rightful goal of leadership. President Roosevelt inherited the economic and social morass of the Great Depression. With the constant aid of his wife, he was determined to lift America into a new climate, a hopeful, generous climate, to the benefit of the whole people. Their commitment was all.

For the first time in forty-nine years I believe that we have a president and his wife who are the spiritual heirs of the Roosevelts. The Clintons are young; they cannot yet compare to the Roosevelts in experience and wisdom. But they have the same aims as the Roosevelts, the same sense of duty to all the people, the same kind of vision for America. President Clinton inherited a nation in deep social disarray and an economy endangered by a colossal public debt. I thought, with joy, that here was a man, helped by a brilliant, principled wife, who had the brain, the courage and the will to change America, to set it again on a long-lost path.

It is heartbreaking that this promise should be dimmed by a band of mean little minds. It is unforgivable that the serious press has not recognized this promise, this chance for the country, and stood behind the Clintons. I keep hoping for a grass-roots groundswell of outrage at the tactics of the Clinton enemies. I keep hoping for a latter-day Ed Murrow, who took on Senator Joe McCarthy, to take on this malignant campaign against the Clintons. And who knows, that just might actually happen.

MARTHA GELLHORN is the author of *The Face of War* and *The View from the Ground* (Grove-Atlantic).

The American mating game in Russia.

BRIDE AND SEEK

By Liesl Schillinger

A few weeks ago, at the Amerikansky Bar and Grill in Moscow, my British friend Tim and I were slugging back Tuborgs, watching a memorial to Jackie O. on CNN and waiting the hour and a half it takes for a table to open up. As we shouted to each other over the clamor of voices, Russian and foreign, I commented on how wealthy the Russian crowd seemed and observed that most of the Russian women seemed to have Russian dates. Now that there are plenty of successful Russian men, I asked Tim, are Western men like him being ignored? "Ignored?" Tim said in dis-

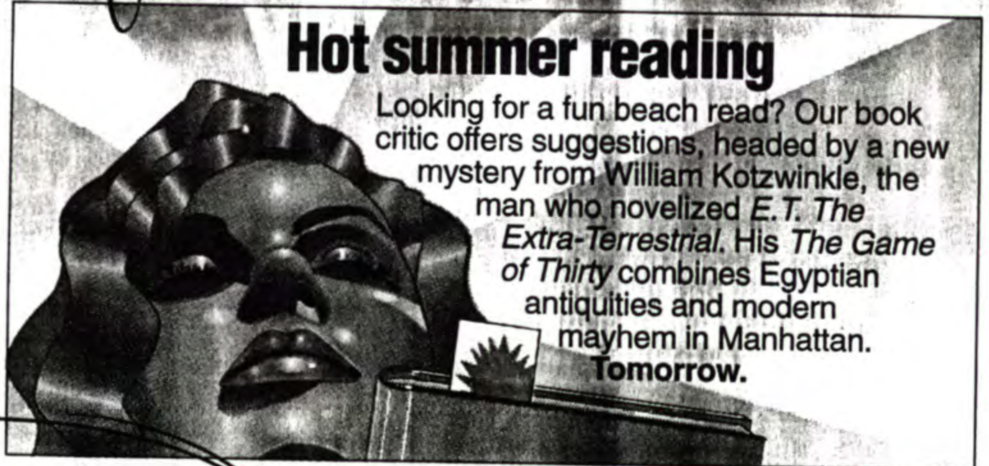
GS | Crane

THE PRESIDENT HAS SEEN
6/30/94

VIA SATELLITE
THE NATION'S NEWSPAPER
SECTION D

USA TODAY
Life

WEDNESDAY, JUNE 29, 1994



Hot summer reading

Looking for a fun beach read? Our book critic offers suggestions, headed by a new mystery from William Kotzwinkle, the man who novelized *E.T. The Extra-Terrestrial*. His *The Game of Thirty* combines Egyptian antiquities and modern mayhem in Manhattan. **Tomorrow.**

By Suzy Parker, USA TODAY

LIFELINE

A QUICK READ ON WHAT PEOPLE ARE TALKING ABOUT

TEACH YOUR CHILDREN WELL: Kids must be taught tolerance and empathy if hate crimes and prejudice are to be stopped, *Schindler's List* director Steven Spielberg told a Senate hearing Tuesday. "I implore parents and teachers to teach ethnic and racial tolerance," he said. "Empathy needs to be cultivated."

FOOLS RUSH IN?: A media watchdog group says Rush Limbaugh plays fast and loose with facts. Fairness & Accuracy in Reporting in a report today cites the commentator's "ignorance and/or dishonesty" about the size of the public housing budget, the poverty levels of the U.S. vs. Europe and the nature of Chelsea Clinton's school assignments. Limbaugh says he's a victim of a smear campaign by people who are upset that the Clinton health-care plan is "sinking like a rock."

FUNKY STUFF: Bootsy Collins, Buddy Miles and other funk heroes heavily sampled by today's rappers are among the talents launching Rykodisc's new series, Black Arc, devoted to "black rock, cyber-

UCLA center selected to gauge TV violence

By Donna Gable
USA TODAY

UCLA's Center for Communications Policy will monitor TV violence for the four broadcast networks.

Martin Franks, CBS senior vice president, will announce the selection today at a press conference in Washington, D.C., with Sen. Paul Simon, D-Ill., and Jeffrey Cole, director of the UCLA center.

The monitor will assess violence and the context in which it is shown, and determine whether:

▶ The violence is relevant or necessary to plot or character development.

▶ The content is excessive or gratuitous.

▶ The consequences of violence are conveyed.

They'll also consider the time of day the material is shown and the composition of the audience at that time.

How the networks will use this information or when the monitoring will begin is unclear, but this is an attempt to forestall recent congressional efforts to curtail violence on TV.

The group is also expected to analyze violence on basic and pay cable, home videos, independent stations and video games.

In May, the cable TV industry chose Mediascope, another California-based organization, as its outside monitor.

"If they're only going to act as an apologist for the industry, we haven't accomplished anything," says William S. Abbott, president of the National Foundation to Improve Television.

Cole published a joint UCLA/*U.S. News & World Report* study in May outlining the entertainment industry's concerns about its role in reducing violence in America.

"The industry feels under siege, beleaguered . . . and that they have some responsibility for the problem," Cole has said. "But they also feel that they are singled out for blame more than any other societal causes of violence."

New guidelines issued to treat heart failure

THE WHITE HOUSE

WASHINGTON

6/30/94

94 JUN 29 P6:16

June 29, 1994

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: TOM EPSTEIN, POLITICAL AFFAIRS

RE: UTAH PRIMARY ELECTION RESULTS

Ultra-conservative Emery County Commissioner Dixie Thompson barely edged Utah County businessman Tom Draschill today, winning the GOP nomination for the third Congressional district by 156 votes. Draschill has called for a recount. Thompson, a poorly financed candidate with a rural base, will face Democratic incumbent Representative Bill Orton. Orton appears to be safe in his rural, conservative, predominantly Mormon district.

Do congrats NOW

(Do congrats letter)

THE WHITE HOUSE

WASHINGTON

June 29, 1994

94 JUN 30 A 9:16

MEMORANDUM FOR JOHN PODESTA
ASSISTANT TO THE PRESIDENT
AND STAFF SECRETARY

JOEL KLEIN
DEPUTY COUNSEL TO THE PRESIDENT

FROM: MARVIN KRISLOV MK
ASSISTANT COUNSEL TO THE PRESIDENT

Is this appropriate? Should John (or someone else) handle? Please let me know.

Attachment

Marvin
You should do this
I'm happy to
give you some
points.

John
6-30-94

asap

American Society of Access Professionals

7910 Woodmont Avenue, Suite 1430
Bethesda, Maryland 20814-3015

(301) 913-0[illegible]

June 28, 1994

Marvin Krislov
Assistant Counsel to the President
Old Executive Building
17th and Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. Krislov:

Recently you spoke with Johanna Bonnelycke regarding participation on a panel discussion at the American Society of Access Professionals' Annual Symposium. The Symposium is scheduled for August 30-31, 1994 in Rockville, Maryland. Ms. Bonnelycke asked me to follow up with you by sending information about our Society.

The American Society of Access Professionals (ASAP) is an independent, nonprofit professional organization formed in 1980, and it represents a wide cross-section of individuals in both public and private sectors who are concerned with the effective and responsible administration of various access laws. The majority of our members are federal employees in the information access areas. ASAP works toward solutions to problems inherent in such laws and promotes an understanding and appreciation of fair information practices. ASAP also addresses the controlled sharing of computerized information and the protection of individual rights while using advanced computer communication technology.

Through our training programs, Annual Symposia, Western Regional Training Conference, luncheon meetings and other events, members of ASAP exchange ideas and information. Our members are in important, productive positions in areas of increasing public interest, i.e. openness in government and personal privacy in an ever increasing computerized age.

Enclosed is literature about our Society along with past program notices to help you gain an understanding of our organization and how we meet the needs of government employees dealing with disclosure issues and the needs of the requestors.

After reviewing this information, please give Ms. Bonnelycke a call at 301-443-2055 to discuss your participation. Thank you very much for your consideration.

Sincerely,

Claire Shanley

Claire Shanley
Executive Director

CC: Johanna Bonnelycke, Symposium Chair

DRAFT

ASAP ANNUAL SYMPOSIUM

IMPACT OF TECHNOLOGY ON FOIA AND PRIVACY ACT

DAY ONE - TUESDAY, AUGUST 30

8:45 - 9:00	Welcoming Remarks and Introductions Ross Cirrincione, ASAP President Johanna Bonnelycke, Symposium Chair
9:00 - 9:30	Keynote Address Janet Reno, Department of Justice - Invited
9:30 - 12:00	Desirable and Undesirable Barriers to the Information Super Highway 9:30 - 10:10 Administration Policy on Public Access - Bruce McConnell, OMB 10:20 - 11:00 FOIA Access, Tom Blanton, National Security Archive 11:10 - 12:00 Balancing The Need for Disclosure with the Need for Privacy and Confidentiality - Peter Waegemann, Medical Records Institute, Boston, MA.
12:00 - 2:00	Lunch and FOIA Redaction Equipment Demonstration
T2:00 - 2:50	FOIA Technology Update Russ Roberts, formerly HHS Frank Machak, Department of State Gaial Sessoms, Nuclear Regulatory Agency
T2:00 - 2:50	Nonresponse Information Contained in Responsive Documents Jamie Lichtman, Ropes & Gray Ross Cirrincione, HHS Kate Doyle, NSA
T3:00 - 3:50	Privacy Legislation Update - Evan Hendricks, PRIVACY TIMES
T3:00 - 3:50	FOIA Legislation Update - Harry Hammitt, ACCESS REPORTS
4:00 - 6:00	President's Reception

DRAFT

ASAP ANNUAL SYMPOSIUM

IMPACT OF TECHNOLOGY ON FOIA AND PRIVACY ACT

DAY TWO - WEDNESDAY, AUGUST 31

8:55 - 9:00	Welcoming Remarks and Introduction
9:00 - 9:50	NARA E-Mail Standards; Relationship to FOIA and Privacy Act. Sheryl Walter, National Security Archive; Miriam Nisbet, National Archives and Records Administration; Johanna Bonnelycke, U.S. Public Health Service.
T10:00 - 10:50	FOIA and the Electronic Environment. Charlie Talbott, Department of Defense; Virginia Huth, OMB.
T10:00 - 10:50	The Responsibilities of a Privacy Advocate. Would your Agency Benefit from Having a Privacy Advocate? Rob Veeder, IRS.
T11:00 - 11:50	FOIA and Privacy Act Litigation Update - Peggy Irving and Kirsten Moncada, Department of Justice
T11:00 - 11:50	Federal Advisory Committee Act Litigation Update - Miriam Miller, Department of Labor
12:00 - 1:30	Lunch
1:30 - 2:20	White House Report Card Milliam Miller, Department of Labor Marvin Krislov, White Office Office of General Counsel (invited) Rebecca Daugherty, Reporters Committee or Harry Hammitt, ACCESS REPORTS
2:30 - 3:30	Open Mike - Dan Metcalfe, Department of Justice; Lucinda Sikes, Public Citizen

THE

Celia
letter to
[illegible]

cc

June 30, 1994

Frank H. Thurmond
13 Sunset Drive
Little Rock, Arkansas 72207

Dear Frank:

Thanks for your follow-up letter about the Arkansas Branch of the Oxford Society. I apologize for the delay in responding, but I just received it.

I'd be delighted to join you as a member. I never know what my schedule will hold but do hope you'll keep me informed of your plans for the Arkansas Branch.

Hillary sends her best regards.

Sincerely,

Bill Clinton

Rec'd Trey
6/27/94

13 Sunset Drive
Little Rock, AR 72207
April 8, 1994

The Honorable William Jefferson Clinton
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear President Clinton:

Thank you very much for your letter. As requested, I am writing to give you some details regarding the Arkansas Branch of the Oxford Society.

My job as secretary is to keep Oxford alumni from our state in touch with one another (and with the University itself) by organizing occasional Oxford style get-togethers. I realize that the constraints of your job might make regular attendance somewhat impractical; however, if I am able to get an annual tradition going, then hopefully you can eventually attend!

In the meantime, it goes without saying that it would be a great honor simply to be able to include you in the list of members, which includes a number of interesting Arkansans (such as Winthrop Rockefeller and the Very Reverend J.W. Pugh). I nevertheless take this opportunity to invite you to the first annual 'summer drinks party' to be held at my house in late summer of this year. The date is of course flexible and if by any chance you will be in town this summer and would like to attend, I will have the event at that time.

As always, it was a real pleasure seeing you and the First Lady again last December, and I hope very much we can meet again soon!

Sincerely,

Frank H. Thurmond

Frank H. Thurmond

P.S. I shall be very grateful if you will give my best regards to Mrs. Clinton, and also to Mr. McLarty (a long- time friend of my family's from church).

[redacted]

BL

Need to make
sure the Treasury
has been
responsive

JHD
Leathers - letter
(USTR draft)

THE WHITE HOUSE

WASHINGTON

June 29, 1994

The Honorable Timothy J. Leathers
Commissioner of Revenue
Arkansas Department of Finance
and Administration
Post Office Box 1272
Little Rock, Arkansas 72203

Dear Tim:

Thanks for your letter regarding the impact of the Uruguay Round negotiations on state tax measures in the services sectors. It is always good to hear from you, and as Chairman of the Multistate Tax Commission, you bring a unique perspective to this issue.

As you know, the Office of the United States Trade Representative and the Department of the Treasury have consulted for several months with your Washington staff to identify problems that could affect the ability of states to carry out their responsibilities of levying taxes. We are determined to ensure that the rights of the states are preserved through this process.

In addition, a proposed set of reservations to the General Agreement on Trade in Services for state tax measures recently was provided to you and all the other state tax commissioners for comment. These draft reservations are the culmination of a careful examination of all the arguments you have put forth along with an understanding of the operation of the Uruguay Round agreements.

I realize the importance of this issue, and I am determined to ensure that our federal system is preserved in international agreements. I know that Ambassador Kantor and Secretary Bentsen share this conviction and are working very hard to address your concerns. Please keep in touch.

Sincerely,

Bill

Multistate Tax Commission

94 MAY 27 P9:25

May 20, 1994

The Honorable William J. Clinton
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Mr. President:

We are deeply concerned about the power over state and local taxes that the new GATT agreement will give the World Trade Organization (WTO). Specifically, our analysis reveals that these provisions of the new GATT will undermine state and local fiscal sovereignty and likely favor foreign business over American taxpayers.

As you know, our perspective is that of administrators of tax laws enacted by state legislatures. Most of our members are responsible to governors, who are among the strongest proponents of increased international trade. We strongly support equal treatment of all taxpayers -- foreign and domestic. Thus, we have no objection to provisions of the new GATT designed to encourage trade. However, the WTO provisions applicable to state and local taxes exceed legitimate trade concerns. They are likely to have significant unintended, but dangerous, consequences for state sovereignty, federalism, and American taxpayers.

For over two hundred years, state and local taxes have been set by locally elected bodies. The United States Supreme Court has been the final arbiter of the balance between free trade and federalism embodied in the Foreign Commerce and Interstate Commerce Clauses of the U.S. Constitution. The new GATT ignores federalism and makes the WTO dispute resolution panels, made up entirely of foreign government representatives, the final arbiter of state and local tax policies.

For example, local property taxes are generally set today by city councils and county commissioners elected by local citizens, including taxpaying homeowners, farmers, and business owners. Under the new GATT, the final appeal board of local property taxes <u>for foreign multinationals but not American taxpayers,</u> is to be a WTO panel which excludes Americans from participation. Thus, foreign companies can win local property tax benefits unavailable to American taxpayers.

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Chicago, IL 60601-1406
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15835 Park Ten Place, Suite 104
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Fax (713) 492-0335

Because of our concerns, we have cooperated in recent months with the Treasury Department's and U.S. Trade Representative's staffs to explain the effects of the new GATT on state and local tax authority and to propose exemptions and reservations to protect American sovereignty. Unfortunately, to date these discussions have failed to produce meaningful protection for American taxpayers. As a result, we are appealing to you to support effective remedies for this problem.

The essential problem is that, under the new GATT, any foreign multinational that is dissatisfied with a state or local tax policy can challenge that policy outside normal channels in which all parties are on equal footing. The foreign multinational simply gets its government to file a complaint with the WTO. The WTO staff then appoints a dispute resolution panel made up entirely of foreign citizens. The state or local government has no right to present its own case; the deliberation will be made in secret; and not even the U.S. government has the right to veto anti-U.S. decisions. The panel's decision is enforceable by action of the U.S. government, by trade sanctions against any American industry, or by a lawsuit brought in U.S. courts by the foreign multinational.

Understanding this last enforcement mechanism, a lawsuit in U.S. courts, is critical. USTR staff claims that WTO decisions are not enforceable except by voluntary action. That may be true for <u>federal</u> policy issues; it is not true for <u>state</u> and <u>local</u> laws. That is because states and localities, unlike the federal government, are subject to the constraints of the Foreign Commerce Clause of the U.S. Constitution. Thus, if the Congress ratifies the new GATT, a foreign multinational can use a WTO panel decision (that has not been explicitly rejected by the federal government) as evidence that federal foreign policy preempts the state and local tax law. Unless effective protections are provided, WTO panel decisions will, legally, bind state and local governments.

WTO dispute panels exclude Americans. Since they are not bound by U.S. constitutional standards, they may well overturn state or local tax laws that are perfectly legitimate under the U.S. Constitution. Thus, their decisions are likely to favor foreign multinationals over American taxpayers. That is what happened in the one state tax case brought so far under GATT -- Beer II.

In that case, the GATT panel ruled that Minnesota must give large national Canadian beer companies tax breaks equal to those given to micro-breweries based in Minnesota <u>or any other location in the U.S. or Canada.</u> No American company could have won such a privilege in the U.S. courts. There was no evidence of discrimination based on national origin and no evidence of any trade barrier. Yet, USTR did not veto or reject this absurd decision. Instead, it has encouraged states to comply with it.

Since the GATT, unlike the U.S. Constitution, does not recognize or respect federalism, WTO panel decisions can be different from U.S. Supreme Court decisions on identical issues. Foreign multinationals that can seek WTO endorsement of their desired tax policies can win tax breaks unavailable to their American competitors. Allowing WTO to set state and local tax policy is likely to give foreign multinationals preferential treatment over American businesses.

There are at least two ways to solve this problem short of rejecting the new GATT. One is for the U.S. government to assert a broad reservation for state and local taxes from the "national treatment" provision of the new GATT. We have proposed several effective ways to draft such a reservation. All have been rejected by the USTR staff primarily, we believe, because they value state sovereignty embodied in America's federal system too little to make it a high priority for negotiations.

The other approach is to include strong pro-fiscal federalism provisions in the implementing legislation. This would require language much stronger than that which was included in NAFTA. It should include, among other items:

- prospective rejection of WTO panel decisions not based on U.S. constitutional standards, determined by the U.S. Supreme Court, and accepted by U.S. Congress in separate legislation adopted within 120 days of a panel decision and renewed every five years;

- prohibition of retroactive application of WTO panel decisions and of their use in U.S. courts, as evidence or otherwise, except by the U.S. government enforcing a Congressionally-adopted statute;

- requirement that USTR designate the affected state or local government to represent itself before a WTO panel considering its laws;

- requirement that U.S. will not accept WTO panels on state and local tax issues that are not made up of tax officials of state and local governments in nations with federal systems;

- requirement of 180 day notice to state and local governments before USTR initiates or responds to a complaint about state or local tax policies.

Unless such effective protections are adopted, the authority of American citizens in state and local communities to set fair tax policies will be significantly reduced. That need not be the case. The new GATT can be adopted and world trade expanded, without shifting tax authority from Main Street America to Geneva, Switzerland. We appeal for your help in assuring that outcome.

Thank you for your commitment to federalism and attention to our concerns.

Sincerely yours,

Tim Leathers

Timothy J. Leathers
Commissioner of Revenue, Arkansas
Chair, Multistate Tax Commission

Enclosures

IMPLEMENTING LEGISLATION FOR GATT/GATS

(May 12, 1994)

The implementing legislation for GATT/GATS should include—

POLICY AND MANAGEMENT OF GATT DISPUTES

- **U.S. Policy Not to Accept Decisions Contrary to Existing Jurisprudence.** It is the policy of the United States not to accept any decision of a Dispute Settlement Body or other authorized trade tribunal (collectively "Trade Tribunals") that is adverse to state law, when that decision conflicts with the established jurisprudence of the United States relative to foreign commerce, *i.e.*, the state law survives analysis under the U.S. Constitution and other applicable Federal law.

- **Procedure to Accept Decisions as Binding on States.** A decision of a Trade Tribunal that is adverse to State law will not be deemed a part of the domestic law of the United States (*i.e.*, binding on the States), unless the decision has been accepted by the adoption of a joint resolution of Congress that is not a part of any other legislation and is enacted within 120 days following the receipt of a recommendation by the President that the decision be accepted. If a decision of a Trade Tribunal is not so accepted, then the decision of the Trade Tribunal will not be deemed a part of the domestic law of the United States (*i.e.*, not binding on the States).

- **Accepted Decisions Subject to Sunset.** The acceptance of a decision of a Trade Panel as the domestic law of the United States will expire on the date specified in the acceptance, or the renewal of acceptance, (we are recommending the fifth anniversary of the acceptance or renewed acceptance) unless on or before such time, the acceptance, or the renewed acceptance, has been renewed, or further renewed, by a duly adopted, joint resolution of Congress that is not a part of any other legislation enacted within 120 days following the receipt of a recommendation by the President that the decision be renewed, or further renewed.

- **Decisions Accepted Prospectively Only.** Any acceptance of a decision of a Trade Panel as the domestic law of the United States will be prospective only; such acceptance will not afford any basis for retroactive relief to affected parties, including claims of refunds by taxpayers.

⇨ **Declarations of Invalidity Limited to Express Actions Brought by U.S.** No State law, or the application thereof, may be declared invalid as to any person or circumstance because of inconsistency with GATT/GATS except in an action brought by the United States for the purpose of declaring such law or application invalid.

⇨ **No Private Cause of Action.** No person other than the United States shall have any cause of action or defense under GATT/GATS or may challenge under any provision of law, any action or inaction by any department, agency, or other instrumentality of a State on the ground that the action or inaction is inconsistent with GATT/GATS.

⇨ **WTO Agreement and Decisions of Trade Tribunals Not Competent Evidence.** The Agreement establishing the World Trade Organization (the "WTO Agreement"), including the Multilateral Trade Agreements and the Plurilateral Trade Agreements, and the Ministerial Declarations and Decisions and the understanding on Commitments in Financial Services annexed to the WTO Agreement and any other collateral document shall not be competent evidence in any domestic proceeding brought to challenge state law except in an action brought by the United States for the purpose of declaring such law or application invalid. Evidence of the decisions of Trade Tribunals adverse to state law may not be admissible in any proceeding challenging state law without the United States Congress affirmatively adopting the decision as the Supreme Law of the United States that is binding upon the States.

⇨ **State Representation Before Trade Tribunals.** In that portion of any proceeding of a Trade Tribunal that pertains to the resolution of a Member country's assertion that State or local law is inconsistent with the obligations of the United States under GATT/GATS, the United States will designate as its representative the representative designated by the affected State or States, with the affected States (if there are more than one) determining among themselves who of the designated representatives shall be the lead representative.

- **State Representation in Membership of Trade Tribunals Reviewing State or Local Law.** In any proceeding of a Trade Tribunal that pertains to the resolution of a Member country's assertion that State or local law is inconsistent with the obligations of the United States under GATT/GATS, the membership of the Trade Tribunal will include at least one representative of a State of the United States.

- **Policy of United States to Accept Qualified Nominees for Service Upon Trade Tribunals.** It is the policy of the United States to accept as qualified nominees for service on Trade Tribunals whose proceeding pertain to the determination of the possible failure of the United States to fulfill its commitment under GATT/GATS because of State or local tax law only those nominees who are tax officials or designees of sub-central units of governments from nations having a federal system of government.

- **Notice to the States of Consultations or Proceedings Involving State Law.** The United States will give at least 180 days prior written notice to all States before (i) responding to a complaint that State or local law is inconsistent with the obligations of the United States under GATT/GATS or (ii) initiating a complaint that the law of a sub-central government is inconsistent with the obligations of the government of which the sub-central government is a part.

PRESERVATION OF FEDERALISM IN CONTEXT OF EXPANDING INTERNATIONAL TRADE

- **Federal-State Consultation.** The United States will consult with the States by—

  - **Biennial International Conference on Federalism and International Trade Agreements.** The United States Trade Representative, in conjunction with the World Trade Organization and the members of the General Agreement on Tariffs and Trade having federal systems of government, convening and facilitating at least once every two years an international conference to discuss issues of the operation of federal systems of government in relation to international trade agreements. (The conference shall involve representatives of national and sub-central governments of nations having federal systems of government, including organizations of sub-central governments.)

  - **Annual National Conference on Federalism and International Trade Agreements.** The United States Trade Representative, in conjunction with the Advisory Commission of Intergovernmental Relations, convening at least once each year a national conference to discuss issues of the operation of the U.S. system of federalism in relation to international trade agreements. (The conference shall involve interested federal agencies and officials, interested state and local officials, and national and interstate organizations of state and local governments and officials. The United State Trade Representative shall, within six months of the close of each such annual conference, issue a report to Congress on the status of issues involving U.S. federalism in relation to international trade agreements.)

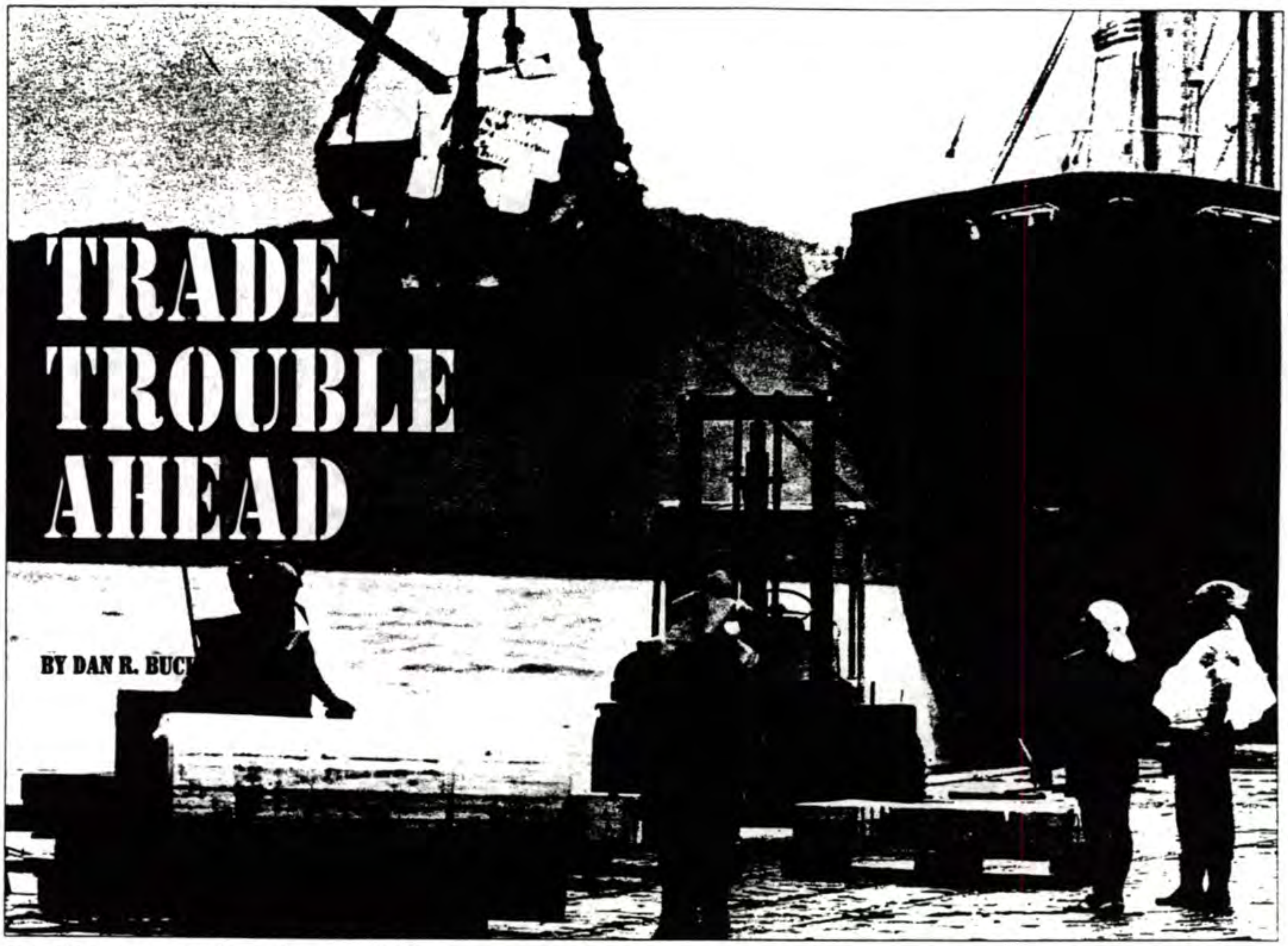
  - **Advisory Committees.** Using the intergovernmental policy advisory committees on trade to encourage conformity of State law with practices of GATT/GATS, (membership of the committees to include State organizations whose purposes and programs seek to achieve increased uniformity of State laws with respect to multijurisdictional commerce).

- **Formalized Consulting Process.** Establishing within the Office of the U.S. Trade Representative a Federal-State consulting process for addressing issues relating to GATT/GATS, including procedures under which (not inconsistent with the other requirements established by the implementing legislation)

  - ✓ State laws that are grandfathered can be identified;
  - ✓ States are informed on a continuing basis of matters impacting the States;
  - ✓ States are provided a meaningful opportunity to inform and advise the U.S. Trade Representative on matters impacting the States;
  - ✓ The U.S. Trade Representative takes into account the information and advice received from the States; and
  - ✓ States are given the greatest practical opportunity to be involved in developing the positions of the United States on matters impacting the States that are addressed by committees, subcommittees, working groups, councils, the WTO, or the dispute settlement processes.

TRADE TROUBLE AHEAD

BY DAN R. BUC



GATT rulings should not be more binding on the states than they are on the federal government.

It's 2004, and the U.S. economy is booming. Despite the boom, states are cutting services and raising taxes. Some cities and school districts are near bankruptcy. Citizens are outraged. They understand cuts and tax increases when times are tough, but not when state coffers should be full with receipts from a growing economy.

Citizens are doubly outraged because the belt-tightening and tax increases are intended to pay the bill for tax breaks given to foreign corporations and investors. What is going on here?

Dan R. Bucks is executive director of the Multistate Tax Commission, but the views expressed here are his own.

A peek into the future

The trouble began in 1996 and continued through 1999 when international trade panels — operating under the authority of the World Trade Organization that was established in the 1993 version of GATT — issued a startling series of rulings against state and local tax laws. The panels ruled against state and local tax practices that the U.S. Supreme Court previously found to be acceptable — in their words "nondiscriminatory" — with respect to foreign commerce. The rulings were developed through private proceedings conducted by foreign officials — proceedings at which no state or local officials were allowed to defend the laws in dispute.

The flood of rulings against states began with a trickle and soon became a torrent, sweeping away broad sections of established tax laws.

1996 — In this year, a trade panel of British, Venezuelan and South Korean officials told Kentucky and other states to give Japanese banks a capital stock tax deduction for Japanese government bonds because Congress requires that states

The federal government needs to protect states' rights under new international trade agreements, or states and their citizens could face a rude surprise.

give U.S. banks a deduction from capital stock taxes for U.S. bonds.

1997 — Another trade panel heard a complaint from Japanese telecommunications service companies. This panel ruled against Texas, Nebraska and Iowa for calculating taxable corporate income solely on the basis of sales instead of also considering those corporations' investments and jobs in the states. The panel declared this "single sales factor formula" a restraint on trade because it favored firms in Texas, Nebraska and Iowa over Japanese businesses. The GATT panel asked these states to cease applying this formula to foreign companies selling in their markets.

Later that year another trade panel, in a case prompted by Canadian trucking firms, ruled that all states granting property tax exemptions to agricultural equipment and business inventories must grant similar exemptions to the trucking firms and all other foreign businesses selling services into the United States.

Also in 1997, sales and use tax exemptions came under fire. A British firm owning a chain of U.S. restaurants challenged the food tax exemptions in some states. Those exemptions typically apply to groceries, while prepared food is usually taxed. A trade panel ruled this practice discriminatory and asked states to grant an exemption for food served in restaurants owned by foreign companies. Other sales and use tax exemptions were successfully challenged by other foreign firms in a subsequent series of cases.

1998 — In a case initiated by the United Kingdom at the behest of Barclay's Bank, a panel of Brazilian, French and Japanese officials granted what amounted to a full exemption for foreign corporations from the corporate income taxes of most states. The panel ruled that those states allowing some companies and corporations to "pass-through" income, tax-free from the business to the owners, who then pay the taxes, must grant the same treatment to all foreign corporations operating in those states. The owners of foreign companies are generally foreign citizens who are not subject to state laws, so the income earned by foreign corporations became exempt in most states.

1999 — The most shocking ruling came out this year. The Japanese government charged that California was discriminating against Japanese banks because the overall level of taxes in California was higher than those applied to German and U.S. banks operating in South Carolina. Using the "least restrictive measure" standard employed by a GATT panel in the *Beer II* decision in 1992, the panel in this case reasoned that Japanese firms were being discriminated against because the higher California taxes were a "more restrictive measure" than the South Carolina taxes. California, the panel ruled, needed to lower its overall tax level to that of South Carolina's if the United States were to avoid onerous trade sanctions. In the ruling, the panel also rejected the reasoning of a letter the GATT Secretariat sent to the U.S. government in 1994 giving assurances that one state's tax laws would not be compared with another.

Foreign corporations filed suit in the United States seeking to mandate these rulings. Although GATT panel rulings are not legally binding on the United States, the foreign corporations argued that they are binding on the states, under the Foreign Commerce and National Supremacy Clauses, because GATT represents the foreign policy of the United States. The U.S. government could have rejected the GATT panel rulings in the 1996-1999 per-

1997 — A British firm owning a chain of U.S. restaurants challenged the food tax exemption in some states. Those exemptions typically apply to groceries, while prepared food is usually taxed.

iod, but did not do so because the U.S. economy was in recession, and other nations threatened severe trade sanctions against the United States if the panel rulings were rejected. Faced with a choice between jobs and federalism, the U.S. government chose jobs.

Absent rejection by the U.S. government, foreign interests argued in the court cases that the GATT rulings constituted U.S. policy. The various cases were consolidated, and in the spring of 2003, the U.S. Supreme Court, ruling in *GATT Nations' Corporations vs. Alabama, et al*, agreed with the foreign parties and mandated implementation of the GATT rulings as the law of the land.

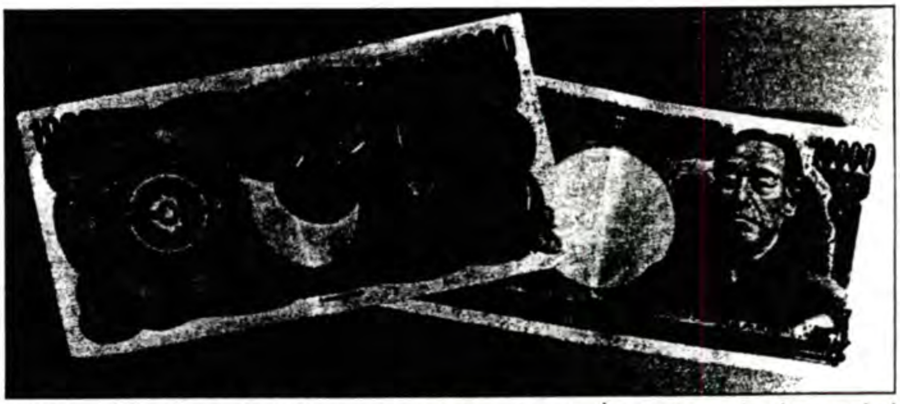
U.S. businesses that had not previously benefited from the GATT rulings quickly filed their own lawsuits seeking the same treatment as foreign corporations under the Equal Protection Clause of the U.S. Constitution and various state constitutional provisions mandating equal and uniform treatment. Early court rulings favored the claims of the U.S. businesses. By early 2004, the entire body of state and local sales and use taxes, corporate franchise and income, and property taxes was in shambles, and state legislatures convened that year in the midst of the worst state and local fiscal crisis in U.S. history.

Back to 1994

Is this doomsday scenario exaggerated? Yes, a bit. However, none of these events can be ruled out because all of the elements are present today in the 1992 GATT panel decision in the *Beer II* case and the newest version of GATT signed in December 1993 at the conclusion of the Uruguay Round of negotiations. The new version of GATT expands the scope of potential problems for state and local taxes. Previously, the main body of GATT dealt with trade in goods and covered only sales and use, excise and other transactional taxes. That remains the case for the goods sector. In addition, a new portion of GATT deals with trade in services, and that portion (labeled GATS) covers — in addition to sales taxes — income, inheritance and property taxes as applied to international service industries.

Can this scenario of future fiscal crisis be avoided without losing the economic benefits that GATT promises in the form of expanded international trade? Yes, but only if the federal administration and Congress take clear and decisive action in the coming months to ensure that federalism and, in particular, state tax sovereignty, is protected. Unless Congress and the administration act to protect federalism, the new version of this trade agreement will, over the long term:

- reduce state and local taxes paid by foreign taxpayers and unfairly shift that tax burden to U.S. businesses and citizens,
- transfer authority to determine state and local tax policy from the states, subject to the review of Congress and the U.S. Supreme Court, to international trade panels with little or no expertise in state and local tax policy or constitutional law relating to federalism, and
- erode the ability of states to perform their role as "laboratories of democracy" in our system of federalism — fashioning local solutions to local problems.



1996 — A trade panel told Kentucky and other states to give Japanese banks a capital stock tax deduction.

Murky wording hurts

The special rights and privileges that foreign taxpayers will enjoy under GATT, unless adjustments are made, arise from the broad and ambiguous terms used in the agreements and the disput settlement mechanisms established by the agreements. Specifically, the following features of the agreements create problems for state and local taxation.

- The agreements use broad language that is much less precise than tax law and create the potential for unpredictable, unintended and unfortunate decisions. For example, "unjustified discrimination" is an ill-defined, ambiguous standard in the agreements, and the limited history of GATT authorities applying that standard to state taxation is disturbing.
- Foreign companies seeking to reduce their state or local tax bills would no longer be required to bring an action in the U.S. courts, but could instead recruit their government to lodge a GATT complaint against the state or locality with the World Trade Organization. "Dispute settlement bodies," comprised of representatives of foreign nations with little or no tax or federalism experience, would rule on

complaints by foreign nations against a state or local tax practice. These tribunals would not be bound by U.S. court precedents or any other law.

• States have no guaranteed standing before dispute settlement bodies. Absent congressional action, states cannot be assured that their views will be presented or protected by the U.S. government. The federal government may defend the states' legitimate interests — or it may decline to, at its discretion.

• Because GATT, unlike the U.S. Constitution, does not recognize federalism, and more specifically the rights of state governments, which are otherwise constitutionally restricted from discriminating against foreign and interstate commerce, dispute settlement bodies will be under no obligation to balance the claims for trading interests against subnational governmental rights.

These features combine to create opportunities for tax benefits for foreign taxpayers that are more favorable than for U.S. taxpayers. That is what has occurred in the one case involving state taxes that has been subject to a dispute settlement ruling under GATT. This case is commonly referred to as *Beer II* and involved a Canadian-United States dispute over federal and state taxes and regulations affecting beer production and distribution. Because of that case, large Canadian breweries may, unless the ruling is rejected by the United States, ultimately secure economic benefits in the form of special relief from state laws not available to large U.S. breweries under the U.S. Constitution or laws.

How to get tough on GATT

The simplest solution to the problems posed by GATT would be for the U.S. government to file exclusions from GATT for all state and local taxes that conform to the U.S. Constitution or are based on federal law. The U.S. Constitution applies a well-defined body of "free trade law" to the states in the form of the Interstate and Foreign Commerce Clauses. By supporting U.S. constitutional standards, the states and the federal government would be providing strong guarantees to foreign businesses that they will be treated equally as compared to U.S. taxpayers.

GATT promises an expansion of international trade, and that promise should be fulfilled — but without undermining American federalism.

The U.S. government was given until April 15 and June 15 to file exclusions under two separate categories of the agreement. At press time in early April, however, the U.S. trade representative's office has declined to do so, saying other nations will ask for too many concessions in exchange for this action to protect federalism.

If the U.S. government does not pursue exclusions based on the Constitution, then this year Congress should enact strong provisions protecting federalism in the implementing legislation for GATT. The legislation should include provisions that require the U.S. government to reject any GATT panel ruling that is inconsistent with established jurisprudence in the United States on the acceptability of state and local laws under the Constitution and federal law. GATT panel rulings adverse to the states should not be accepted by the U.S. government unless both the president and Congress agree on them. GATT rulings should not be more binding on the states than they are on the federal government. Accordingly, GATT rulings should not become the basis for lawsuits against states and localities in the United States, and they should not be introduced in evidence in any court proceedings.

States should be able to defend their laws directly before GATT panels. In cases involving state or local taxes, the United States should accept as members of dispute settlement panels only people with expertise in taxation at subnational levels of government in other nations with federal systems. Further, states should be guaranteed full consultation with federal government officials as trade disputes involving federalism arise. Additional measures beyond these may be necessary.

GATT promises an expansion of international trade, and that promise should be fulfilled — but without undermining American federalism. The U.S. Constitution provides a foundation for our nation based on the principles of free trade and federalism. It has created the most successful free trade area in modern times and establishes the ideal other nations pursue in international trade agreements. The Constitution also establishes a successful system of federalism. In a world where other nations are beset with social tension, and even civil war, over issues of balancing the aspirations of communities with central governments, the U.S. system is a model for balancing local and national interests. That model should be preserved. □

[redacted]

6.29
- save up the original
- did Not xerox All for this copy

THE PRESIDENT HAS SEEN 6/29

To VP |

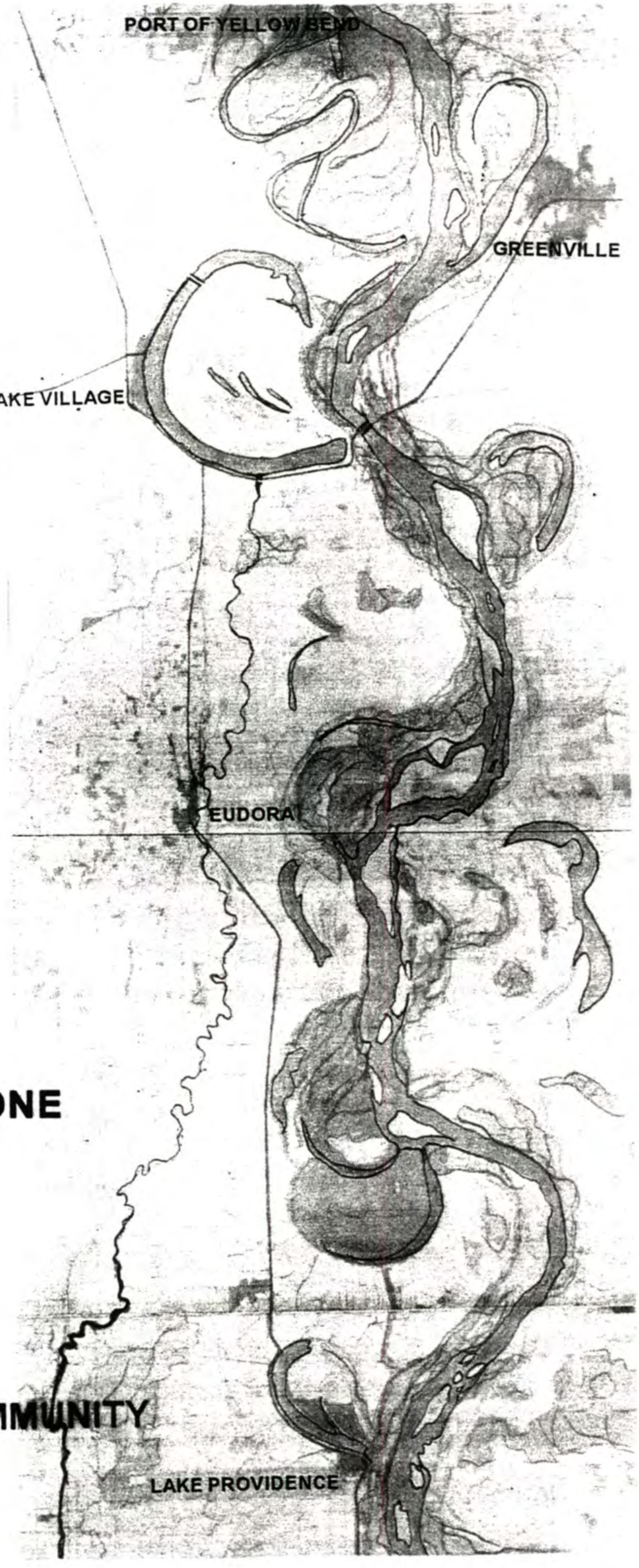
Re: ~~EZones~~

we need to discuss at our next lunch

B.

[redacted]

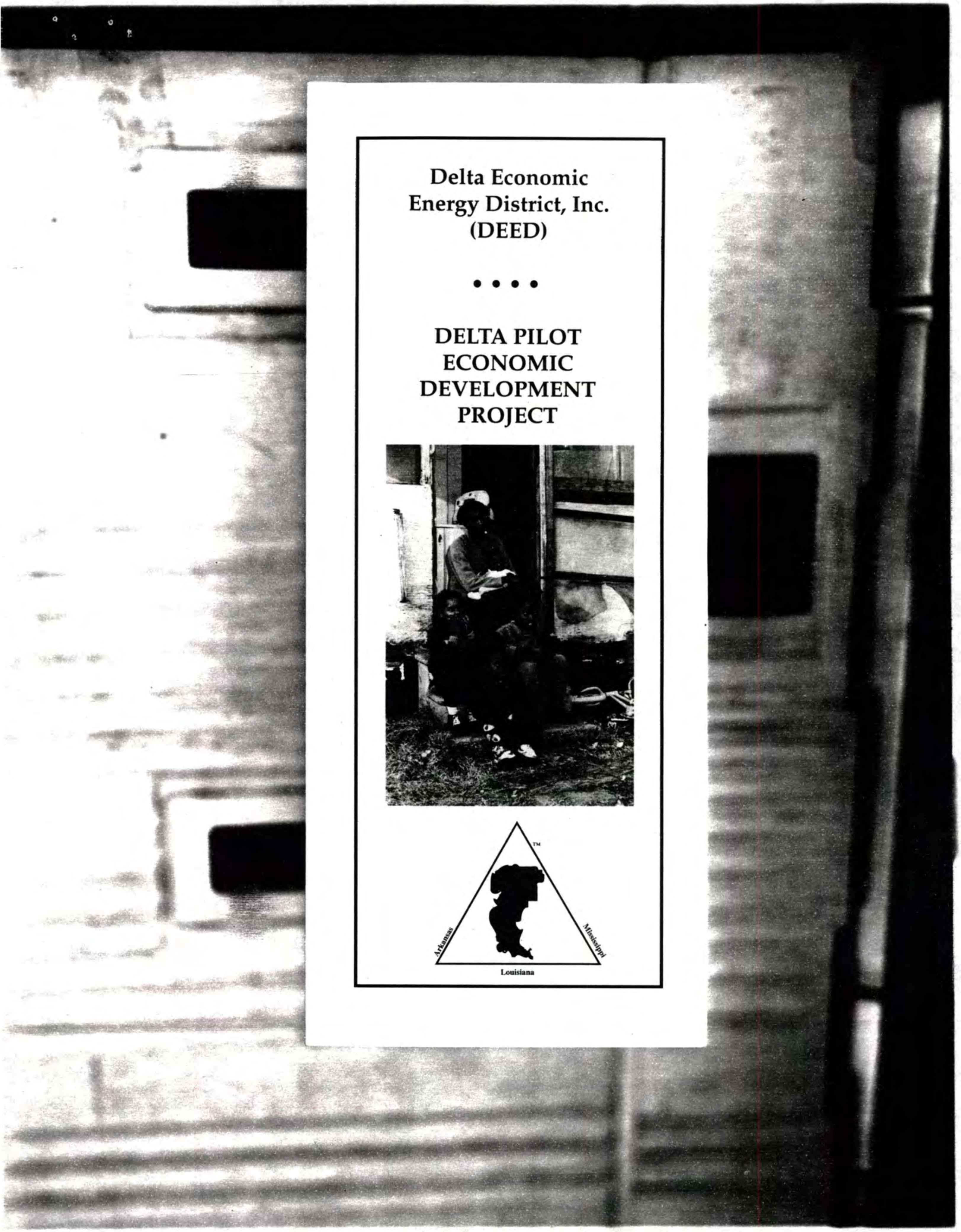
[redacted]



TRI-STATE DELTA

EMPOWERMENT ZONE

THE REGIONAL COMMUNITY


Delta Economic
Energy District, Inc.
(DEED)
DELTA PILOT
ECONOMIC
DEVELOPMENT
PROJECT
Arkansas
Mississippi
Louisiana

EDWIN W. EDWARDS
GOVERNOR

State of Louisiana
OFFICE OF THE GOVERNOR
Baton Rouge
70804-9004

POST OFFICE BOX 94004
(504) 342-7015

June 27, 1994

Honorable William "Bill" Clinton
President
United States of America
1600 Pennsylvania
Washington, D.C. 20500

Dear Mr. President:

As governor of the State of Louisiana, I would like to commend you and your cabinet for the development of the Empowerment Zone and Enterprise Community Program. In a letter to Secretary Mike Espy on June 23, 1994, I conveyed the State's overall commitment to support successful applications from Louisiana. I would like to take this opportunity to direct your attention, in particular, to the Tri-State Delta (Arkansas, Louisiana and Mississippi) Empowerment Zone application. It is unique in its scope and concept, in that it will bring the resources of the three states to bear on the problem of poverty in the Mississippi Delta. By developing a regional base for the attack on poverty, the Tri-State Delta plan has great potential for long-term success and ever-widening influence in the Mid-South.

A regional perspective was at the heart of the Lower Mississippi Delta Development Commission report. The Tri- State Delta program has much in common with that plan and a real chance of implementing some of the earlier recommendations.

Establishing mechanisms for working cooperatively across state borders has not been without its difficulties, but the Tri-State Delta team has managed, and will continue to do so. Ten days ago 2,000 people from the three states came together in Greenville, Mississippi for a unity rally. It marked, for the first time, a Tri-State, grassroots effort to confront poverty and its causes. This show of resolve needs the support of us all.

The Louisiana Legislature has shown its endorsement of the Tri-State Delta efforts in a $500,000 appropriation towards development of a headquarters for Delta Economic Energy District, Inc., (DEED) in Lake Providence, Louisiana. DEED is the designated lead entity in the Tri-Sate Delta application and will be responsible for implementing and administering the plan.

Furthermore, in Senate Concurrent Resolution 46, the Louisiana Legislature pledged up to $1,333,333 as the State's share of a ten percent match to Federal funds upon designation of the

Tri-State Delta Empowerment Zone application. As governor, I can assure you of Louisiana's strong endorsement of this project and its continuing support.

The regional vision and the Tri-State perspective are among the qualities that distinguish this application and plan. I believe this plan gives particular merit, and trust it will excite you as much as it does me.

Best wishes and warmest personal regards.

Sincerely,

Edwin W. Edwards

EWE:maf

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 06/29/94

TO: NSC

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

[redacted]

Please prepare a response to former President Jimmy Carter for the President's signature, and return to my office. ASAP
Thanks.

Ok to send to NSC?

Yes

[redacted]

NSC to reply asap

JIMMY CARTER 94 JUN 29 P4:56

June 27, 1994

To President Bill Clinton

I have just returned from Nicaragua, and a brief trip report is enclosed. My hope and expectation is that this visit has helped to produce a consensus that will greatly expedite the resolution of the complex property issue. Even Senator Helms should be pleased.

Sincerely,

Jimmy

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

A REPORT ON OUR VISIT TO NICARAGUA, JUNE 23-25
Jimmy Carter

I have been going to Nicaragua since 1986, when we first promoted the building of homes for poor families. Subsequently, The Carter Center dealt with human rights cases and, with our Council of Freely Elected Heads of Government, helped to mediate and monitor the successful election of 1990.

After the election, we mediated between the transition teams of the Sandinistas and the victorious UNO leaders to help resolve in general terms the three major issues: a) change of the Sandinista army into a national one; b) how to disarm and rehabilitate the resistance fighters (Contras), most of whom were in Honduras; and c) what to do with property confiscated in 1979 from the former dictator Somoza and his associates at the end of the revolution. Later, in 1991, we returned to Managua when the inflation rate was more than 13,000%, to help forge an economic compact between the government and trade unions that resulted in the rate dropping to zero within a few months.

Now, Nicaragua has another crisis that is blocking its economic growth -- the property issue. With the exception of Haiti, the country is the poorest in the hemisphere, with an unemployment rate of almost 50%. An insurmountable obstacle to progress has been the disputes over property ownership. This is an extremely complicated problem already involving conflicting claims to more than 100,000 homes and parcels of land. These disputes are a result of several previous actions:

a) In 1979, the victorious revolutionaries expropriated the property of Somoza and his associates, the decree being signed by the five members of the Junta at that time, which included Sandinista leaders and Violeta Chamorro, the current president;
b) A 1981 agrarian reform law took mostly abandoned land and turned it over to peasant families;
c) During the 1980s, some additional property was purchased or taken by the Sandinista government.

During all this time, little attention was given to the legal transfer of titles, but immediately after the 1990 election the national assembly, still controlled by the Sandinistas, passed several laws that attempted to legalize these transfers.

Original owners, later purchasers, current users, and the state have been contending either for payment, repossession, or proven legal ownership. This situation has prevented investment and hampered agricultural production, either by Nicaraguans or foreigners. Several government agencies have been established to deal with the multiple cases, and some progress has been made. For instance, as of May 1994, of 5,288 claims by former owners, 1,341 were resolved; of 112,675 title petitions by current occupants, 52,208 had been decided.

A U.S. law has been passed that restricts economic assistance to Nicaragua unless a number of cases involving American citizens are resolved or good progress can be assured. Nicaraguans believe deeply that the claims presented by former Nicaraguan citizens who have "abandoned" their country should not be given priority over those who remained. Also, many of these claimants had written off their property and taken U.S. income tax credit for the losses. Nevertheless, every effort is being made to settle these foreign claims on an equal basis. (In fact, under economic pressure, it is likely that they are being given special treatment.)

Both President Chamorro and the Sandinista leaders urged The Carter Center to assist with this overall problem. With Jennifer McCoy and David Carroll representing The Carter Center, I arrived in Managua on Thursday, June 23rd. During that afternoon, we received briefings from the U.S. ambassador and from President Chamorro and her chief of staff, her son-in-law, Antonio Lacayo. Then we met with General Humberto Ortega, one of the most influential Nicaraguans because he maintains good relations with the president, the Sandinistas, and other officials. He has presided over a dramatic reduction in the size of the army, and is now supporting a new military law, under which he will be retiring next February, and civilian control of the military will be constitutionally guaranteed. Subsequently, we consulted with the mayor of Managua and attended a conference on "democratic transition," where leaders from Poland, El Salvador, Germany, the Czech Republic, and other countries outlined how they had moved, through compromise and consensus, to strengthen their new democracies and deal with property rights.

We spent the next day and a half learning from a wide array of private and government leaders how the present property dispute system is working and what additional steps might be needed. In addition, we met with political, economic, and trade union leaders who would be needed to forge a consensus on the passage of new laws to implement the reforms. These meetings included the attorney general, the minister of finance, the president and other leaders in the national assembly, the former Sandinista president and vice-president, the chief justice and members of the supreme court, leaders in the private sector, original property owners, and holders of government bonds being issued to pay them. They had strongly different interests, and a number of them had announced opposition to the proposals.

In my speech to the conference, I outlined the ideas I had received from the various interest groups, attempting to present them as an integrated package. Ultimately, we were able to join with these groups in creating a consensus on early actions to be taken to expedite the resolution of the property disputes. The primary steps are:

a) an increase in the value of the government's property bonds to permit more complete payment of the original owners. Interest rates are to be raised, earlier cashing of bonds permitted, and use of the bonds authorized for the payment of back taxes and certain other debts. It is estimated by financial experts that these actions could more than double the present value of the bonds, from 20% to perhaps 45% of face value;

b) authorization for the sale of 40% of the national telephone company, TelCor, the proceeds to be used to support the value of the bonds. This is a crucial step;

c) increasing the capability of the existing administrative agencies to resolve property disputes much more quickly;

d) establishment within the existing judicial system of new courts, whose exclusive role would be the resolution of property cases.

The United Nations Development Program (UNDP) representatives pledged financial support to implement items c) and d) above. Preparation of budget requests was initiated while we were there.

Although all these proposals were controversial and opposed by some groups, I believe that an adequate agreement was reached so that the entire package soon will be adopted. This consensus includes the executive, legislative, and judicial branches of government, trade unions, the business community, former and present holders of property, and international agencies.

We offered the continuing assistance of The Carter Center to all the key leaders with whom we met during our visit. If the commitments we received are honored, great progress will be made by the Nicaraguans toward the resolution of this debilitating problem.

(Rubin)

THE PRESIDENT HAS SEEN
6 29 94

G-7 Economic Outlook

Summary

- The outlook for growth has improved since the Tokyo Summit. The G-7 economies are expected to grow in real terms by about two and a half percent in 1994, the best performance since 1989, after an average increase of about one and one half percent in 1993.

- The growth strategy we put in place in Tokyo has essentially worked. Deficit reduction in the U.S., European interest rate reductions and fiscal stimulus in Japan are responsible for the signs of recovery we now see.

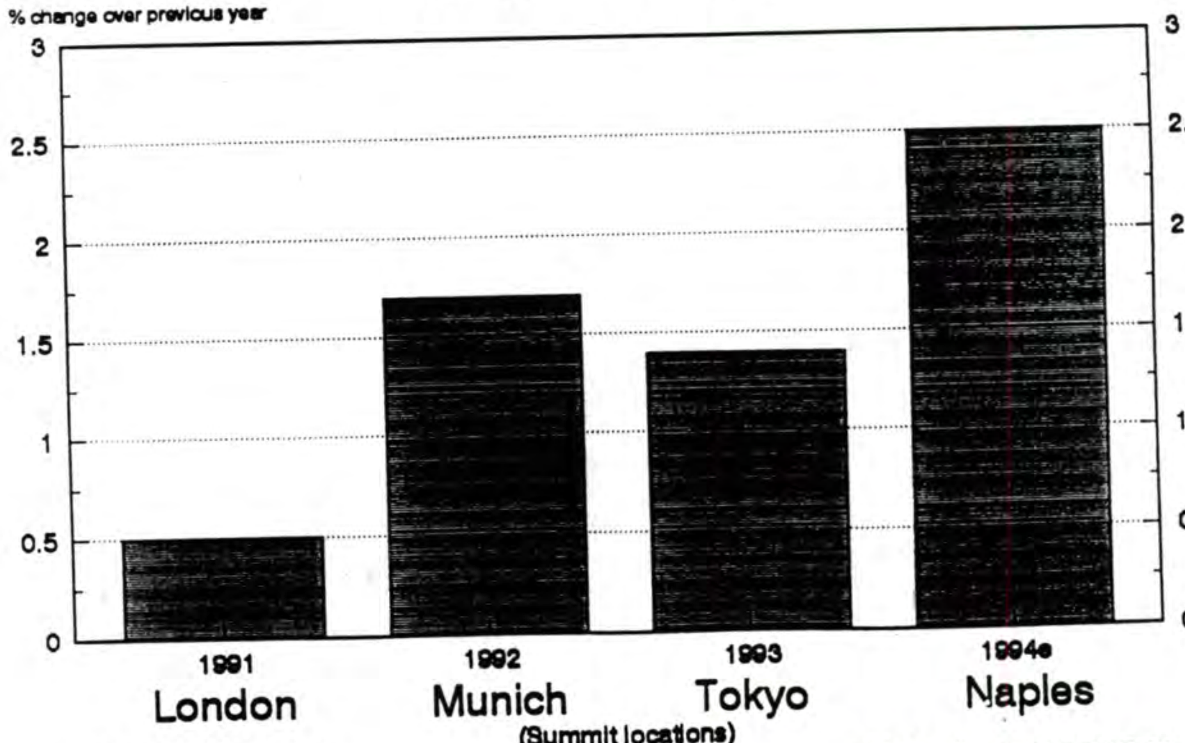
- Inflation prospects look very good, with prices rising less than at any time since the early 1960s.

- However, the pace of recovery is projected to be quite weak in Europe and Japan, so weak that unemployment rates are likely to continue to rise; and the risks to recovery are probably still on the downside.

- Governments in Europe and Japan need to continue to be prepared to support demand with further policy action if recovery is to be strong enough to reduce unemployment.

Outlook for Growth Relative to Past Summits

(Weighted Averages)



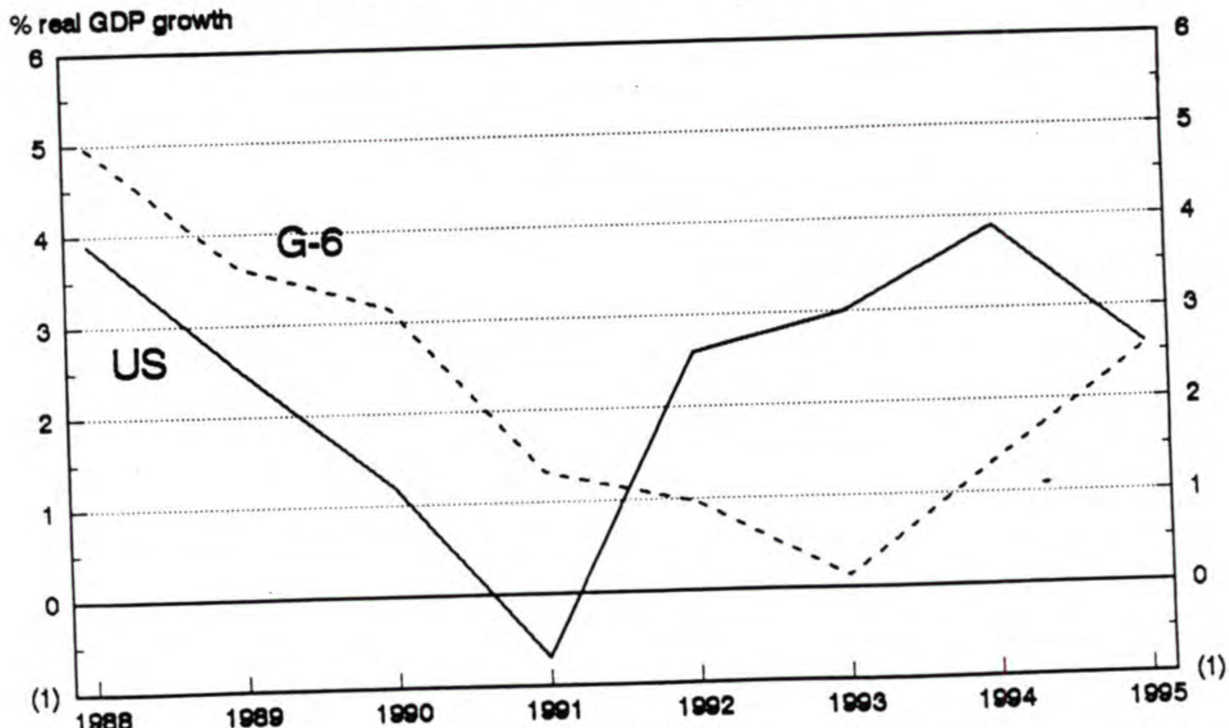
IMF, WEO, May 1994

M.Otradovsky/IMI/6/27/94

The U.S. Economy in Comparative Perspective

- o The U.S. economy is now growing faster than any other G-7 economy despite the fact that we are further into recovery.
- o Over 75 percent of the total growth in the G-7 in 1993-94 is accounted for by the rise in U.S. GDP, though we account for only 40 percent of G-7 GDP.
- o The U.S. accounts for all of the job growth in OECD in 1993-1994, and productivity in the U.S. rose faster last year than in Japan, the EU or Canada.
- o We are now on course to have the lowest budget deficit in the G-7 in 1995.
- o Private investment in the United States is growing faster than in any other G-7 country.
- o U.S. exports, in volume terms, are projected to rise by eight percent this year, faster than the exports of any other G-7 country and double the average.

U.S. Growth vs G-6 Growth



Source: IMF World Economic Outlook, May 1994

Otradovsky/Holloway/IMI/6/26/94

Japan

- The worst of the recent slowdown is over, but a weak and protracted recovery lies ahead.

- Government investment has been the only consistent source of growth for some time. Consumer spending has only just begun to strengthen. Private investment is still falling.

- In the present political context, fiscal policy is frozen. Final action on the tax package could now be delayed to the end of the year.

- With official interest rates at historic lows, there is limited scope for further help from monetary policy.

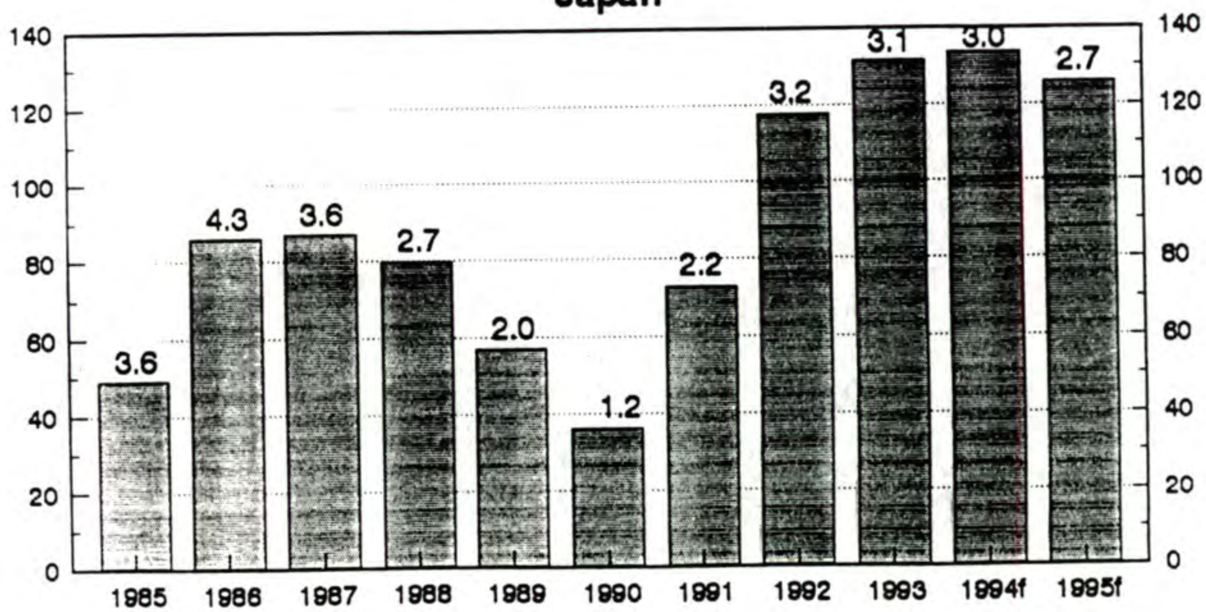
- The current account surplus has stopped rising, but the consensus of private economists is that there will not be a substantial reduction on the basis of current policies.

- Japan still needs to use tax policy to put more money in the hands of consumers. Despite commitments of past governments to increase consumption, consumption has fallen as a share of GDP over the past 5 years.

Current Account Balances

(in billions of US dollars)

Japan

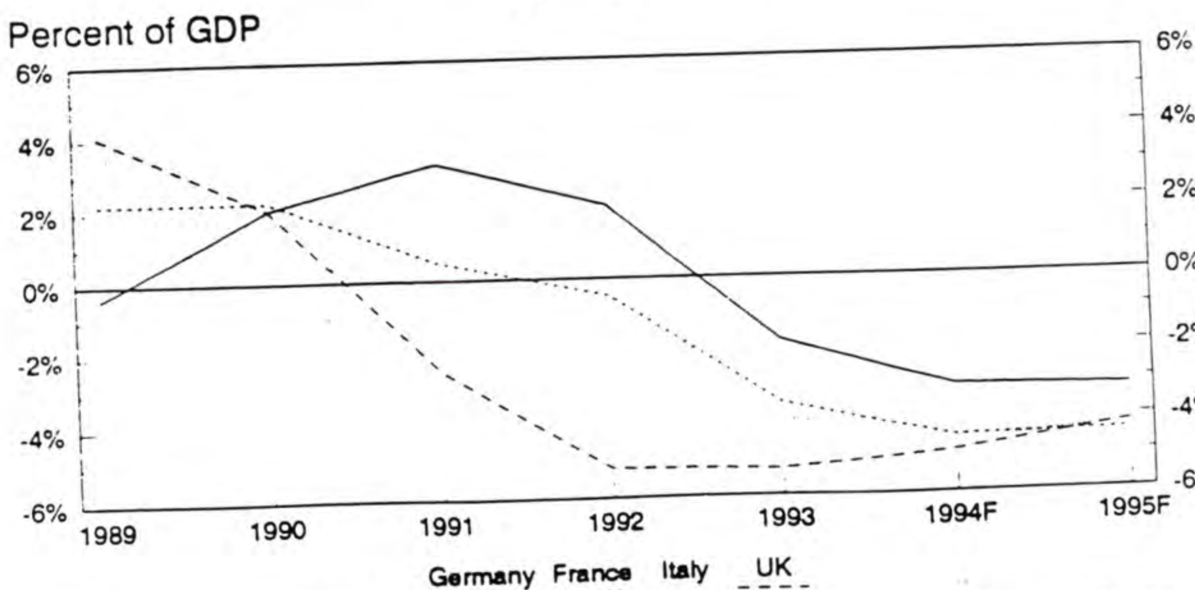


Note: Numbers on bars indicate percent of GDP.

Europe

- Across continental Europe, policy makers are now convinced that moderate recovery is under way. The expansion in output so far has been led by exports, but there are signs that growth is spreading to domestic sectors.
- The pace of growth is expected to be too slow to reduce unemployment, which now averages 12 percent.
- Governments have done very little so far to address the structural dimensions of unemployment, and they exhibit varying capacities to take on what are difficult political problems for any government.
- The German central bank is unlikely to reduce rates much further. Monetary indicators are blinking red. The approaching election makes the Bundesbank unlikely to act again this summer.
- The commitment of other European Governments to exchange rate stability in the ERM has kept real interest rates quite high and limited the ability of governments to use monetary policy to support demand.
- Fiscal deficits remain very large -- six percent on average across Europe -- which effectively removes fiscal policy as a potential source of additional support for demand.
- Europe needs to change its fiscal-monetary policy mix by reducing fiscal deficits to provide further room for monetary easing.

EU-4: Output Gaps
1989-1995



Source: IMF World Economic Outlook, May 1994
+ implies actual output larger than potential;
- implies underutilized capacity.

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BRozemien
6/27/94

Financial Market Developments

o Long-term interest rates have risen substantially throughout the G-7 during the first six months of this year.

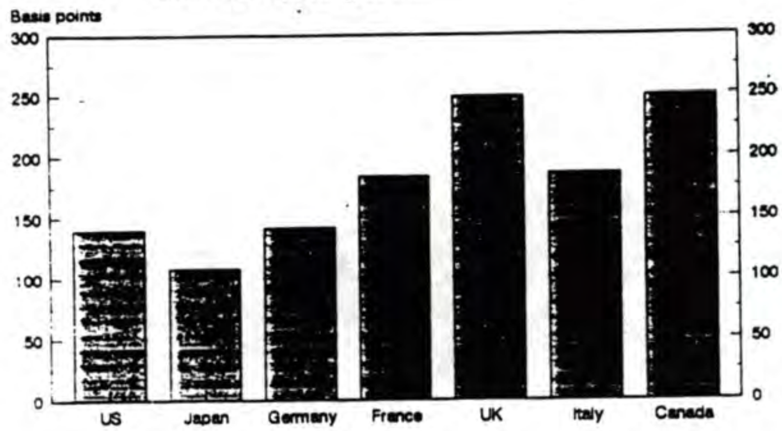
-- The common precipitating factor has been a reassessment of the strength of recovery, first in the United States, then Europe and even Japan. Large fiscal deficits, particularly in Europe and Canada, have also contributed to the increase.

-- The pace and extent of the rise in interest rates appears to have been accentuated by market dynamics or technical factors. In general, however, the financial system managed the recent sell off relatively well.

o Long-term interest rates have risen less in the United States since January 1994 than in any other G-7 country except Japan, which is a vote of confidence in U.S. economic policy.

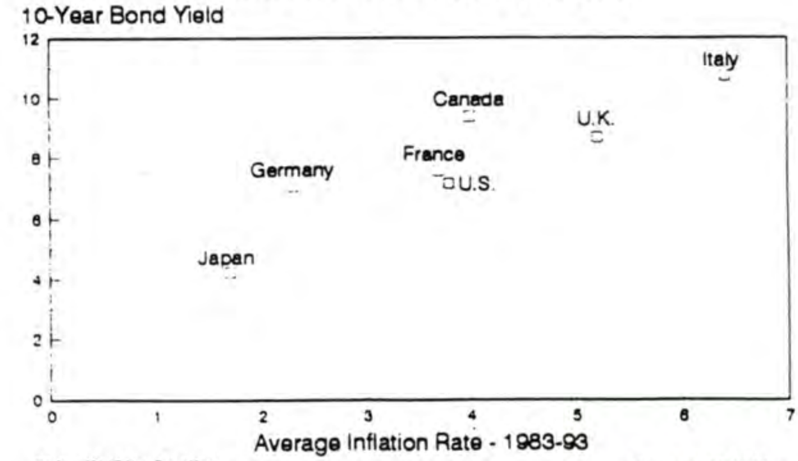
Rise in 10 year Bond Yields

End 1993-opening of market June 24, 1994



Otradovsky/Holloway/IMI/6/26/94

G-7 Bond Yields and Inflation



B Holloway/IMI/6/27/94

CONSENSUS FORECASTS: 1993, 1994, and 1995

June 1994 Survey

	1994 Forecast		1995 Forecast	
	Real GDP Growth	Consumer Prices	Real GDP Growth	Consumer Prices
United States	3.7	2.7	2.9	3.3
Japan	0.7	0.7	1.9	0.8
Germany (west)	1.1	2.9	1.9	2.2
France	1.8	1.8	2.7	2.1
Italy	1.6	3.9	2.4	3.7
United Kingdom	2.8	2.6	2.8	3.5
Canada	3.5	0.7	3.8	1.8
G–7	**2.6**	**2.3**	**2.6**	**2.7**

__GS__

Someone should bring this guy in + talk to him + I need a reply to him — B.

THE PRESIDENT HAS SEEN 6/29

asae

ASSOCIATIONS ADVANCE AMERICA

AMERICAN SOCIETY OF ASSOCIATION EXECUTIVES
The ASAE Building
1575 Eye Street, NW
Washington, DC 20005-1168

(202) 626-ASAE
TDD (202) 626-2803
FAX (202) 371-8825

June 21, 1994

The Honorable William Jefferson Clinton
President of the United States
1600 Pennsylvania Avenue, NW
Washington, DC 20000

Dear Mr. President:

You are doing a great job!

Please understand, as I know that you do already, that we, the American people, desperately need your leadership and dedication to help us ameliorate the disastrous conduct of the Regan / Bush administration. I have been a longtime supporter of your efforts and policies and have also volunteered and diligently worked on your very impressive inaugural in January, 1993.

Please, you are too important to the future and re-engineering of this country.to allow your critics to dampen your spirits, curtail your great creativity, and influence the great many decisions that you will implement to preserve our bright future. I have had the opportunity of seeing you again recently as you were the keynote speaker at our recently concluded Management and Meeting Forum held in Washington over the dates of March 6-8, 1994. Your presentation on Healthcare was brilliant and courageous.

I look forward to the renewed opportunity of seeing you and want to personally reassure you that most of us out there strongly believe, as we did when we elected you, that you are the right person for this superhuman task. Keep up the good work.

I will gladly welcome any opportunity of visiting with you at the White House and of personally sharing some positive thoughts to undo the mood of negativity.

Wishing your continued success.

Your very loyal supporter,

Francesco C. Leboffe
Vice President
Education and Convention Services

P.S. On October 30, 1993, I turned over to James Carvell a file of correspondence between myself and your office since Mr. Carvell promised me that he would deliver it to you. I can only assume that with the excitement of his wedding, the following month he must have misplaced it.

Francesco C. Leboffe
Vice President
Education & Convention Services

asae

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ASSOCIATIONS ★ ADVANCE AMERICA

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FAX (202) 371-8825

June 21, 1994

Mrs. Hillary Rodham Clinton
1600 Pennsylvania Avenue, NW
Washington, DC 20000

Dear Mrs. Clinton:

I am sorry to say that I have not had the pleasure of corresponding with you before as I have been directing my communications only to President Clinton. I want to take this opportunity, however, to state that I think you are both doing an outstanding job in addressing and serving the real priorities of this nation.

For your inaugural in 1993, I had the pleasure of volunteering for three weeks in the office of the First Family as well as other related duties. During the time, I was reminded each day of the great choice that we have made by asking Bill and Hillary Clinton to occupy 1600 Pennsylvania Avenue.

I wish to share with you my full support for what will be the next six years of President Clinton's administration. Please do not be discouraged by the envious naysayers who have nothing to contribute to the continued development of this great nation. Thank you for your continued leadership as well as commitment to the overall improvement of our quality of life.

I look forward to the renewed opportunity of being in your service. In the interim, please feel free to call upon me at any time if you ever have any doubts as to the strong commitment that the American public has developed for the President and the First Lady.

I remain cordially,

Francesco C. Leboffe
Vice President
Education and Convention Services

Jim Schnabel

TO VP/ Carano

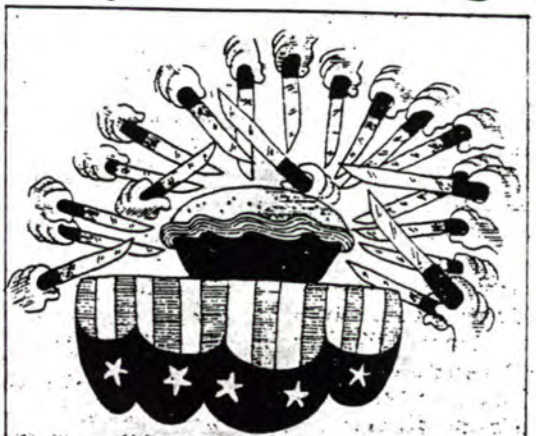
Band-Wagon Syndrome

FYI — B

THE PRESIDENT HAS SEI

6/29/94

A subversion of medical science by politics is underway at the White House, which announced its support on June 9 for legislation that would compensate those who suffer from the mysterious and controversial "gulf war syndrome." Veterans Affairs Secretary Jesse Brown called the proposal "revolutionary" and "unprecedented," and rightly so, since the compensation—which Brown estimates at about $50 million per year—comes in the absence of any medical conclusion that "gulf war syndrome" actually exists.



BY MARGARET SCOTT

The proposal may win votes among veterans this November, but to validate a nonexistent syndrome by legislative fiat, as the administration and its congressional allies may do here, could also lead to a flood of spurious claims, drawing funds from taxpayers and other veterans' programs and causing needless anxieties among veterans and their families.

News accounts of the mysterious affliction began in 1992 with reports that some 300 gulf war veterans suffered a range of symptoms including pain in the joints, skin rashes, shortness of breath, chest pain, insomnia, fatigue, mental impairment, nightmares and hair loss. Initial suspicions fell on smoke from gulf oil fires, Iraqi chemical and biological weapons and hard-to-diagnose tropical diseases such as leishmaniasis. When the Veterans Administration announced a registry for gulf war syndrome victims, the number of claimants rose from 300 to 24,000.

Studies of British and American veterans and their experiences during the gulf war have shown, however, that these symptoms, which vary substantially from claimant to claimant, are not clearly related to any common factor, and often have causes obviously unrelated to gulf service. The most recent such study, by an outside scientific panel led by Nobel laureate Joshua Lederberg, was published on June 23 and was surely known to the White House well in advance of publication.

Because of such studies, the VA has been unable to invoke the existing statutes that empower it to compensate veterans for service-related disabilities. The proposed compensation legislation would instruct the VA to make an exception in this case.

How much all of this will ultimately cost is unclear, because there are no blood tests or other "objective" diagnostic procedures that can weed out spurious claims. Of course, 24,000 claimants is only a tenth of what the VA had to contend with after a similar registry was set up for Agent Orange victims, but some gulf war vets are clearly after big money. Earlier this month a group of them filed a *$1 billion* lawsuit in Houston alleging that 11 chemical companies, which allegedly sold the raw materials for chemical weapons to Iraq, are responsible for their ailments.

The Pentagon and Lederberg's panel have said there is no evidence that American troops were exposed to chemical weapons during Desert Storm, but it is possible that the companies named in the suit, rather than endure expensive litigation and negative publicity, will settle for a smaller but still prodigious sum. The administration's promotion of gulf war syndrome can't help but encourage such lawsuits to continue.

Unfortunately, most authorities outside the medical profession—and many within that profession—seem unaware of how easily the official validation of a syndrome can lead to an epidemic of claims, whether the syndrome exists or not. This is especially so when (a) diagnosis confers some secondary benefit, such as financial compensation, the avoidance of responsibility or merely ego-boosting attention, and (b) when the symptoms of the "syndrome" are already common in the population. These symptoms, though perhaps unrelated, may suddenly take on a new and cohesive significance in the minds of their many sufferers and may intensify through the same psychosomatic mechanisms that give us the powerful "placebo effect."

A good example of this kind of social phenomenon is the epidemic that occurred in Kiev in the anxious years after Chernobyl. A group of schoolchildren developed a collection of symptoms including fatigue, pallor, abdominal pain, headache and mental impairment. Ukrainian doctors decided to call the syndrome "vegetative dystonia," attributed it to radiation exposure from the Chernobyl disaster, and prescribed a variety of dubious procedures requiring two to six weeks' hospitalization. Soon three-quarters of Kiev's child population had reported the symptoms. UCLA pediatrician Richard Stiehm, visiting Kiev in 1991, realized that the syndrome was occurring too long after Chernobyl to be blamed on acute radiation poisoning and that it was also nonexistent among people receiving high-dose radiation treatments in hospitals, who should have suffered the same symptoms if they were indeed radiation-related. Stiehm, writing in the American Journal of the Diseases of Children, diagnosed vegetative dystonia as nothing more than "psychological fallout," which is to say, mass hysteria.

Unfortunately, mass hysterias are nothing new in America, home of the Salem witch trials, satanic ritual abuse claims and even a "UFO abduction" epidemic. Avoiding such hysterias requires careful attention to the power of suggestion by authority figures, and the discouragement of spurious self-victimization. Mass illness can be created more easily by suggestion and incentive than by any chemical or biological agent.

Of course, the intrusion of politics into medical controversies isn't always objectionable, since public health is a legitimate political issue. And scientific researchers cannot expect to be treated as an infallible high priesthood. Nor can it be concluded that the victims of gulf war syndrome are merely hysterics and malingerers. But it does seem that by trying to create a medical syndrome where medical science does not yet agree that one exists, the administration and its congressional allies are overstepping the usual boundaries in such matters, and in so doing may bring about the very public health disaster they wish to avoid.

Jim Schnabel is a science writer whose recent focus has been psychologically based disorders.

WEDNESDAY, JUNE 29, 1994 THE WASHINGTON POST

Heading off pension disaster

Traditional employer-financed pension plans that promise so-much-a-month from age 65 until death now share the stage with 401-K plans to which employers contribute but which employees have some control over, subject to federal tax laws.

But there still are hundreds of billions of dollars invested in the traditional plans, and the Clinton administration has warned Congress that chronic underfunding could lead to something like the savings-and-loan bailout. "We're not there yet," Labor Secretary Robert Reich told the Senate Finance Committee recently, but pension plans covering 8 million workers and retirees are underfunded and plans protecting 1.2 million are in bad shape.

The role of taxpayers would be like the role they played in the savings-and-loan disaster. S & L depositors are protected by federal insurance that the institutions buy, but if losses exceed insurance assets, the balance is paid from taxes. Private pension plans are protected in the same way by the federal Pension Benefit Guaranty Corp. If a business or its guaranteed pension plan goes belly-up, the PBGA pays the affected retirees. If PBGA runs out of money the taxpayer pays.

It's tempting for a business — or a government — to paper over a financial problem by cutting payments to the pension fund. "We can make it up next year," is the usual explanation. Too often, they don't. In 1987, pension underfunding totaled $27 billion. In 1992 it was $53 billion.

Unlike deposits in failed S & L's, however, a pension isn't due all at once but is paid over many years. Likewise, recovery from underfunding can be stretched out. So the administration is recommending a law requiring all underfunded plans to be fully funded within 15 years.

Even though such a law could cause some companies to phase out pension plans or cut their coverage by hiring more temporaries, it makes good sense to be prepared — especially when that minimizes the risk of taxpayers' being blind-sided by a junior-sized S & L type fiasco.

OVER THE COFFEE

Donald KAUL

Bashing our presidents is a sport

President Clinton did the unforgivable last Friday. He told the truth about his critics. They'll never let up on him now. People will forgive lies told about them, but never the truth.

What the president did was phone a St. Louis call-in show and, like most other callers, complain. He said talk-show hosts like Rush Limbaugh were being mean and unfair to him. He said that television evangelists like Jerry Falwell were subjecting him to scurrilous, false, demeaning attacks. And he accused the press of sloppiness and a propensity to analyze a situation, rather than report it.

Three for three; poor devil.

Taking on your critics head-on is a fool's game for a president. It just gives stature to your enemies and publicizes their attacks. The president admitted as much in his call.

"After I get off the radio today with you," he said, "Rush Limbaugh will have three hours to say whatever he wants and I won't have any opportunity to respond, and there is no truth detector."

Which gave Limbaugh the opportunity to come on that afternoon and say: "There is no need for a truth detector. I am the truth detector!"

Falwell got his counter-shot in too. He magnanimously offered the president time on his "Old Time Gospel Hour" TV show to refute charges that he, Clinton, is a pot-smoking, draft-dodging, gay-loving, murderer and sex-fiend, married to a lesbian. Falwell is a real sport.

As for the press, sad to say Clinton was on the mark there too. I do not remember a time since I entered this business 34 years ago when the standards of accuracy and accountability were so low. This is particularly true of the Washington press corps which, as Clinton indicated, is more anxious to tell you what they think about an event than what the event was.

It is often possible to read a story out of the White House, for example, without encountering a single fact before the story jumps to an inside page, unless you read the rumors that are reported as facts. As far as attribution goes, it's all but gone.

One of the most celebrated reporters of our time, Bob Woodward, hero of Watergate, has just published a critical book on the Clinton White House which names hardly a single source.

It is in the Woodward style, long and private conversations produced verbatim, festooned with interesting and telling little details that only a few cognoscenti could know about, and no sources. But Woodward does not ask us to take him entirely at his word, without documentation. He has promised to reveal his sources, all of them — in 2034.

He's almost as big a sport as Falwell.

Clinton went a whine too far, however, when he said:

"You know, I just got back from Normandy celebrating the 50th anniversary of D-Day, and when I stood on Normandy beaches and when I saw all those rows of crosses there, it occurred to me that those people did not die so the American people could indulge themselves in the luxury of cynicism, and frankly, that's just what it is."

I'm no expert on why the people died on the beaches of Normandy, but I would imagine that one of the reasons was precisely so that future generations of Americans could indulge in any luxury they damn pleased, cynicism included.

President-bashing has always been an American sport in any case. Thomas Jefferson, in a letter to a friend in 1796, wrote:

"No man will ever bring out of the presidency the reputation that carries him into it."

And so, for the most part, it has been for the past 200 years.

I must say, Clinton's enemies are a particularly obnoxious crew and their access to modern communications technology makes them seem even more so.

But that's life in the Big City these days; it doesn't do any good complaining.

I do find the religious right's measured response to Clinton's attacks and others richly amusing in its hypocrisy, however: "Oh my goodness, they're calling us names. It's religious bigotry is what it is." This from a group that calls you a Satanist the first time you stand up to it.

I think that Clinton should see if the IRS has grounds to pull the tax exemption from political groups masquerading [illegible] religious organizations.

[illegible] might not shut them up but it beats calling in to radio shows.

The Des Moines Register

THE PRESIDENT HAS SEEN 6/29

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THE PRESIDENT HAS SEEN
6-28-94

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

THE DIRECTOR

June 23, 1994

94 JUN 23 P12:26

MEMORANDUM TO THE PRESIDENT

FROM: Leon E. Panetta

SUBJECT: House Appropriations Committee Approves FY 1995 VA-HUD Bill

On June 22nd, the House Appropriations Committee approved the FY 1995 VA-HUD bill. House floor action is expected on June 28th. Highlights follow:

(discretionary budget authority in billions)

FY 1994	FY 1995 Request	FY 1995 Subcommittee	Difference
$68.3	$70.1	$70.4	+$.3

- o The bill is 3% over FY 1994. Approximately 78% of the proposed investment increases were approved.

* o Space Station is funded at the requested level of $2.1 billion. NASA is funded at $14 billion, $.2 billion below the request and $.5 billion below FY 1994. The NASA cut came in shuttle funding rather than science programs.

  No space station amendment was offered in Committee. A Roemer floor amendment to terminate the program is expected.

- o While the Subcommittee 602 (b) allocation for budget authority was above the President's request by $.5 billion, the outlay limit was nearly $.4 billion below the request (by CBO scoring). This required some reductions in investment programs.

* o National Service is funded at $491 million, $120 million below the request but $126 million above FY 1994 (a 34% increase). Chairman Stokes did not offer an amendment to add back the $120 million.

- o Homeless programs are funded at the full request of $1.25 billion, about $.3 billion (32%) above FY 1994. Of the approved funds, $1.12 billion is in the new HUD account and $130 million is in the existing FEMA Emergency Food and Shelter program.

- o A Gallo amendment was withdrawn that would have prohibited EPA from implementing the renewable oxygenate standards for reformulated gasoline (the"ethanol rule").

Copy to Leutery

copy Leon

THE PRESIDENT HAS SEEN
6.23.94

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

OK

Strong

CC:	**THE FIRST LADY**
	MACK MCLARTY
FROM:	**HAROLD ICKES**
	JOAN BAGGETT
RE:	**SITE OF 1996 DEMOCRATIC NATIONAL CONVENTION**

We would like to meet with you briefly during the next week to discuss the site selection for the 1996 Democratic National Convention which Chairman Wilhelm expects to announce in mid-July.

Attached are copies of my memo to you, dated 14 June 1994, and my two memos to Mack, one dated 10 June and the other 14 June 1994.

As my 10 June 1994 memo to Mack indicates, there are several problems with the proposed Chicago site (which is highly likely to be chosen). Perhaps the most important is the small size of the convention hall which has only approximately 3,000 more seats than Madison Square Garden which itself is <u>very</u> small for a national nominating convention. And since it does not have existing working space for the media and others, temporary working space must be built.

The media is likely to be very unhappy with the small size. In addition, we will simply be unable to accommodate many of your friends and political supporters.

It is, however, my understanding that Chicago will be selected by Chairman Wilhelm unless strong objection is raised soon.

copy Harold
Joan
Ricki

Breaux OK but will min votes tomorrow-

Reid OK Bosn. [illegible] Jews hard time substit.-2

Boxer wants to keep Bosn. won't bring it down.

Moseley-Braun ? Wash -> [illegible] / OMB sign off

Campbell OK

Wellstone lean B.W.S.

Bradley D Feinstein

Lautenberg

McDonald [illegible]

[redacted]

[illegible]

6/29

5218

94 JUN 29 P12:36

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE
PAT GRIFFIN PG

SUBJECT: Hill Calls on Bosnia

Purpose

Make phone calls to Senators to defeat the Dole Amendment which would require the USG to unilaterally lift the Bosnian arms embargo.

Background

The Senate will consider two amendments to the Foreign Operations Appropriations bill or the DOD Authorization bill this week to lift the arms embargo in Bosnia. The vote could take place as early as this afternoon. One, a Dole amendment, would require the USG to unilaterally lift the arms embargo. The other, a Nunn/Mitchell/Warner amendment asks that the USG work with our allies to lift the arms embargo and to end the conflict in Bosnia.

In early May, the Senate considered two similar amendments, both of which passed by votes of 50-49. The House voted on an amendment to unilaterally lift the arms embargo on June 9 as part of its consideration of the FY '95 Defense Authorization bill. It passed by a vote of 244-178. An amendment asking the USG to work with our allies to lift the embargo was defeated 181-242.

The situation in the Senate could be more problematic than the votes in May, since if the amendment is attached to the DOD Authorization bill (there is a similar amendment attached to the House version of the bill), it could means that the amendment would be passed into law as part of the FY '95 DOD Authorization bill.

Preliminary vote counts indicate that both the Dole and the Nunn/Mitchell/Warner amendments are supported by 44 Senators each. That is why it is necessary for you to make calls to key Senators.

The five Democratic Senators that you should call in order of importance are: Senator Barbara Boxer, Senator Carol Moseley-Braun, Senator Ben Nighthorse Campbell, Senator Bill Bradley and Senator Richard Bryan.

RECOMMENDATION

That you make the calls today.

Attachments
Tab A Talking Points

TALKING POINTS FOR CALLS ON BOSNIA

-- The Senate is scheduled to consider a Dole amendment this week (on either the DOD authorization bill or the foreign operations appropriations bill) to lift the Bosnian arms embargo unilaterally. It will also consider a Nunn/Mitchell/Warner substitute which sets out a multilateral approach to lifting the arms embargo. I urge you to vote against the Dole amendement and in support of the Nunn/Mitchell/Warner amendment instead.

-- Lifting the UN arms embargo against Bosnia unilaterally could seriously undermine prospects for peace.

-- A signal of U.S. willingness to act unilaterally would be particularly damaging now, as the current cease-fire is generally holding and a territorial compromise the government may be able to accept could be taking shape.

-- Contact Group meetings have emphasized that progress can only be achieved through common action with our Allies and the Russians. Negotiations are now at a critical juncture. Lifting the embargo now would bring to a halt the momentum of our unified position toward a settlement.

-- The UK and France, both of which have troops on the ground in UNPROFOR, oppose lifting the embargo because they fear it would intensify the ground conflict and put their troops in danger. Russia also opposes unilateral lifting.

-- If we were to proceed down a track that they oppose, they might well pursue their own preferred course of putting more pressure on the Bosnian government to settle and offering the Serbs an early lifting of sanctions.

-- Unilateral U.S. action could also lead to an escalation in the fighting and Serb attacks on UNPROFOR.

-- ~~Troop contributors would likely pull out of UNPR~~OFOR, leaving Muslims at the mercy of Bosnian Serbs. Sarajevo and the eastern enclaves are completely surrounded by Serb forces.

-- In addition, lifting the embargo unilaterally would set a precedent that individual nations can decide for themselves whether UN resolutions are valid or not. Our efforts to enforce UN resolutions on Libya, Iraq and North Korea would be set back if we violate mandatory resolutions ourselves.

-- It would also give a green light to front-line states and others eager to resume trade with Serbia. For example, in reaction to Congressional action, the Russian Duma has voted for unilateral lifting of sanctions against Serbia. Without sanctions, we would lose our leverage on Milosevic.

-- I, therefore, ask you to vote no on Dole and yes on Nunn.

THE PRESIDENT HAS SEEN 6/29/94

THE WHITE HOUSE

WASHINGTON

Geo. S:
copied

Leon just had a good conversation with Moynihan. Told him you would call before 2:00 PM mark-up. Here are the points:

1) Thank him for commitment to bring universal coverage bill before Committee.

2.) Tell him you will issue a statement this afternoon supporting his work.

3.) Tell him you need his help in moving a universal coverage bill to the floor:

"We need to work together on the floor to achieve universal coverage. I can't do it without you. I need your help. Can I count on you?"

need a 70 of "full coverage"

Bom,
I gave it
my best shot

THE PRESIDENT HAS SEEN 6/29

Chron

THE WHITE HOUSE

WASHINGTON

June 28, 1994

94 JUN 28 P7:01

RECOMMENDED TELEPHONE CALL

TO:	Seattle Mayor Norm Rice 206/684-8856 (office) or 206/997-5641 (security officer pager)
DATE:	June 28, 1994 or soon thereafter
RECOMMENDED BY:	Joan Baggett and Tom Epstein TE
PURPOSE:	Ask him to run for U.S. Senate
BACKGROUND:	DSCC staff met with Rice last week and he expressed interest in reconsidering his earlier decision not to run for the Senate in 1994. The current candidates have little or no chance of winning the general election against Slade Gorton. According to a new private DSCC poll, a Rice-Gorton race is a toss-up. Rice's favorability is up since he won the Mayor's race in November, and a "Rice is for the middle class, Gorton is for the rich" message moves voters significantly. In addition, Rice is strong on crime, the top state issue. Gorton's re-elect percentage is under 40%, and you are very popular in the state. Rice's entry into this race would send a powerful message nationally that Democrats are competing hard for the Senate and that prominent candidates are eager to join the fray in concert with the administration. In a new development, Rice's wife Constance wants him to run. The final filing date is July 29.
DISCUSSION TOPICS:	1. Urge him to consider getting into the race. 2. He is the only Democrat who can win. 3. His race would be a top national priority--you will come to the state for a fundraiser and other events 4. If he loses and wants to leave the Mayor's office, a good federal trade-oriented job could be found for him.
CONTACT PERSON & PHONE NUMBER:	Joan Baggett 6-1125 or Tom Epstein 6-2944
SUBMISSION DATE:	June 28, 1994
ACTION:	

THE PRESIDENT HAS SEEN 6/28

Barnes Jewish Christian

THE JEWISH HOSPITAL OF ST. LOUIS

Medical Staff Association

General Staff Meeting

June 6, 1994

Presentation and Interpretation of

THE NEW HEALTH CARE SYSTEM OF BJC BASED ON THE FOLLOWING STRATEGIES

by Dr. Ben Goldstein

1) **Large payors are trying to concentrate their business with large scale providers.**

2) **Small providers re small insurers, independent hospitals, and solo practitioners may be squeezed out of business**

3) **An example is Minneapolis where payors are reorganizing and channeling patients to preferred health care providers.**

4) **Corporations are prepared to sacrifice some patients choice in favor of lower cost. This is what is referred to as the Corporatization of American Health Care.**

Health Care Task Force

Ideas

1. The health system states that they are changing in response to employers and insurers demands. The demand is to achieve lower cost.

2. You have to remember one very important fact. The heads of these large corporations and businesses also sit on the boards of the health systems. They dictate the health systems policy.

3. Their job is to reduce cost for their companies and to ensure a revenue stream for the hospitals.

4. The most important facet of this plan is to be able to control the practice habits of the physicians by financial penalties and incentives.

THE MODEL FOR THE FUTURE HEALTH SYSTEMS

1. Vertical Integration. Payors contract with one party for a broad continuum of care; doctors and hospitals sign on as one.

2. Geographic coverage. Movement away from local community service area and instead offer access across a whole city or region.

3. Capitation. The entire system is capitated. The biggest risk is borne by the physicians.

7

Financial incentives are reversed 180 degrees in this system.

The dogma is that the health system are rewarded for eliminating unnecessary health intervention.

It is conceivable that at times they may be rewarded for denying care and eliminating necessary health interventions.

This is the reverse of fee for service. Physicians' salaries in part depends on incentives based on cost savings for the health system.

4

Capitation by a flat monthly fee is how the primary care physician will be reimbursed.

This is the opposite of fee for service and therefore reverses the incentives.

The philosophy is that physicians will embrace capitation and change their practice habit 180 degrees.

This is obviously based on the assumption that most of the care we provide is unnecessary.

In a capitated plan the insurer whether it is a large insurance company or health system re BJC takes 20% off the top of the monthly premium for their cost and to pad their profits. The primary care physician who is responsible for most of the care will be paid on a monthly capitated rate with a portion withheld. The withheld is the incentive to reduce health care expenditures.

The proponents of this system would like you to believe that capitation and vertical integration are wonderfully liberating.

The following is what they feel is liberating.

1. Providers receive payment whether or not specific care is required.

2. Lower volumes and lower continuity of care for hospitals.

3. Frees a provider from having to defend inpatient care census.

4. Shift-focus to wellness and prevention.

5. Align hospital and physicians economic interest concerning clinical utilization management, appropriateness standards, and use of lower cost modalities.

(3.)

These are euphemisms for a system where physicians will be prodded by economic incentives to tailor the health care they provide. Physicians will be rewarded for providing less care and penalized for providing more care.

This system will only be liberating for hospitals.

Physicians will be under a greater burden trying to care for the ill under these new guidelines. Hospitals will increase their profits by discouraging its use.

A

NEW HEALTH CARE DELIVERY SYSTEM

1. Inpatient is shifted to outpatient.

2. More specialist care is done by primary care physicians.

3. Acute care is mysteriously prevented by diagnosis and prevention.

4. Clinical technology is replaced by information systems.

5. Under this system incentives will be replaced to discourage specialists from doing procedures.

OPPOSING INCENTIVES OF FEE FOR SERVICE CAPITATION

	Fee for Service	Capitation
1.	Higher hospital occupancy = higher system profits	Lower hospital occupancy = higher system profits
2.	More inpatient visits = higher physician income	Fewer patient visits = higher physician income
3.	More intensive care = higher profits	Less intensive care = higher profits

Under this new type of health care delivery the physician is under constant pressure to lower cost.

The physician does most of the work, makes the hard decisions, and is the one that takes most of the risk while the profits go to the insurers and health systems.

...verage fo
...mental illness and adult u...

Births-welfare link is disputed

By Margaret L. Usdansky
USA TODAY

Welfare benefits aren't the main reason out-of-wedlock births are rising, 76 leading poverty experts argued Thursday, as the controversy over welfare reform and illegitimacy heated up.

"Welfare may be on the list of explanations, but it's way down the list," social psychologist Kristin Moore said at a press conference.

The statement came as the Clinton administration defended its welfare plan, sent to Congress this week, against conservatives who want a plan that cuts off all welfare benefits to young, unmarried mothers.

One conservative group, Empower America, began running radio ads this week attacking Clinton's plan as "cynical and deceptive." Thursday, Health Secretary Donna Shalala fired back, saying the conservative's proposals were "un-American" and would "create a generation of children who will grow up on the streets."

The Clinton plan would limit women born after 1971 to just two years of benefits, then require them to find a job. Although states could deny additional benefits to women who have more children while on welfare, unmarried mothers wouldn't automatically lose aid.

Out-of-wedlock births have soared in recent years, rising from 10.7% of all births in 1970 to three out of 10 births today. About half of women receiving Aid to Families with Dependent Children are unmarried; a majority were teen-agers at the time of their first birth.

Thursday, the researchers said many studies have looked into whether out-of-wedlock childbearing is higher in states with generous welfare benefits than in those with smaller payments. Higher payments had no effect on whether black women have children outside of marriage, the studies found, and the effect on white unmarried women was small or non-existent.

Welfare can't be the main factor in rising out-of-wedlock births, said Northwestern University economist Rebecca Blank, because illegitimacy has risen while the real value of welfare benefits has dropped, from $900 in AFDC payments and food stamps for the average woman with three children in 1970 to $700 in 1990.

More relaxed attitudes towards sex, poor job opportunities and increasing acceptance of single parenthood had more effect on the rise of illegitimacy, the academics said. Out-of-wedlock birth are rising among middle-class women, too.

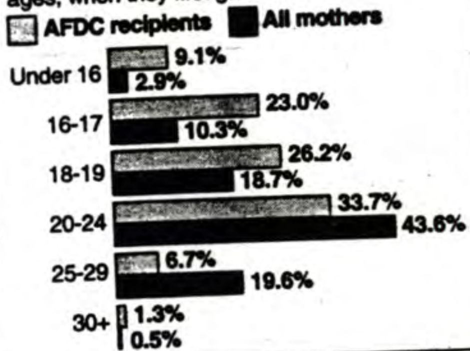
The researchers said they support welfare reform, but they sharply criticized cutting off welfare benefits for young, unmarried mothers.

Such plans would cut off a lifeline to very poor children and amount to "a drastic social experiment," said University of Michigan economist Sheldon Danziger.

But American Enterprise Institute lawyer Doug Besharov attacked the researcher's conclusions. "The research is quite ambiguous," Besharov said. "Whether or not welfare causes illegitimacy, it does nothing do discourage it."

Many on welfare started families early

Children on welfare, Aid to Families with Dependent Children, are more likely to have young mothers, who are more likely to be unmarried than older women. Mothers' ages, when they first gave birth:



Source: Census Bureau USA TODAY

THE PRESIDENT HAS SEEN
6-28-94

FRIDAY, JUNE 24, 1994 · USA TODAY

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Cuomo
Bradley
Bruce → Good!

THE PRESIDENT HAS SEEN
6-28-94

First Save the Schools

By Diane Ravitch

New York City's public school system needs to be reinvented from the ground up. Organized a century ago and never seriously revamped since then, it has become a bureaucratic monster that wastes vast sums that should be spent on instruction. But what is worse than wasting money is wasting lives.

Five years ago, the State Commissioner of Education reported that 63 of the state's 77 worst schools were in New York City. This year Chancellor Ramon Cortines identified 40 schools as "educationally bankrupt." Too many of New York's poorest children spend their days in huge buildings designed in an era when the factory method of production was much admired; today, reformers agree that schools need to be on a smaller, human scale, capable of meeting the needs of students from diverse and often adverse backgrounds.

The educational results bear the reformers out. Fewer than half the city's ninth graders graduate within four years. Of those who do, nearly 40 percent enter the City University of New York, and only a quarter of those pass all three of its tests of minimal reading, writing and math skills.

Now Mr. Cortines plans to send specialists to the 40 failing schools once a week, retrain the teachers and even replace principals if necessary. And Edward Costikyan, Mayor Rudolph Giuliani's special adviser on schools, is proposing that much of the system's sclerotic central bureaucracy be dismantled.

All this is good, but much more must be done, and soon. Even an energetic, hands-on Chancellor like Mr. Cortines lacks the tools to bring about the dramatic changes that are needed to overhaul bad schools. The goal of school reform must be to insure that every child gets a good education, now.

To make that happen, the system's very structure must be drastically altered. The city's borough presidents favor a plan to create borough school boards; others would redistribute power among the central board and community school boards. But such proposals ignore a simple fact: boards don't educate children; schools do.

The following four reforms, taken together, would allow better schools to flourish and would close the doors of bad ones.

Good schools should be allowed to become independent public schools by a majority vote of parents and staff. Though the school system spends an average of $7,500 per pupil, only $2,500 goes to classroom instruction. The creation of independent schools would shift dollars away from the bureaucracy.

As independent schools, they would control their budget and personnel. Every school would get an allocation based on enrollment, and schools with poor and handicapped students would get extra Federal and state funds. Schools would buy goods and services at the best price, either from the Board of Education or elsewhere. If a window was broken, the principal could hire a local glazier for prompt repairs. (The board is currently 40,000 work orders behind.)

Each school would be accountable for its performance, and each would regularly be audited and evaluated by educational authorities with the power to cancel the school's independent status if it was misused.

Britain started this reform in the late 1980's, and hundreds of British schools are now free to make repairs, buy their food services and manage their budgets, while accepting responsibility to prepare students for the national curriculum and tests.

As a result of efforts by reformers like Deborah Meier, principal of Central Park East in East Harlem, and former Chancellor Joseph Fernandez, New York City has nearly 50 small schools that operate with unusual autonomy because they have temporary waivers from the United Federation of Teachers. But these schools do not control their budgets, and they have only a tiny fraction of the city's students.

A 4-point plan for New York's disgracefully shortchanged students.

Nine states, including California, Massachusetts and Michigan, have already passed legislation to encourage "charter" schools — public schools exempt from most rules and regulations. A dozen more are considering similar measures. New York's State Legislature should, too.

The Board of Education should be permitted to award contracts to run schools and create new ones where needed. Potential contractors — colleges and universities, successful public or private schools, museums, hospitals, businesses, unions, community groups, groups of teachers — could bid to manage schools identified as educationally bankrupt. In other schools, dissatisfied parents, by majority vote, could petition the board to solicit outside managers.

Prospective contractors would present their plans and goals to the community, which would then make recommendations to the chancellor. And contractors could compete to offer new kinds of schools for dropouts or children with special needs.

Neither the state commissioner nor the city chancellor now has the resources or personnel to do much more than offer technical assistance to low-performing schools. Under this proposal, either official could invite successful contractors to bid for the management of failing schools.

Children in educationally bankrupt schools should be offered scholarships to use in any accredited school — public, private or sectarian. Schools accepting these scholarships would have to meet city educational standards. Would it be constitutional to include religious schools in a public scholarship program? Probably, as long as the choice of school was made by the family or student. Parochial schools already get public funds to educate the handicapped and to run Head Start programs.

The role of the public authorities must change. The State Legislature should reconfigure the role and functions of the city Board of Education. The integrity and effectiveness of the overall scheme depends on it.

Instead of running everything, the educational authorities would evaluate the quality of education provided by others. They would set citywide standards and administer tests. They would audit and monitor independent public schools and contractors.

They would have the power to award management contracts and the power to cancel them. They would negotiate a citywide contract with the unions so that each school could select its own team and shape its own program without infringing the rights of teachers.

They would provide information and research to help parents and students make good choices. They would manage a corps of inspectors to help improve schools. They would represent the city school district in seeking funds from Washington and Albany. They would continue to manage schools that were neither self-governing nor managed by contract.

This strategy, with its complementary parts, aims to reinvent public education. The idea is not to privatize education but to allow public authorities to engage every resource, public and private, in the quest for good schools for all children. It encourages bad schools to close or change managers. It enables good schools to be self-governing, free of wasteful bureaucracy. It allows students and parents to choose their schools. It gives the central or borough authorities plenty to do, while withdrawing from them the power to control what happens in every school. And it promises to replace a moribund, rule-bound system with innovation, diversity and cooperation between the public and private sectors.

The basic principles of renewal in this approach are autonomy, choice and quality. In each school, the adults are personally and professionally responsible for the success of every student. Furthermore, everyone who works in or attends a school would be there by choice. Forced assignments — whether of teachers or pupils — destroy the morale of a school. A school functions best when everyone wants to be there.

The best way to assure equality of opportunity is not by imposing one model on everyone but by insisting on a high level of performance from a diversity of providers, subject to watchful public authorities. The system we have serves adults, not children. Let's reverse that formula. □

Diane Ravitch, former U.S. Assistant Secretary of Education, is senior research scholar at New York University and author of "The Great School Wars: New York City, 1805-1973."

THE NEW YORK TIMES, MONDAY, JUNE 27, 1994

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THE PRESIDENT HAS SEEN
6-28-94

Up

Robert D. Novak

Hawks Without Bombers

As the Senate neared a vote on whether to retain capability to produce the nation's most advanced bomber, the Senate Armed Services Committee, at the Defense Department's request, slapped a "secret" classification on testimony given two months ago by the head of the U.S. Air Combat Command.

No wonder. Gen. John Loh told a Senate Armed Services subcommittee May 5 that the present Pentagon budget does not provide enough bombers to conduct a two-front war, refuting claims by the Clinton administration. He also testified that the United States is in danger of losing a vital resource: the industrial base to produce the B-2 stealth bomber.

The administration is trying to delete $150 million for the B-2 from the defense bill.

Nevertheless, President Clinton is not retreating from a world leadership role. Instead, U.S. military planners contemplate possible operations around the world. But to hold down spending, the administration is trying to delete $150 million for the B-2 from the defense authorization bill.

The edge is with the bomber's foes—including some fierce hawks. Sen. John McCain, who last week was ready to bomb North Korea, long has opposed B-2 funding. So has Sen. Joseph Biden, who has been ready for months to send bombers into Bosnia.

The concept of the stealth bomber was unveiled in the Carter administration as a weapon to penetrate Soviet defenses with a nuclear attack. Since there is no longer a Soviet Union, why build 20 more planes at $575 million apiece and an eventual yearly cost of $1.5 billion?

Because this is an enormously efficient weapon for limited wars. Carrying 10 times as much ordnance as the F-117, the B-2 could hit any target in the world flying from three bases—Whiteman Air Force Base (near Kansas City), Diego Garcia in the Indian Ocean and Guam. There would be no need to ask allies' permission for overflights as in the 1986 raid against Libya.

One actual—and unsuccessful—U.S. raid against Iraq during the Gulf War required 75 aircraft (32 bombers, 16 escort planes, 12 anti-air defense planes and 15 tankers) with an air crew of 132. That mission could have been performed—with almost assured success—by two B-2s, with four crew members.

In his now-classified testimony, Gen. Loh revealed that there are no Pentagon plans to protect the U.S. industrial base to produce bombers—as there are for submarines and tanks—but added this base "provides the nation with a unique capability, and I believe it should be preserved." He warned that this base could "wither away over the next couple of years."

The general demolished official Pentagon doctrine that calls for being able to simultaneously fight a two-front war in Northeast Asia and the Persian Gulf. From the air standpoint, Loh admitted, "the two regional conflicts would have to occur back to back instead of at the same time." Winning Senate Armed Services Committee approval of $150 million for the B-2, Chairman Sam Nunn endorsed Loh's assessment: "We don't have enough bombers for two scenarios."

But the Pentagon weighed in heavily to strip the $150 million authorization. In a surprisingly strong letter, Deputy Defense Secretary John Deutch explained why: "We simply can't afford additional B-2 aircraft."

That means the administration is unwilling to take money from other Pentagon programs. Building 20 additional B-2s for a fleet of 40 could be paid for—with a $10 billion windfall over five years—by junking obsolete B-52s, scrapping intercontinental ballistic missiles and eliminating one carrier group. Or, the same end could be reached by eliminating one Army mechanized division.

These cuts are not being made, less because of what is needed in the post-Cold War world than because of intricate political balances. When Loh last year spoke out for B-2s, he was reprimanded by the Air Force chief of staff, Gen. Merrill McPeak, who feared he might spoil agreements with the left-wing House Armed Services Committee chairman, Rep. Ronald Dellums.

The irony is that Defense Secretary William Perry could be called the father of the stealth bomber based on his service in the Carter administration. When asked by a B-2 supporter why he is not fighting for his progeny, Perry replied he could not battle the White House and the Air Force at the same time. So much for maintaining global U.S. preparedness.

Bruce Chapman

Fast Track To a Fiasco

N

The House of Representatives, unable to admit that it cannot get its mind around the vast complexity of the cybersphere, is about to give up and wave through the biggest restructuring of the communications field in 60 years—without floor debate or amendments. The consequences for the nation's economy and future technological dominance are at least as consequential as the issues of health care. But given the way House leaders are handling what will probably become known as the Telecommunications Act of 1994, most of the consequences may be of the unintended kind.

The two bills coming jointly to the floor Tuesday have been in final drafting since the Ides of March, when they were the subject of only a day each of committee markup, following brief hearings. Remarkably, they appeared in print only this past Friday, so it seems sure that most members of Congress will not have read the 200-some dense pages of legislation by voting time. It is likely, in fact, that even many members of the committees involved are unfamiliar with the bills' latest provisions, which were the extensive handiwork of a few members and staff. No wonder the leadership wants to duck a debate.

The House's move to legislate on telecommunications is all speed and no deliberation.

Regardless of the confusion about specific provisions, however, one thing is clear: the model embodied in the two pasted-together bills (HR 3626 and HR 3636) is mostly the pro-monopoly regulatory regime of early telephone days. This, in turn, looks back to railroad legislation of the last century.

Real competition—the kind that looks to the successful model of the American computer industry—is merely paid lip service. With real competition you let everybody compete with everybody, you get winners as well as losers, and the prospect of a product or service outperforming the competition is exactly what invigorates markets. It means that innovations do take place and quickly, and that costs are reduced.

In contrast, the proposed legislation would attempt to guarantee something *called* competition through a mishmash of new regulatory provisions issued by the Federal Communications Commission and state agencies (leading to more litigation), plus mandated subsidies (taxes in disguise) to ensure universal service. This is truncated competition, where nobody wins, nobody loses and nobody wants to invest.

Behind the scenes, the sudden rush job on telecommunications after 13 or so years of low-intensity discussion is being justified on the grounds that there are so many industries in conflict—Baby Bells, small exchanges, long-distance carriers, wireless companies, cable, and even computer companies of various kinds—and the stakes are in such megabillions of dollars, that a real debate might blow up the tenuous agreement that has been reached among the bills' sponsors: Reps. Jack Brooks, John Dingell, Ed Markey and Jack Fields.

But the outcome is like the old fortune cookie message: "Many choices and you pick the worst." The worst, in this case, is a Rube Goldberg industrial policy sure to make the public as well as the business community unhappy before lone.

The personal computer (PC) industry is not directly tied to the telecom legislation, but one of its most potent spokesmen, Andy Groves, CEO of the microchip manufacturer Intel, sees danger for the whole high-technology field in the poorly thought-out regulatory regime now proposed. A sloppy law is sure to put the country's high-tech economy—which is the driving wedge of the general economy—at the mercy of endless regulatory and legal battles.

"I don't think governmental agencies are helpful in propagating technology," he warned a few days ago on the Larry King show. "The PC industry is the most deregulated industry. This was a factor in its being so brutally competitive, providing the access to the PCs that ordinary people have today."

If a complex regulatory approach is the very worst way to build the information superhighway, it is also one of the worst ways to shore up damaged public support for Congress. As we enter the new information age, there are more and more people like Ross Perot calling for the public at home to make electronic insta-vote decisions on complicated national issues. The sound rebuttal is that we have a Congress because we need to ensure deliberation. That's the reason for a representative democracy.

But what is the reason when the Congress does *not* deliberate?

The writer is president of the Seattle-based Discovery Institute.

MONDAY, JUNE 27, 1994 THE WASHINGTON POST

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THE PRESIDENT HAS SEEN
6-28-94

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THE WALL STREET JOURNAL FRIDAY, JUNE 24, 1994

Wage-Gap Blues

Strong Growth Brings Jobs to Cedar Rapids, But Many Pay Poorly

Employers in the Iowa City Cut Costs, and Workers With Low Skills Suffer

Hard at Work on the Phone

A1

By DAVID WESSEL
Staff Reporter of THE WALL STREET JOURNAL

CEDAR RAPIDS, Iowa — The unemployment rate here is an enviable 3.6%. Harnischfeger Industries Inc.'s abandoned crane factory is now an efficient foundry and copper mill. Genencor International Inc.'s three-year-old biotech plant is already expanding. MCI Communications Inc. is adding 350 more workers here.

Economically, Cedar Rapids is as good as it is going to get in most of the U.S. Old manufacturing plants have been pruned away, and modern, competitive factories sprout up. The service sector swells. Exports are strong. Unemployment falls.

But there's an underside to this success story: The gap between the jobs that pay well and those that don't is persisting despite a growing economy and an influx of new employers. In this city of 100,000, and elsewhere in the U.S., good jobs are still scarce, and they require training that many workers lack. Meanwhile, there is an abundance of low-skill, low-pay jobs.

"The pieces don't fit," says Frank Levy, a Massachusetts Institute of Technology economist.

Serious Mismatches

The PMX Industries Inc. copper mill is both a sign of renewal and a warning to low-skilled workers who long made a decent living here. Harnischfeger, which once employed 1,350 in this city, laid off the last one in 1989. A year later, South Korea's Poongsan Corp. began investing $250 million to convert the cavernous facility into its PMX unit's modern mill, which turns scrap metal into four-foot-tall coils of copper alloy that sell for as much as a Chevrolet. However, the PMX plant employs less than a third the workers at the old Harnischfeger factory.

Count the 430 PMX workers among the winners in the new economy. Only a handful wear insulated gloves and come close enough to molten metal to sweat. More typical is Randy Schmidt, a highly trained 31-year-old high-school graduate who works in an elevated, windowed "pulpit" crammed with television monitors, computer screens, digital displays and flashing lights. There, he operates a mill that rolls eight-inch-thick slabs of metal as thin as an eighth of an inch. When the mill is down, he calls up a spreadsheet on his computer to plan processing schedules. With overtime, operators such as Mr. Schmidt earn $35,000 to $40,000 a year. The mill hasn't any jobs for the untrained.

On the Losing Side

While Mr. Schmidt is a winner, Dennis Colvin is one of the losers. After 25 years at the Farmstead Foods Inc. meatpacking plant, the 46-year-old father of two lost his job as a ham-boner when the plant closed three years ago. He sold insurance for a while, then worked at a series of part-time jobs before landing third-shift assembly work in January at a nonunion Parker-Hannifin Corp. factory that makes hydraulic hoses. He started at $6.29 an hour and now makes $8.29; by fall, he expects to be earning $10.29 — still 50 cents less than at the packinghouse. Though currently working 58 hours a week, he won't earn as much this year as Mr. Schmidt will.

"The world changed while we were working the packinghouse," says Mr. Colvin, a high-school graduate with little training for high-tech work. "There are no good jobs out there, unless you have a bachelor's degree, that would replace what we had in the packinghouse."

The 1990 Census found more families at the top and substantially more at the bottom in Cedar Rapids than 10 years earlier: 17% had incomes that were less than half the median income — that is, below $20,000 in 1990 — compared with 12% in the 1980 census. But here and elsewhere, the strength of the economy isn't mitigating the factors that widened the earnings gap in the 1980s to dimensions unseen in the U.S. since World War II. Continued improvement in productivity is the key to increasing the *average* wage. But even as the average wage rises, MIT's Mr. Levy says, wages of the best-paid workers probably will continue to increase while wages of the worst-paid won't.

Brains Over Brawn

With the economy growing ever more technological and the need to stay competitive against domestic and foreign rivals ever more pressing, employers increasingly prize brains over brawn — to the detriment of those without education or training. Nearly everyone in the Genencor plant has attended college. PMX figures it takes five years to fully train operators at one of its rolling mills.

Unions, which once propped up wages for less-skilled workers, continue to wane here. In the latest blow, LeFebure Corp. is moving a drawer-making plant employing 95 members of the United Auto Workers from Cedar Rapids to Missouri; it expects to employ half as many workers and pay them 40% less. Few of the new employers here have union contracts; the local labor council says union membership has dropped about 15% since 1990 despite a gain in public-employee members.

In downtown Cedar Rapids, you can still smell the sweet, toasty aroma from

Continued From First Page

Quaker Oats Co.'s largest cereal mill, but the cost-conscious company makes 20% more cereal with 20% fewer workers than five years ago. That means 300 fewer $15.50-an-hour jobs, and the plant manager says the work force will keep shrinking.

Perhaps the one development that might narrow the wage gap is a surge in college enrollments, particularly at institutions such as Kirkwood Community College here. Across the U.S., 6[illegible]% of the high-school class of 19[illegible] was enrolled in college the following October, up from 49% in 1980. Economists expect a more educated work force to alleviate the labor mismatch by reducing the premiums college graduates command and raising the wages of less-educated workers because not so many will be fighting for the same jobs. Indeed, the core of President Clinton's strategy for boosting wages is education and job training.

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THE WALL STREET JOURNAL FRIDAY, JUNE 24, 1994

The College-Degree Premium

But education and training don't pay off immediately—or guarantee a good job. Kathy Marsh, a 39-year-old divorced mother of three, struggled to put herself through Mercy College here, hoping to get a public-school teaching job. Unable to land one, she has settled for $8.30 an hour as a medical assistant at a clinic and gets by with child support, subsidized housing and the earned-income tax credit. Renee Keegan also went back to school for a year to become a licensed practical nurse but couldn't find such a job; she sorts mail at $8.50 an hour at the same clinic.

Nevertheless, better-educated workers generally do better. The premium paid for a college degree doubled in the 1980s, according to a study by Richard Freeman, a Harvard labor economist, and Larry Katz, also of Harvard and now chief economist at the Labor Department.

The gulf between Americans doing well and those scraping by is tempering enthusiasm for the reasonably strong economic growth. Asked in a recent Wall Street Journal/NBC News poll whether newly created jobs are mainly high-paying or low-paying, a full 72% said low-paying.

"Somewhat surprisingly, despite the recent unambiguous evidence of recent economic improvement, there continues to be deep-rooted foreboding among a number of American families that current and future generations will not live as well as previous ones," Federal Reserve Chairman Alan Greenspan said recently. "The most likely cause is the clear evidence that . . . a significant part of our population is lagging behind the improved standards of living of the majority of our families."

The good jobs in Cedar Rapids are often more pleasant and sometimes more secure than those at the old factories, which were constantly hiring and then laying off workers as business conditions fluctuated. And the good jobs pay enough to realize the middle-class dream of homeownership in an area where the typical house costs less than $90,000.

Oscar Sanchez, a 31-year-old with two years of college, earned about $37,000 last year as a technician at Genencor, which uses micro-organisms to make enzymes for laundry detergent. The plant is unlike any of those where he worked previously. The manager doesn't wear a tie. Supervisors are called "enablers." And Mr. Sanchez, who comes as close to being a production worker as anyone else, proudly wields his own business card. He and his wife figure that they can meet the payments on their new three-bedroom house even if she loses her job.

Job Turnover Low

But even in prosperous Cedar Rapids, such jobs are scarce. "The turnover in well-paying jobs is quite low. If you get one, you don't want to leave one," says Thomas Pekich, Genencor's vice president for North American manufacturing. Genencor's work force here totals 75, and it needs fewer than 15 workers to operate the plant during any one shift. A new Weyerhaeuser Co. paper mill, which will be as long as two football fields when completed, promises to pay more than $15 an hour but expects to hire only 65 production people.

Although overall employment here is up more than 14,000 since 1979, the city has 9,400 fewer factory jobs. Meanwhile, the jobs in the growing service sector come in both high-wage and low-wage varieties. MCI, the long-distance phone company and a newcomer here, pays software engineers $50,000 a year and up. But telemarketers and conference-call operators begin at $14,000—and there are more of them.

The Cedar Rapids Gazette is full of help-wanted ads — for $6.50-an-hour jobs. The computer at the local employment office spews out plenty of openings to pound computer keyboards all day as $6-an-hour data-entry clerks. The dozen union workers at CCB Packaging Inc., a supplier to the cereal plants, recently approved a new contract that gave them a 2½% pay raise — to an average of $5.43 an hour. They get no health insurance.

A poster in the local office of Manpower Inc. advertises temporary assembly work that pays $4.65 an hour, the minimum wage; a perfect-attendance bonus brings reliable workers up to $5.27 — less than $11,000 a year. The owner of the local Manpower franchise says his temporary-help business is better than ever. In some weeks, his outfit pays 900 people, more than all but the biggest factories. Wages average $6.93 an hour; there is no job security and often no benefits — a major consideration to many employers.

Telecommunications Jobs

Now that suburban malls have sucked retail sales out of downtown Cedar Rapids, the new and rehabilitated downtown buildings house what might be considered the low-wage assembly lines of the telecommunications age. They don't make widgets; they make phone calls. Field a fund-raising call from your college, and the caller may be at a desk at Ruffalo Cody Associates in Cedar Rapids. Get a telephone pitch for another credit card, and it could be Apac Teleservices calling from Cedar Rapids. Dial MCI to ask about your bill, and the person on the other end may be here.

In some respects, these jobs are more pleasant than those in the old factories. The workplace is air-conditioned, and injuries are rare. But a pressure-cooker atmosphere prevails. At the MCI facility where operators arrange conference calls, one woman works two keyboards, one with each hand; an electronic billboard reports how many callers are on hold.

And you can't support a family on one of these jobs, many of which are part-time. Only the most proficient full-time veterans earn more than $20,000 a year. Wages at MCI, which employs 800 telemarketers in a six-story building here, start at $7.25 an hour; annual earnings typically average $17,000 before commissions.

"A lot of people here still think they're middle-class," says the Rev. Charles Mehaffey, a local minister. "They're real reluctant to realize they aren't middle-class anymore."

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THE PRESIDENT HAS SEEN
6 28 94

June 7, 1994

Editor
Arkansas Democrat-Gazette
P.O. Box 2221
Little Rock, Arkansas 72203

Dear Editor:

President Clinton keeps a framed quotation from Abraham Lincoln in his private study. It says, "I do the best I can. If the ends brings me out all right, what is said against me won't amount to anything. If the ends brings me out wrong, ten angels swearing I was right would make no difference."

I am thankful we have a President who is concerned about doing the right thing. Despite the hubbub over ancient and largely irrelevant issues, the fact remains that the President is doing a very good job. Most, if not all, of the foreign policy experts in the country believe he has chosen the right course in China. The economy is doing very well. The NRA is on the run. The tobacco industry is finally being brought to task. People are seriously discussing the health care crisis. Crime is being addressed in a meaningful way. The deficit left by twelve years of Republican administrations is being whittled away. In short, the Clinton Administration is doing a very good job. He should be given the credit he is due.

Sincerely yours,

MATTHEWS, CAMPBELL & RHOADS, P.A.

David R. Matthews

DRM:sah

M Scott

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Picture !!

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6-28-94

from Sue Stein

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Yale Law Report

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MILLE GRAZIE A GUIDO!
ALUMNI WEEKEND: OCTOBER 14–16, 1994

THE PRESIDENT HAS SEEN
6.28.94

To VP
What's your reaction to this — B.

THE WALL STREET JOURNAL TUESDAY, JUNE 28, 1994

Turning Back

As Economy of Iran Worsens, Government Reverts to Hard Line

Radical Clerics Who Oppose Market Reforms Regain Control Over Rafsanjani

Missed Chance for the U.S.?

A1

By PETER WALDMAN
Staff Reporter of THE WALL STREET JOURNAL

TEHRAN, Iran – Though newlyweds, Reza and Shohreh can't afford to move in together. So on a warm spring day, the young couple visit Ayatollah Khomeini's gold-spired tomb here to make a wish.

Reza and his wife are in many ways the salt of the Iranian revolution: Just children when the shah fled in 1979, they grew up in poor families that worshipped Ayatollah Khomeini as a liberator. Now they have come to ask the Imam, who died in 1989, to fix his revolution.

Beset by hyperinflation, ballooning foreign debt and low oil revenue, Iran's economy is pummeling the poor and middle class. Reza and Shohreh, for example, live separately with their parents because the cost of furnishing an apartment has soared while most wages are frozen.


President Rafsanjani

Like many in Iran, they had been counting on President Hashemi Rafsanjani and his efforts to impose Western-style economic reforms and renew relations with the U.S. But in recent months Mr. Rafsanjani has been losing a power struggle with radical mullahs, or religious leaders, who flirted with a more moderate political and economic agenda but have now reverted to hard-line doctrine.

Sitting near the Imam's tomb, Reza and Shohreh say Ayatollah Khomeini isn't to blame for Iran's problems. "It's the people around him who ruined the revolution," Reza says.

Amid this economic plight, the popularity of Iran's Islamic regime appears to have hit an all-time low. A bombing that killed at least 24 Muslim pilgrims in eastern Iran last week is believed by some to be linked to growing disenchantment with the government. Earlier this month, officials deployed thousands of troops in the streets of Tehran, worried that disaffected Iranians might riot during fifth-anniversary observances of the ayatollah's death.

To deflect the public's ire, Islamic leaders are blaming President Rafsanjani and his Western-trained technocrats for the nation's ills, accusing them of deviating from the Imam's line. Though the tactic hasn't worked with most Iranians, Mr. Rafsanjani's political power has steadily dwindled in the past year, while his more dogmatic foes, backed by Iran's current supreme leader, Ayatollah Ali Khamenei, have gained strength.

As a result, the president's economic program, designed to replace Iran's heavily centralized economy with a system of private enterprise, is falling apart. His limited initiatives to mend relations with the West, including an effort to defuse the Salman Rushdie controversy, appear doomed. And his moderating influence on some of the social and cultural excesses of the revolution seems to be eroding fast.


Ayatollah Khamenei

"We were counting on the Rafsanjani group to change things," says a veteran economist with Iran's central bank, who recently lost his senior post in a purge of Western-trained professionals. "But now his position is getting weaker day by day. Many people think he'll resign this year." (The president's second four-year term doesn't expire until 1997.)

For the Clinton administration, which has made isolation of Iran a foreign-policy goal, this presents a quandary. On the one hand, the economic crisis that is weakening Mr. Rafsanjani would seem to vindicate U.S. policy, which explicitly seeks to contain Iran, and its alleged support for international terrorism, by undermining the country's economy.

Yet, as many Iranians who despise the regime point out, the alternative to Mr. Rafsanjani could be worse. He has worked hard to improve relations with Iran's Arab neighbors, promoting a stable flow of oil through the Persian Gulf. In fact, U.S. oil companies quietly surpassed Japan last year as Iran's biggest clients. With radical mullahs gaining control, relations with the West could become more strained.

Of course, it is impossible to tell what will happen in a country as unpredictable as Iran. But with Saddam Hussein's Iraq still creating uncertainty in the region, the West and its Arab allies can hardly relish the idea of a more antagonistic Tehran. Some Mideast experts even worry that Iran could someday forge an alliance with a post-Saddam Iraq, threatening Persian Gulf monarchies. Both nations are largely populated by Shiite Muslims.

Despite such worries, the Clinton administration maintains a hard-line stance toward Iran. Says a senior official: "We

Please Turn to Page A12, Column 1

Continued From First Page

have never bought the distinction of others that somehow there are good guys and bad guys in the region and that we should be backing the good guys – the so-called pragmatic reformer Rafsanjani."

Iranians, meanwhile, are fed heavier doses of dogma even as their daily frustrations grow. The fount, of course, remains Ayatollah Khomeini. In the ancient capital of Isfahan, giant portraits of him and Ayatollah Khamenei tower above the city center. Lest anyone miss the point, the caption explains: "Obedience to Khamenei is obedience to Imam [Khomeini]."

Ayatollah Khamenei has overcome controversial religious credentials to amass unrivaled power. Having never written a requisite Islamic treatise, but having served as president in the late 1980s, he gained the honorary title of ayatollah.

At first he remained mostly behind the scenes as Mr. Rafsanjani sparred with revolutionary hard-liners in parliament. In 1992, he helped disqualify dozens of Mr. Rafsanjani's radical foes from running again for parliament. That cleared the way, Iranians assumed, for the president's reform agenda. But the economy soon crumbled, and backsliding began.

Borrowing Binge

In the early 1990s, Iran went on a borrowing binge. Mr. Rafsanjani initially intended to borrow a modest $7 billion between 1989 and 1994 to finance reconstruction projects after the war with Iraq – a sum readily repayable from oil revenue. But two things went wrong.

First, the weak central bank lost all control over international borrowing. Foreign governments, still wary of the Islamic regime, wouldn't guarantee trade financing for Iran, forcing it to borrow from banks through short-term letters of credit. And the government, continuing a tradition begun by the shah, subsidized foreign loans for favored Iranian enterprises, by providing them with dollars at 50% off their market value against Iran's rial.

The rush was on. Every institution with any clout flocked to government-owned banks for cheap dollars. These included government ministries, state-owned factories and the huge mullah-run foundations, or *bunyods*, that Ayatollah Khomeini had created to manage the confiscated assets of the rich. Some money went into reconstruction projects as planned, but much of it, say Rafsanjani loyalists, was thrown away on consumer imports to earn quick profits and satisfy pent-up demand.

The second thing that went wrong, of course, was falling oil prices. Iran got just two-thirds of the income it had projected. So the government borrowed not $7 billion but $17 billion, much of it in short-term letters of credit.

By late 1992, Iran was becoming unable to service its debt. Late last year, its arrears reached $5 billion, say central-bank officials. In the past six months, creditors have rescheduled a total of about $7 billion of Iranian loans, providing breathing room through 1995. The recent recovery in oil prices also has helped.

But the toll is heavy. Last year, when Mr. Rafsanjani finally managed to choke off the supply of 50%-off dollars to the regime's friends, the subsidy had become so embedded in the economy that the cost of living doubled virtually overnight. Since then, dollars have become so scarce in Iran that the U.S. currency's value has doubled again, to nearly 3,000 rials.

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Scattered throughout the provinces, Iranians say, are half-finished factories and warehouses full of decaying raw materials, remnants of business plans conceived when the government was providing dollars at 2% of today's rate. A plastics company had imported [illegible] years' worth of raw materials just so it could get more discounted dollars, a business consultant says. An electronics dealer bemoans a glut of calculators and computers imported by profiteering military units and ministries.

"Everybody looks short term in Iran," he says. "That's what's so dangerous."

Amid such economic disarray, the West, especially the U.S., has become a mythical land of deliverance. "All young people want to be Western today," says the newlywed Shohreh, who nonetheless is clad in a long black chador.

Even for older, more sophisticated Iranians, the U.S. looms in the imagination like a messiah: One day it is coming to save Iran; the next day it isn't. "Rafsanjani thought he could rebuild the economy by fixing relations with the U.S. and attracting foreign investment," says an economist, a senior official under the shah who now advises this government. "But the U.S. wouldn't buy it."

Today, he and many Iranians say, it is probably too late. The Bush administration should have responded to Mr. Rafsanjani's gestures three years ago, they argue, when he helped free Western hostages in Lebanon and cooperated with the U.S.-led coalition against Iraq. Mr. Rafsanjani claims that former United Nations Secretary General Perez de Cuellar promised that once the hostages were freed in Lebanon, the U.S. would release Iran's $9 billion to $12 billion of frozen American assets—which it didn't.

A senior official from the Bush administration maintains that while Mr. Bush spoke of goodwill toward Iran, he never promised to release the assets, which, in any case, were tied up in court.

When the assets remained frozen, Mr. Rafsanjani's reconciliation strategy lost sway within the ruling circles at home. Now Iranians say he is too weak to make overtures to the West. When a Rafsanjani protege proposed improving ties with the U.S., Ayatollah Khamenei slapped down the idea as "naive." After Mr. Rafsanjani said that Ayatollah Khomeini's death edict against Mr. Rushdie, the British author, wasn't binding, Ayatollah Khamenei publicly corrected him.

Mr. Rafsanjani has even been rebuffed over Tehran's golf course, the lone recreation area for the city's diplomatic corps. One night last April, the Revolutionary Guard, which reports directly to Ayatollah Khamenei, seized three holes on the back nine to use as a training ground. The next day, golfers arrived to find a new fence and some surly armed troops who wouldn't throw back errant balls. After diplomatic howls, Mr. Rafsanjani visited the club himself. Though play continues, the soldiers—and newly built barracks—haven't budged from the site.

Visibly subdued by his travails, Mr. Rafsanjani warned the nation in May that Iran "is still threatened by dogmatism" and urged his followers to promote "the revolution's reasoning movement." But the *Majlis*, or parliament, emboldened by Ayatollah Khamenei, refuses to enact the president's second five-year economic plan, which calls for slashing public subsidies, privatizing many more state enterprises and aggressively luring foreign investment. Instead, the parliament is debating a bill to give itself control over all prices for government goods and services, the bulk of Iran's market. Rafsanjani economists say such controls would ruin any hope of repairing the economy.

As the tide turns against the president, his proteges are being swept up, too. Last summer, parliament ousted Finance Minister Mohsen Nourbakhsh, the U.S.-educated designer of Iran's economic reforms. Though the president gave him a staff job, Mr. Nourbakhsh's fall shattered the confidence of Iran's large and wealthy exile community, which he had courted.

In addition, the Islamic revolutionary councils, created as religious watchdogs for all government institutions, are reviving after a five-year lull, Iranians say. In recent months, council activists have purged dozens of Western-trained professionals from ministry posts, including senior officers of the central bank. Some technocrats fear a witch hunt.

"Let's give power to the *basijis*, to the warriors of God!" preaches Mohammed Navab, Ayatollah Khamenei's personal representative. "If the *basijis* and martyr families find power in this country, we will solve all of our problems."

Bunyod Power

Without Ayatollah Khamenei's support, Mr. Rafsanjani stands little chance of tackling the huge vested interests that stifle Iran's economy. His government, in fact, is backtracking: It has started providing discounted dollars again to certain privileged buyers.

Some Rafsanjani supporters in parliament tried to curb the Bunyod Mustazafan, the largest of the Khomeini-created industrial foundations and one that a Rafsanjani backer calls "the greatest cartel in history." They were rebuffed by the judicial Council of Guardians.

Bunyod President Mohsen Rafighdoost is a model of success in today's Iran. After starting at his father's fruit shop in the bazaar, he became Ayatollah Khomeini's chauffeur and bodyguard. And on the Imam's order, he founded the Revolutionary Guard. Now Mr. Rafighdoost says he is a religious disciple of Ayatollah Khamenei — the only person under Iranian law with authority over the bunyod and its billions of dollars of assets.

"Sometimes I go pray behind him in his home," says Mr. Rafighdoost, "even if I don't have any business to discuss."

Scant Investment

Few private investors dare try to compete against these privileged, quasistate organizations. As a result, Iran — whose population of 64 million people is growing by 3% a year — has only a trickle of new investment. While South Korea reinvests 34% of its gross national product every year, Iran reinvests just 11%, according to central-bank statistics.

Money flows out, not in. Merchants say they spirit profits abroad by overpaying friendly foreign suppliers or by exporting dollars through the black market.

Nor is Iran getting much boost from its rich diaspora. Though many overseas Iranians have come back for a visit since the Rafsanjani government started inviting them home, most have left discouraged, their relatives say.

One young man returned from Los Angeles determined to start a packaged-foods company. But when he went to the bank to withdraw some of the $30,000 he had deposited for living expenses, the teller, without explanation, wouldn't give it to him. A $300 bribe later, he got his money—and fled back to the U.S.

Nobody here has felt the hard times more acutely than an old woman named Moreza, who kneels in her black chador in the middle of a crowded drugstore. Exhausted, she has spent the day combing Tehran's black market for medicine for her ailing heart. The mullah-run foundations that have a monopoly on Iran's heavily subsidized pharmaceutical industry suffer chronic shortages of nearly every prescription drug. What supplies do exist through legal channels are so underpriced compared with world markets that smugglers often hoard them for sale abroad.

"It's our own fault," Moreza sighs, ending her search for the day by settling for some children's aspirin. "We raised our hands to fight; now we're hitting our heads with those same hands. The poor are only getting poorer."

—Robert S. Greenberger in Washington contributed to this article.

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THE WALL STREET JOURNAL TUESDAY, JUNE 28, 1994

THE PRESIDENT HAS SEEN
6.28.94

To VP

Congress Versus Science

By Robert L. Park

WASHINGTON

In his farewell address in 1961, President Dwight D. Eisenhower almost warned against the growing influence of a "military-industrial-*scientific* complex." His science adviser, James Killian, a former president of the Massachusetts Institute of Technology, feared that the wording might harm research universities and persuaded Eisenhower to drop "scientific."

After all, the cold war was fought as much with symbols as with submarines. If the Soviet Union put men in space, the U.S. would put men on the Moon. It was the science olympics, and America was going for the gold.

Now the Clinton Administration is poised to unveil the first comprehensive plan for Federal support of science for the post-cold-war era. Drafts show that it represents a much-needed recasting of science policy for an era of financial limits. But behind it is a power struggle. Unless the White House stands by its vision, the big losers could be our research universities.

The abrupt end of the cold war created a leadership vacuum in science policy. In recent years, the agenda has been set not by the White House but by a second-term Senator from Maryland, Barbara Mikulski. As head of a key appropriations subcommittee, Ms. Mikulski, a Democrat, controls the purse strings of the National Aeronautics and Space Administration and the National Science Foundation.

Last fall Ms. Mikulski's panel called on the National Science Foundation to shift its emphasis, and its grants, away from "curiosity-driven research" and toward science addressing specific economic goals — "strategic research." If the foundation failed to act with "entrepreneurial vigor and enthusiasm," its budget would be reallocated to other agencies, the report said.

No one questions the need for research directed toward national goals, but a lot of people shudder at the thought of appropriations committees' setting the goals.

Executives from high-tech industries have repeatedly explained to Congress that what they need most from universities is what they have been getting all along: a steady supply of new scientists. Although strategic research is useful for making incremental improvements in existing technologies, the sorts of fundamental discoveries that lead to revolutionary improvements in our lives are more likely to come from long-range research motivated by scientific curiosity.

But industry finds this kind of long-range research harder and harder to afford. The great laboratories that were once the pride of AT&T, I.B.M., Westinghouse and other companies have either disappeared or shifted their attention to product development; universities are all we have left.

The Administration wants dollars awarded on the basis of scientific merit, as judged by scientific peers. It's a good strategy; the pre-eminence of American science can be largely attributed to reliance on peer review. But members of key Congressional committees have undermined the merit process by earmarking money for pet programs in their home districts. In the House last week, the chairman of the defense appropriations subcommittee, John Murtha, a Pennsylvania Democrat, punished critics of his pork-barrel tactics by stripping nearly a billion dollars from legitimate university research programs.

Senator Mikulski's committee has pressured the National Science Foundation to develop new programs to transfer the results of academic research to private companies. Yet, as one industry official said, "the best vehicle for transferring academic research to the private sector is the moving van that carries new Ph.D.'s to their first jobs in the industry."

Ms. Mikulski has not been listening. In a speech in February, she exhorted university scientists to bend their efforts to strategic research, saying they "must recognize there is a national purpose for their work."

She didn't mention that unlike the cold war, this one must be fought with flat or declining budgets. We ended the cold war by spending the Soviet Union into collapse, but it took a heavy financial toll on the U.S.

Science has to pay its share of the burden by making do with less; micromanagement by appropriations committees is not going to help. The White House plan is a belated attempt to regain the initiative in science policy, but never bet against appropriators.

Robert L. Park is professor of physics at the University of Maryland in College Park.

Basic research is in peril.

THE NEW YORK TIMES, MONDAY, JUNE 27, 1994

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ial No

Role Models, Bogus and Real

O. J. Simpson Versus The Street Soldiers

America deludes itself about why its children behave as they do. In the suburbs we herd them into malls and let them grow up bereft of community, under the impression that what you can buy is who you are. In the cities we raise them in devastated, parentless settings, where drug addiction and random gunfire rule the day.

After all that, when children behave badly we inexplicably lay the blame at the tarnished feet of America's sports gods. We blame Michael Jordan, for gambling. We blame Charles Barkley, for spitting on a fan. This week we're blaming O. J. Simpson, for battering his wife and for being accused of her murder.

The blame of which I speak is indirectly assigned, a consequence of that seemingly innocuous phrase "role model." The term entered the language 30 years ago. Initially a "role model" was someone whose successes other people — and especially children — might emulate. As the television age wore on, there came a subtle shift in meaning. A "role model" became someone who, by virtue of fame and money, was appointed surrogate parent to America's young.

These are peculiar "parents" indeed: They live behind television screens, never meet their "children" and are expected to inspire them by force of fame alone. Any failing on their part is regarded as a betrayal of the nation, and a tragedy for all those doe-eyed kids in television land. These days, the term "role model" is almost exclusively heard when some modern-day Icarus loses his wings and comes crashing back to earth, proved mortal in the end.

In the days since O. J. Simpson's arrest for murder, there have probably been hundreds of stories lamenting the loss of a vital "role model" for America's young. This despite the fact that Mr. Simpson's glory years as a player ended 20 years ago. In popular culture, 20 years is an eternity. It's a safe bet that until Mr. Simpson's arrest, most kids had barely even heard of him.

Why then the constant "role model" morality play? Partly it's the archaic notion that athletes need to be paragons of virtue and temperance, exempt from mortal flaw. Beyond that, I think, lies a deeper and more unfortunate presumption: that only stars can affect children's lives for the better, that the mere mortals among us are powerless to guide, shape or enlighten. The sadness here is that the reverse is true. The only legitimate "role model" is the person whom children can see, feel and interact with in their daily lives.

Enter Joseph Marshall Jr., the recipient of a 1994 "genius" award from the MacArthur Foundation and co-founder of San Francisco's Omega Boys Club, a place where young people between the ages of 11 and 25 find friendship, surrogate parents, academic training — and college scholarships. Mr. Marshall says that inner-city kids are confused and violent because they've been "orphaned" — by family, community, government and the media. No athletes, grinning or otherwise, can reach them. His role is to recreate families for these children.

Mr. Marshall is also the host of "Street Soldiers," an extraordinary violence-intervention project. At a time when many radio talk shows have become little more than noise, Mr. Marshall's is the equivalent of a radio "parent," broadcast weekly on San Francisco's KMEL. He reaches an audience of 40,000 to 50,000 young people, many of whom he advises on such pressing matters as how not to shoot people and how to avoid being shot.

The results speak for themselves. "Street Soldiers" has a proven record of averting the reprisal shootings that often follow initial episodes of violence. And since the Omega Boys club opened in 1987, more than 100 young people who might well have gone to jail, or to graveyards, have gone to college instead.

That's what a role model is: someone who loves and works and encourages and lays on hands. All the rest is noise and empty air.

BRENT STAPLES

THE NEW YORK TIMES, FRIDAY, JUNE 24, 1994

THE PRESIDENT HAS SEEN
6.28.94

Crasso

the morality
newsroom contest w/ him-

75

THE PRESIDENT HAS SEEN

6.28.94

Doris

Emerson

anything else

I should do?

B.

As Drought Loo[redacted] Fa[redacted]ners In C[redacted]for[redacted]lam[redacted]olitics

A1

By DAVID MARGOLICK

Special to The New York Times

FIREBAUGH, Calif. — A few hundred yards from the Edmund G. (Pat) Brown Aqueduct, an old cotton trailer sits alongside Interstate 5, which slices through the parched hills and verdant rectangles of California's San Joaquin Valley. The wire mesh wagon is empty, and over it is draped a large green banner.

"NO WATER, NO FARMING. NO FARMING, NO FOOD," the sign says. It is one of several along the highway between Los Banos and Bakersfield, in letters large enough to be seen by motorists on the Interstate, the main artery between Northern and Southern California.

This year, as the sign suggests, the rains have once again stopped falling on California, the nation's largest producer of fruits and vegetables, and a "drought watch" has been declared in what water officials say will be one of the century's driest years.

But the members of the Central Valley Family Farm Alliance, which is responsible for the banners, are not imploring the heavens for rain, though that would be nice. What frustrates them are not the acts of God but those of politicians, bureaucrats and environmentalists.

California's mountain reservoirs remain nearly 90 percent full, a reflection of last year's heavy rains and conservation efforts. But farmers in the Central Valley, particularly on its more arid western side, are receiving only a fraction of the water they generally receive from Federal and state sources, in some cases only one-third, and their livelihoods are drying up along with the land.

The state's farmers have always received the lion's share of California's limited water supply, usually about 80 percent of it. But recent Federal environmental regulations have mandated that billions of gallons of water be withheld in rivers and streams to protect the dwindling supply of winter-run salmon, delta smelt and other fish decimated by the

Continued on Page A22, Column 1

dams and water diversions of the Federal Central Valley Project.

The Endangered Species Act stipulates that large amounts of water be released from reservoirs into rivers and allowed to flow out to sea, and the Central Valley Improvement Act of 1992 will commit more water to restoring fish and wildlife and their natural habitats.

The farmers contend that the Government has broken its covenant to provide them with the water they need and has thus produced a man-made drought, impervious to natural cycles.

'A Political Drought'

"A drought is O.K.; we can handle a drought," said Jim McLeod, 65, who has grown apricots and walnuts in Tracy, 65 miles east of San Francisco, for most of his life. "But this new drought is an environmental drought, a political drought, not a Mother Nature drought. The Government wanted a good, reliable source of food, and we did it. We're eating better than anybody in history. And now we're destroying it."

To conservationists, however, the changes in water allocation corrected a long-term imbalance that allowed farmers to waste heavily subsidized water on some crops and to grow other crops ill-suited to the arid terrain. The newly struck balance, these people believe, atones for environmental hubris in California — a state that "has gone to extravagant lengths to deny that it is a desert," Marc Reisner, the author of "Cadillac Desert: The American West and Its Disappearing Water" (Penguin Books), has written.

Fishermen said the historical imbalance has crippled the state's once-thriving fishing industry. "A lot of us feel the water was stolen," said Zeke Grader, executive director of the Pacific Coast Federation of Fishermen's Associations. "Fish is a food product, too."

Officials say the tug of war is a reminder of the political complexity of water, an issue that historically pitted farmers and cities against conservationists but over which farmers now stand largely alone.

Few Signs of Drought

"The pendulum has shifted quite abruptly, and they've not had the time to make the adjustment," said Douglas P. Wheeler, the state secretary of resources.

Farmers concede their power is eroding. "The scary thing is the transition between now and then, and the number of people's lives that get trampled in the process," said Jason Peltier of the Central Valley Project Water Association, a growers' group in Sacramento.

Driving into Firebaugh, a sun-baked agricultural community of 5,000 about 120 miles southeast of San Francisco, there are few signs of any drought, natural or legislated. Fields of onions and garlic destined to become powdered condiments and fields of tomatoes earmarked for ketchup and pizza sauce shimmer in the late afternoon sun, nourished by sprinklers spitting out what was once the mountain snow pack.

But here and in surrounding towns on the west side of the San Joaquin Valley, where only five-and-a-half inches of rain fall in an average year, hundreds of thousands of acres that once produced cotton, tomatoes and cantaloupes have reverted to sagebrush and tumbleweed.

Chris Hurd, who grows almonds, onions and cotton, said that 600 of his 2,000 acres near Firebaugh lie fallow this year, and that his property has lost half its value since 1989. "I'm only hiring the minimum amount of people because I don't want to turn around and lay them off," he said. "I have no long-range plans, except three things: no risk, no debt, no growth."

Migrant Workers Feel Losses

Asked to predict the area's future, Mr. Hurd, 43 years old, replied: "More and more depressed. More and more foreclosures. People migrating out."

THE NEW YORK TIMES, FRIDAY, JUNE 24, 1994

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6

Student Loan Plan Spreads Out Obligation

Prospect of 25 Years of Repayments Alarms Some College Officials

By Mary Jordan
Washington Post Staff Writer

A1

Within days, the Clinton administration will issue its final regulations on its new student loan program designed to make "college more affordable," as Bill Clinton promised in his campaign for the presidency.

The plan would drastically reduce monthly loan repayments for millions of low- and middle-income Americans and aims to reduce the number of students who abandon their school debt.

Currently, no matter how much students earn after graduation, they repay their government-backed loans on a standard 10-year plan.

Under the Clinton plan, some students could have their monthly loan payments spread out over a much longer period, thereby cutting their monthly payments by half or more. The White House heralds this as a new option to help the middle class cope with college costs.

But even some college officials who have publicly embraced the idea of basing payments on income level were alarmed at the details of the administration's plan released this week. They argue that it drops the monthly loan payments so low that it would actually hurt students because many will be lured into paying school loans for as long as 25 years.

Extra years of compounding interest payments will mean people could wind up doubling or tripling college costs, said Laura McClintock, legislative director of the United States Student Association. Once students are presented with the option of low monthly payments, many will grab it, even if it makes little financial sense for them, she said. "It could be good for some students," she said, but for others it is "not a pro-student plan."

Barmak Nassirian, a loan financing expert at the American Association of State Colleges and Universities, called the new plan "smoke and mirrors."

"This is not about making college

LOANS, From A1

really more affordable," he said. "It is about making college *seem* like it's more affordable. It's a cynical approach, not unlike a used car dealer selling a '68 Chevy to cash-strapped customers on extended financing."

"What you don't pay for today, you pay through the nose for tomorrow," he said.

But White House economic adviser Gene Sperling said the president is fulfilling his promise to help the middle class afford college. Students will still have the current 10-year option, and can pay their loans off at any time. He said they can even switch in and out of the new array of payment plans.

Sperling also said the fine print is not final and that the higher education community really has only "narrow disagreements we expect to work out over the next couple days."

The administration's new student loan plan is to take effect on July 1 for some loans. Over the next few years, millions of student borrowers could be affected by the plan. In the academic year 1992-1993 alone, 5.8 million students took out government-backed student loans.

The practice of basing debt repayments on income marks a major departure from the current financial aid system. Today, students pay a fixed monthly amount determined solely on the amount they borrow. It does not matter if they land a $50,000 job on Wall Street or a $17,000 teaching job.

Throughout the 1992 campaign, Clinton promised to make it easier for college graduates to take low-paying community service jobs and not feel forced into high paying fields because of school debt.

Many of those who default or abandon their loan payments are people who cannot afford to meet their monthly payment. The administration said this new option will encourage low-income people to pay a little instead of nothing at all.

Currently all students who borrowed $20,000 at an interest rate of 7 percent pay back about $230 a month. Under the Clinton plan circulated in higher education circles this week, that payment would drop to about $100—less than half—for those earning $20,000.

Payments would be adjusted upward as a person's income increases. People earning less would pay less.

David A. Longanecker, assistant secretary of education, said he has been taken by surprise by those who say this is "morally bankrupt."

"Obviously, we don't think it is," he said. In some cases the administration and the higher education community "are less than $10 apart" in what they think the new monthly payments should be. He said he hoped to meet today with some of the groups that sent an urgent letter to Education Secretary Richard W. Riley on Wednesday asking for "an immediate intervention" to change the plan.

"Our interest is to help students, not to place them in greater debt," Longanecker said.

Even students earning as much as $50,000 upon graduation will be allowed to reduce their monthly payments under the new plan. If that student owed $40,000, currently he or she would pay $502 at an 8.2 percent interest rate, Longanecker said. The Clinton plan would reduce that amount to $362. It is especially at the higher levels of income that the higher education community believes the debt repayments should be increased.

Robert H. Atwell, president of the American Council on Education, the nation's largest higher education group, said that "the White House scheme" extends from 6 to 20 percent the amount of people who still won't have repaid their loans in 25 years.

Under the plan, taxpayers would be liable for the loans unpaid after a quarter of a century.

Rep. Thomas E. Petri (R-Wis.) has advocated income-contingent loans for more than a decade, but he is not at all happy with the new plan.

Petri said he and others have put "their reputations on the line for this new program" and don't want to see it fail. One of the things he is worried about is that students will "game the system" by borrowing more than they need, and taxpayers will end up paying for it.

The provision to adjust repayments according to income is just one part of the administration's ongoing overhaul of the entire student aid program. Last year, Congress approved the administration's plan to begin setting up the federal government as direct lender to students, bypassing private banks.

As of July 1, 5 percent of the government-backed student loan volume will be directly lent to students by the Education Department. By July 1995, that sum is to rise to 40 percent, with the aim of eventually bypassing all private banks and lenders such as Sallie Mae.

The option of basing loan repayments on income will be available to all those in the direct lending program. Many colleges have already joined that program including American University and the University of the District of Columbia. Longanecker said in addition to those students, the income-contingent plan could also soon be available to any student with existing loans who wanted to join it.

Friday, June 24, 1994 The Washington Post

Can Talks With North Korea Succeed?

False Hopes Once Again

By Philip Zelikow

ACTON, Mass. When President Clinton sends diplomats to Geneva next month to resume high-level talks with North Korea, it will be the third round in a year. In announcing that Pyongyang has offered to freeze its nuclear program temporarily, he called it "a very positive development." It sure is, for Kim Il Sung.

Look at the situation from Mr. Kim's perspective. His threats of war frightened America, South Korea and Japan into a timid, tentative approach to sanctions. Then, with Jimmy Carter's help, he broke up the coalition Washington had hoped to muster against him. The two-year dispute over his illegal diversion of nuclear fuel has ended with an American-led retreat. Sanctions have been dropped.

And what has Mr. Kim given up in exchange for this retreat? Absolutely nothing.

In 1985, the world was relieved when the North joined the Nuclear Nonproliferation Treaty.

In 1991, after the U.S. met the North's demand for withdrawal of all U.S. nuclear weapons from South Korea, the North pledged to become nuclear-free and eliminate its ability to reprocess plutonium. There was more relief.

In 1992, after the U.S. and South Korea met the North's demand for cancellation of joint military exercises, the North agreed to accept international safeguards and stop work at its reprocessing facility. There was another burst of relief.

And in 1993, after the North's demand for high-level talks with America was met, and now again this week, after Mr. Clinton in effect sent Mr. Kim the highest-ranking American he ever met, the North agreed to hold more talks. Ah, renewed relief again.

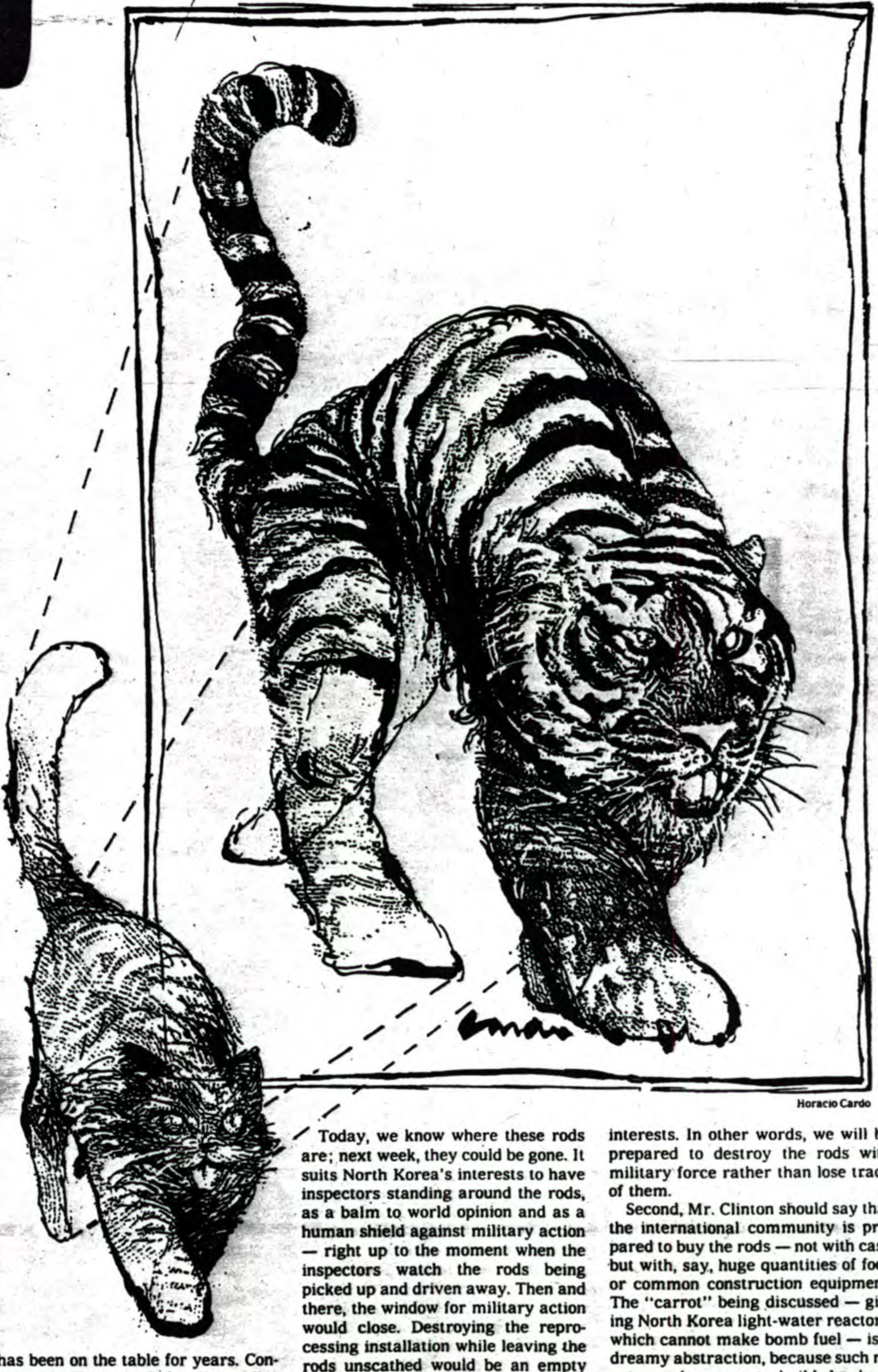
Meanwhile, the North finished its first reactor, built new ones and completed and expanded its reprocessing facility — in violation of the 1985, 1991 and 1992 agreements. It irradiated fuel rods, removed and separated plutonium from them, irradiated more rods and removed them for cooling.

The temporary freeze of Mr. Kim's nuclear program does not — yet — interfere with the North's nuclear intentions or foreclose any of its options. After all, Pyongyang has defied international safeguards whenever they have interfered with its plans.

When the world threatened sanctions, North Korea threatened war. So who backed down? Kim Il Sung should be happy to talk, even to sign new agreements. His mentor, Stalin, liked to talk with his enemies as he prepared to destroyed them.

Everything on the Geneva agenda has been on the table for years. Consider Mr. Kim's goals for these talks, and for a possible summit meeting with South Korea. Do we really think that Mr. Kim, the most absolute of all dictators in the most militarized country on earth, envisions an outcome that opens his country to the West and to South Korea and dismantles the nuclear and military machine he sacrificed so much to build? No, he does not plan to lose. And we will not like his definition of victory.

The fuel rods removed from the Yongbyon reactor are in cooling ponds, ready to be moved, and can be driven to any cave and hidden. Although we are uncertain whether the North has a nuclear bomb, experts are absolutely sure that the rods contain enough plutonium to build several and give North Korea the chance to sell excess plutonium (Iran is the most likely buyer).



Horacio Cardo

Today, we know where these rods are; next week, they could be gone. It suits North Korea's interests to have inspectors standing around the rods, as a balm to world opinion and as a human shield against military action — right up to the moment when the inspectors watch the rods being picked up and driven away. Then and there, the window for military action would close. Destroying the reprocessing installation while leaving the rods unscathed would be an empty gesture because there may be another one that the U.S. does not know about. Or the North could build a new one that is much easier to hide than the reactor that has already done its part. Iraq, after all, concealed much larger nuclear facilities from the world.

So far, Kim has given up nothing.

So how should Mr. Clinton prepare for the talks? First, he should announce that any movement of the rods away from surveillance by satellites will endanger America's vital interests. In other words, we will be prepared to destroy the rods with military force rather than lose track of them.

Second, Mr. Clinton should say that the international community is prepared to buy the rods — not with cash but with, say, huge quantities of food or common construction equipment. The "carrot" being discussed — giving North Korea light-water reactors, which cannot make bomb fuel — is a dreamy abstraction, because such reactors take years to build. In short, we should offer Pyongyang tangible incentives to improve living conditions immediately, without fueling its huge military machine.

Third, Mr. Clinton should declare that he will gradually strengthen the American forces stationed in South Korea with troops and aircraft from Hawaii and the U.S., and that he will maintain such reinforcements until a negotiated agreement with Pyongyang has been carried out.

North Korean diplomacy constantly switches between calls for negotiations and threats of war. We can best prepare for such tactics by demonstrating that we are ready for peace — or war. The confrontation with North Korea can become grave again, overnight. President Clinton should prepare the nation and our allies for the next turn of the screw. □

Philip Zelikow, a National Security Council staff member from 1989 to 1991, teaches public policy at the Kennedy School of Government at Harvard.

[redacted]

THE PRESIDENT HAS SEEN
6.28.94

[redacted]

[illegible]

[illegible]

-- Wanted to bring you up to date on developments today on North Korea.

-- President Carter went to Pyonyang at the invitation of the North Koreans. He is there in a private capacity, which is the basis on which he had several hours of talks with Kim Il-Song today.

-- The North Koreans have made some statements to President Carter that could either represent the basis for some progress or be further delaying tactics. We need to explore that.

-- The North Koreans indicated that if we reopened negotiations with them they would keep the IAEA inspectors in place, and deal with returning fully to the NPT and special inspections in the context of such negotiations. They also raised the possibility of replacing their current graphite reactors with more proliferation resistant light water reactors.

-- That could be a constructive step if it means they are also committing to freeze the major elements of their nuclear program while new talks took place, i.e. not refueling the reactor, not reprocessing the spent fuel they've just removed, and allowing the IAEA inspectors to remain and functions.

-- If we can clarify that they will make these significant undertakings, we would be prepared to resume negotiations. We will see if they are prepared to do this.

-- In the meantime, we are continuing to consult on our sanctions resolution.

-- I hope you will be cautious in your comments until we have a clearer understanding of whether, in fact, there is a useful opening here or not.

Dole

BC [illegible] approach OK
[illegible]
Alter: Can't do anything w/ [illegible] reprocessing [illegible]
What are options at end?
What if too expensive ~5-10 yrs < [illegible]

Haig

Bring our line [illegible] OK [illegible]
[illegible] will give
Go look at everything

THE PRESIDENT HAS SEEN
6.28.94

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: RICKI SEIDMAN

SUBJECT: SEEING MAYOR GIULIANI DURING THE NEW YORK TRIP

The New York trip is completely political and we are not doing our standard greet at the airport. The greet will be done at the Sheraton Hotel because most of the statewide and citywide elected officials who would be invited are attending the DNC Fundraisers. The one exception is Mayor Giuliani. Intergovernmental Affairs has notified Mayor Giuliani's office that we will be in New York Monday and informed them of the schedule. We have not invited the Mayor to greet at the airport. Are you interested in Mayor Giuliani being invited to greet at either the airport or Wall Street Landing Zone?

_________ yes

_________ no

Too Late

THE WHITE HOUSE
WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: LINDA LADER

Phone Number:

Fax Number: 638-4141

FROM: John Podesta

SUBJECT: Note from the President on Rex Horne Letter - "Get this set up. I think VP would like to be there."
Copy of Brian Harbour letter

DATE: 6/28/94

NUMBER OF PAGES (including cover sheet):

MESSAGE:

L Lader / P Lader
get this set up
I think VP would
like to be there

THE WH

WAS

June 28, 1994

[redacted]

Dr. Rex M. Horne, Jr.
Immanuel Baptist Church
1000 Bishop Street
Little Rock, Arkansas 72202

Dear Rex:

Thanks for your letter of June 20. We've spent two great weekends in a row at Camp David. It's very relaxing.

I appreciate your suggestion that I meet with Jim Henry and Henry Blackaby. You're right that I never know what the schedule will hold, but I have shared your letter with Ricki Seidman, my scheduler, for her consideration.

Thanks, as always, for your continued prayers. See you soon.

Sincerely,

Bill

cc Ricki
cc L Lader
fax 638-4141

IMMANUEL
BAPTIST
CHURCH

June 20, 1994

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

Dear Mr. President,

I hope you had a good weekend at Camp David. We prayed for you Sunday, as we do each Sunday.

I enjoyed talking with you from Orlando and deeply appreciate your prompt attention and leadership on the issue of "religious harassment." I would be glad to keep an eye out on issues of concern to the broader evangelicals throughout the country and report to you if this is helpful. Please let me know.

I would like for you to meet our new Southern Baptist Convention President, Dr. Jim Henry, as soon as possible. He is a great man and I consider him a personal friend. With Jim I would like to have Henry Blackaby, who is truly one of the most prayerful, spiritual men I know. I know it is so difficult to schedule, but if we could soon, this would be great.

Please know of my concern for you and my prayers for you.

Sincerely,

Rex

Dr. Rex M. Horne, Jr.

RMH/mlw

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