THE PRESIDENT HAS SEEN
7-30-94

Mack
Fyi. Sen. Ford
BC

Tough piece.
We didn't handle
stuff etc. well
re: taxes.
We're still NOT connecting
w mainstream.
I have some thoughts
wh you are ready to
discuss
Mack

Kentucky votes remote for Clinton

Post 7-20-94

BILL

STRAUB

WASHINGTON — If President Clinton thinks he can count on Kentucky lawmakers to help him fulfill his vision of national health care reform, his chances of achieving that goal are a lot more remote than he would like to think.

In fact, more votes probably could be raised among members of the state's delegation to return to the practice of leeching or blood-letting than for any sort of employer mandate to provide workers with health insurance.

A combination of factors is working against the president as the deadline approaches for health care in the 103rd Congress. It's apparent — if Kentucky is any indicator — that he will have to settle for substantially less than he hoped for at the outset.

For one thing, it says a lot about the condition of Kentucky politics that the GOP members of the congressional delegation are on more sturdy footing than just about anyone on the Democratic side. If any party captures a majority of the state's six slots in the November elections, it will be the Republicans.

No Kentucky congressman is in a stronger position than Rep. Jim Bunning, R-Southgate, whose suburban district in Northern Kentucky is every bit as conservative as he is. Rep. Hal Rogers, R-Somerset, after some early concerns, doesn't appear to have any problems with the challenge being mounted by state Sen. Walter Blevins, D-West Liberty.

And anyone who thinks Rep. Ron Lewis, R-Cecilia, is just a one-shot wonder in the 2nd Congressional District hasn't been studying Western Kentucky voting trends over the past 10 years. The area has become increasingly right-wing even though it consistently endorsed the late William Natcher, a Bowling Green Democrat.

Now that the genie is out of the bottle, Democrats are mistaken if they think regaining that once-sure slot will be a cinch, even with a candidate as attractive as Owensboro Mayor David Adkisson.

Clinton can just say goodbye to those three votes from the get-go. All three, particularly Bunning, are members in good standing of the "If the Chamber of Commerce is against it, I'm against it" caucus on Capitol Hill. It would have been easier for Lincoln to convince the South to abolish slavery than to convince the established business folk to provide health security for their workers because of some outrageous concept of it being the right thing to do.

These three will go along with some form of health care reform — just enough to say they did something and didn't contribute to gridlock. Bunning, for instance, has signed onto the Rowland-Bilirakis bill, which assures portability and guarantees access but does little else.

It's also advantageous for Republicans to oppose a Democratic president in an election year — right or wrong. In these cynical times, there's no question where the GOP members of the delegation will fall.

While Republicans are, at least, consistent in where they're coming from, the Democrats are all over the map. Rep. Ron Mazzoli, D-Louisville, who is retiring after this year, is probably Clinton's most promising vote and he's no sure thing.

> **A combination of factors is working against the president as the deadline approaches for health care in the 103rd Congress. . . .**

Rep. Tom Barlow, D-Paducah, has made some subtle noises that he would like to be for the lion's share of Clinton's proposal but can't because of the political realities of the 1st Congressional District. Western Kentucky has developed into a hotbed of Clinton haters. It wouldn't do for the lawmaker from that neighborhood to show too much sympathy to the president or first lady Hillary Clinton. Barlow, walking a tightrope in his bid for a second term, can't go wrong by distancing himself a bit from the White House.

Then there's Rep. Scotty Baesler, D-Lexington, who distinguished himself, if that's the proper word, recently by calling on Surgeon General Joycelyn Elders to step down.

Baesler is an example of a new breed of Democratic lawmaker who makes it almost impossible for the White House to get anything done. Like Rep. David Mann, D-Cincinnati, Baesler seems to delight in running counter to the desires of a Democratic president and the Democratic congressional leadership.

While it's the Republicans who generally get blamed for gridlock (with their filibustering tactics in the Senate the charge often is well-earned), the House Democrats also contribute to the problem.

This assessment doesn't even get into tobacco politics which, if nothing else, provides those lawmakers gearing up to vote against the Clinton plan with some political cover. Any proposal that raises the cigarette tax significantly won't get a second look in the Bluegrass.

The picture isn't much different on the Senate side. Sen. Mitch McConnell, R-Louisville, a good party soldier, won't stray from the GOP camp on this.

The man who really finds himself caught in the middle is Sen. Wendell Ford, D-Owensboro, the Senate majority whip. As the number two man in the upper chamber, Ford is usually expected to support the administration's position. As an old insurance man himself, Ford probably would like to follow the White House lead that everyone should have coverage.

But it's politically sticky. Ford, simply won't vote for any package that increases the tobacco tax significantly, arguing that it would be ruinous to the state's farm economy no matter how it's rationalized. He'll remain fixed on that point regardless of how much Sen. George Mitchell, D-Maine, the majority leader, needs his vote.

It would also prove difficult for Ford to convince the swarm of Clinton haters in Western Kentucky to support his protege, Adkisson, if he votes for the president's health care program.

If anyone in the Kentucky delegation bears watching in the health care debate over the next few weeks, it's Ford. The way he goes probably will determine the outcome of the issue.

Bill Straub is the Washington correspondent of The Kentucky Post.

Missy 1/3

MR. PRESIDENT:

RAHM & I THOUGHT YOU'D LIKE TO SEE THIS. CONG. GEPHARDT IS GOING TO DISTRIBUTE IT TO MEMBERS TO HELP THEM PLAN CRIME BILL PROMOTION EVENTS BEFORE & AFTER PASSAGE.

JONATHAN PRINCE

Good

Qs — should we also explain how the 100,000 police deal works?

should we do a [illegible] 1 paragraph message? —

John copy to Rahm & Jonathan Prince

Do BOTH

THE PRESIDENT HAS SEEN
7.21.94

THE WHITE HOUSE
WASHINGTON

July 22, 1994

MEMORANDUM FOR THE HOUSE MAJORITY LEADER

FROM: **WHITE HOUSE COMMUNICATIONS**

SUBJECT: **Crime Bill Promotion**

As the Crime Bill nears enactment, we wanted to share with you some thoughts and ideas for events to promote your leadership in the fight against crime and violence. As you know, this comprehensive bill represents the largest federal attack on crime in history. Accordingly, we have tried to include a wide range of ideas that build on the bill's many and varied components. As a result, while some suggestions may not be appropriate for every district, we expect that every district will find some suggestions that prove useful.

The attached suggestions are designed to highlight the bill's principal components:

100,000 new police officers on the streets, engaged in community policing;

Tough punishments like three-strikes-you're-out;

Almost $8 billion for **smart, effective prevention** programs like Youth, Employment, and Skills (YES), and Midnight Basketball;

Over $8 Billion for **new prisons**;

A **ban on assault weapons**, and a ban on juvenile gun ownership;

An **attack on youth crime** including boot camps and drug courts; and

Strong initiatives to combat **violence against women**.

We hope you find this useful; if we can be of further help to you or your staff, please call:

Rahm Emanuel at 456-2531 or

Jonathan Prince at 456-7151.

100,000 COPS

This is the signature element of the Crime Bill -- as the President has said, "the best protection, toughest enforcement, and smartest prevention you can find."

Police Hiring Supplement. Last year's PHS included funds for new police officers in many Congressional districts. Attend a swearing-in of these new officers; point out that they were a "down payment on the Crime Bill" and passage means more police on the way.

Conference Call with Mayor/Aldermen/Police Chief/Sheriff. The day the Crime Bill passes, hold a conference call with local elected and law enforcement officials trumpeting the potential for new police officers in your district. Place an op-ed on community policing from you and the police chief in the local paper two days later.

Walk the Beat. If some form of community policing is already going on in your district, spend the day with an officer walking the beat. Invite a local crime reporter along. Begin the day at Roll Call with brief remarks to the assembled officers about the Crime Bill. Visit with shop owners and let them tell the reporter how good it is to have a familiar police presence.

Announce Community Policing Plan. If there is currently no community policing going on in your district but you expect it to be launched with help from the Crime Bill, begin preparations now to announce the new community policing plan with the police chief and local elected officials at a Roll Call over the recess. Even if there is current community policing, hold a similar event to announce how the department plans to expand its efforts with help from the Crime Bill.

Police as Prevention. Many police officers participate in various prevention-style activities -- they volunteer at Boys and Girls Clubs, they work with the local DARE program, they are simply good role models -- bring an officer and the children he or she works with to Washington for the day. Meet with the kids in your office and explain how the Crime Bill will work while calling on them to be responsible citizens.

TOUGH PUNISHMENT

This Crime Bill makes it clear that we are tough on crime -- when people commit crimes they should be punished and this Crime Bill doesn't let them off the hook. It includes stiff penalties for violent criminals -- especially three-strikes-you're-out.

Courthouse Press Conference. On the steps of the local courthouse, side by side with the DA and the sheriff, outline the tough punishments this Crime Bill makes law. Federal death penalties and a three-strikes-you're-out law that targets repeat violent offenders, locking them up so they can never hurt anybody again. Be sure to point out that it's a smart three-strikes -- it won't overcrowd the jails with barroom brawlers; it goes after the small but exceptionally dangerous group of criminals who commit a huge portion of violent crimes. Remind your audience that Marc Klaas, Polly Klaas' father, is a strong advocate of this specific version of the law.

SMART PREVENTION

This bill rejects the false choice between punishment and prevention. It does both -- because we need to be tough on criminals but we also need to give kids something to say yes to, and turn them away from crime before it's too late.

Midnight Basketball. Already a proven success around the country, Midnight Basketball provides inner-city youth with a social outlet that keeps them away from gangs and drugs. Join a game one night over the recess. Before the game, make a brief statement about the importance of effective prevention -- and have a young man who avoided gangs because he was so involved with midnight basketball follow you.

Neighborhood Watch -- Orange Hat Patrol. Host a meeting of the Neighborhood Watch group in your neighborhood -- at your house. If your neighborhood doesn't have one, get some people together to start one -- and hold the first meeting at your house. Or accompany an Orange Hat patrol one night as they make their rounds.

Summer School. Speak to students in a local summer school program about the growing incidence of crimes against youth -- and crimes by youth. Charge them to take responsibility for their future and urge them to take advantage of programs like the one they're participating in. And devote a good portion of your remarks to the Safe Schools provisions included in the Crime Bill and already enacted in Goals 2000.

Summer of Safety. Although not directly a part of the Crime Bill, National Service's Summer of Safety program provides a good vehicle to highlight the Bill. If your district has a Summer of Safety program going on, join the participants for a day. During lunch, praise them for taking responsibility for fighting crime in their community and use their work as an example for others. You'll find that many of the Summer of Safety programs work in partnership with activities -- like community policing and prevention programs -- that are eligible for Crime Bill funding.

ASSAULT WEAPONS BAN

The ban on assault weapons removes guns from our streets and schoolyards that were designed exclusively to kill people in close-quarter combat -- at the same time it specifically protects the rights of hunters and sportsmen by explicitly exempting over 650 hunting and recreational rifles from the ban.

Police Evidence Room. Have a press conference in the evidence room of a local police station that contains a large number of confiscated assault weapons. Let the police chief or sheriff open the press conference by displaying some of the weapons and describing the terrible crimes they have been used for.

Public Housing Visit. Unfortunately, because these guns are the weapons of choice for gangs and drug dealers, and because those criminals too often operate out of public housing complexes, residents of public housing are terrorized by these weapons. Have a meeting with residents and tell them about the ban -- some of them may join you in testimonials about the terrible havoc these weapons wreak.

Firing Range. Go to a local firing range and watch a demonstration of a gun like the Street Sweeper followed by a conventional longarm rifle. When people see pictures of them side by side, they won't confuse assault weapons with hunting guns anymore.

YOUTH CRIME

Just as the rate of crimes committed against youths is rising, so too is the number of crimes committed by youth. This crime bill ensures that young offenders are punished with more than a slap on the wrist -- but doesn't throw them in with our most hardened criminals where the only thing they learn is the "right" way to commit crimes.

Boot Camps. The Crime Bill provides considerable funding for boot camp style incarceration programs for young offenders. In an environment similar to military basic training, boot camps teach discipline and respect for authority, while they also provide access to educational and vocational training, drug treatment, and other counseling services. Visit a boot camp program in your district if one exists, or join a few of your colleagues at a program in your state that incarcerates offenders from all of your districts. Make sure to include "graduates" on the program -- young offenders who have been through the boot camp and are now employed, law-abiding members of their communities.

Drug Courts. Drug Courts use intensive court supervision of addicted defendants to provide the carrot and stick approach that can help them beat their addiction. Used as a pre-trial as a diversion mechanism, or as part of a post-conviction probation program, Drug Courts provide testing and treatment coupled with graduated sanctions for failure to comply with program conditions. Visit an existing Drug Court in your district for the day. Meet with defendant-participants and encourage their commitment to kicking their habit. If your district doesn't have a program, invite the local reporter who covers these issues to Washington and visit the D.C. Drug Court together.

VIOLENCE AGAINST WOMEN

The Crime Bill cracks down on domestic violence by providing substantial money for a grant program to support increased security; training for judges and prosecutors; pro-arrest policies; and other initiatives. And it allows victims of gender-based violence to pursue civil remedies in federal court with assistance from federal prosecutors.

Provider Roundtable. The grant programs in the Violence Against Women Act fund an array of organizations that provide services to combat domestic violence. Convene a day-long summit with representatives from organizations that will be eligible for funding and should be part of a community strategy. Don't forget city officials who are responsible for things like street lighting; include federal and local prosecutors; and make sure that groups that provide counseling and support services for victims are widely represented. Be prepared to issue a report that provides a blueprint for a comprehensive community strategy to fight domestic violence and help its victims.

Prosecutor's Press Conference. With the DA and the US Attorney, announce a joint strategy to aggressively prosecute domestic violence. Highlight the access to federal courts, resources, and law enforcement provided through the Crime Bill. Don't forget to mention the tougher penalties for rape and other crimes against women. And if the local police force has a domestic violence pro-arrest policy, make sure the chief or sheriff figures prominently on the program.

THE PRESIDENT HAS SEEN 7/22

THE WHITE HOUSE

WASHINGTON

94 JUL 21 A10 : 38

MEMORANDUM FOR THE PRESIDENT

FROM: Carol H. Rasco CHR

SUBJ: Florida waiver

DATE: July 21, 1994

Immediately after receiving the memo which I then passed along to Bruce for you on the Florida waivers issues, I gave the memo to Lloyd Cutler and told him I would appreciate the help of General Counsel's office here on the matter since I felt it would be highly inappropriate for me and/or others in the White House to intervene with Justice and/or the IG at HHS.

Lloyd and Joel have been working on the matter, and they report to me that they are making progress with the Justice Dept. on the matter. I am getting daily and sometimes twice daily updates.

Governor Chiles had his staff call me yesterday as Governor McWherter had convinced him he had to work with Carol Rasco to get a waiver (my good friend, Ned Ray). I have assured Governor Chiles and his staff that General Counsel is working diligently on the matter. Governor Chiles was very pleased with that news, and I will be calling the Governor's office or his DC office each morning. The Governor is aware we do not negotiate the terms here, but that we are making sure all angles are pursued by those actually reviewing the matter.

One other waiver note: I have given our General Counsel's office the notes I have to date on the Ninth Circuit decision and have asked them to become fully briefed on the matter in order to help us work with HHS as HHS makes a decision on the various pieces of that issue.

Thank you.

cc Leo J
Lloyd ✓ FW

THE PRESIDENT HAS SEEN
7.20.94

[illegible]

we need to discuss - Rein is a Big deal -

Carol Rasco wanted you to see this before you meet with Governor Chiles.

July 15, 1994

Bruce

STATUS OF HCFA NEGOTIATIONS ON THE FLORIDA WAIVER

The State of Florida is seeking a waiver to implement the Florida Health Security (FHS) program, which would provide insurance to 1.1 million uninsured persons at or below 250% of the poverty level.

After several weeks of discussion, HCFA and the State have resolved a large number of issues. There are now two issues outstanding:

- **<u>Budget Neutrality</u>: We are endeavoring to agree on a methodology to ensure that Florida spends no more under the waiver than it would have in the absence of a waiver. This would essentially create a cap on Medicaid spending. HHS and OMB have been concerned that Florida's estimate of what they would spend in the absence of a waiver is too high, creating a significant Federal budget risk. The President raised this issue with the Governor at their meeting last month.**

  In computing the baseline costs that determine the spending cap, the State insists on using an estimate of the future growth rate rather than actual growth. However, the growth rate has slowed substantially in the past year, from 21% to 14% or even less. On Thursday, HCFA offered to lock in a 17.75% growth rate, which would be a favorable arrangement for the State. The State had been insisting on 18.5% and has not yet responded to this offer.

  Should Florida reject this offer, HCFA is prepared to make the State another offer using an alternate methodology.

According to Carol, this is a sticking point.

- **<u>Use of Insurance Agents</u>: Florida plans to use insurance agents to sell health plans under its FHS program. However, the Justice Department has indicated that Florida's plan would violate the Medicare/Medicaid anti-kickback statute. This statute addresses the policy concern that insurance plans could out-bid one another in offering remuneration of commissioned agents, and result in Medicaid patients being "steered" to plans offering the most lucrative commissions to the agent. There is considerable Congressional interest in this issue, with Rep. Waxman investigating whether some abusive, high-profit Medicaid managed care plans obtain enrollees by offering high commissions.**

  Florida continues to argue that their plan does not violate the law. The Justice Department and the HHS Inspector General are once again explaining our position to the State.

The Secretary does have the authority to create a safe harbor from the statute, in "consultation" (interpreted by DOJ and OMB as "approval") with the Attorney General, if the HHS IG finds that the plan in question does not raise fraud and abuse concerns. We do not believe that the Justice Department or the HHS IG are prepared to make such an assurance at this time. In addition, issuing a safe harbor regulation for Florida would take several months at least, since it would require a proposed rule in the Federal Register, a public comment period, and a final regulation that responds to public comments. Such a timetable would be a problem for Florida.

It appears that Florida must alter their plan in order for it to be judged acceptable by the HHS IG and Justice, but they have so far shown no flexibility in doing so, citing political concerns.

July 21, 1994

cc Phil Lader

94 JUL 21 P6:28

MEMORANDUM FOR JOHN D. PODESTA

FROM: TIM SAUNDERS
Acting Executive Clerk

SUBJECT: Office of Management and Budget (OMB) Representation on (1) the President's Management Council and (2) the National Partnership Council

As Phil Lader (formerly Deputy Director for Management, OMB) was appointed Deputy Chief of Staff on December 16, 1993, the President named Alice Rivlin, Deputy Director, OMB, to serve on (1) the President's Management Council and (2) the National Partnership Council.

As requested, this memorandum addresses OMB'S representation on the President's Management Council. **Also addressed is OMB's representation on the National Partnership Council.** John A. Koskinen was appointed, by and with the advice and consent of the Senate, to be Deputy Director for Management, OMB, on July 18, 1994, and may now assume OMB's role on both Councils.

(1) The President's Management Council (PMC) was established by Presidential Memorandum of October 1, 1993, Chaired by the Deputy Director for Management, OMB. On March 9, 1994, the Deputy Director, OMB (Alice Rivlin), was designated a member and Chairperson of the PMC by simple Order signed by the President. **The attached Order will revoke the previous Order, remove the Deputy Director, OMB, as a member and Chairperson, and redesignate the Deputy Director for Management, OMB, as Chairperson of the President's Management Council.** (The members of the NPC serve ex officio, no commissions are issued.) This Order may be signed immediately.

AP OK JDP

(2) The National Partnership Council (NPC) was established by Executive Order 12871 of October 1, 1993. The Deputy Director for Management, OMB, is a member. On January 31, 1994, the Deputy Director, OMB, was designated by Order a member of the NPC and the President then appointed Alice Rivlin to the NPC by commission, also dated January 31, 1994. **The attached Order will revoke that order and remove the Deputy Director, OMB, as a member of the NPC.** As members of the NPC are appointed by commission, we will prepare a commission of appointment for John A. Koskinen as the President will need to appoint him as a member of the NPC. I recommend that this order be held to coincide with the appointment of John A. Koskinen as a member of the NPC.

OK JDP

THE WHITE HOUSE
WASHINGTON

07/21/94

NOTE TO CHERYL MILLS:

See Trey Schroeder's note to me.

Could you please get back to me on this?

Thanks.

Paul Richard

(Please be sure to return the two booklets to me.)

7/21

Paul

Could you do me a favor and ask you contact in Counsel why we can do this and, if not, how to explain to him that we cannot?

Thanks, Trey

Rec'd 7/21

Greg Edwards

Gift
from
Counsel

RUNNING ARKANSAS

The Arkansas Running Magazine
Rt 1 Box 45A–Hampton, AR 71744

June 28, 1994

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

Dear Mr. President:

I just came in from my evening run and thought I would sit down and prepare your July issue of *RUNNING Arkansas* for mailing. Stephanie said it would be all right to put a letter in the mailing. I want to tell you how much I appreciate you wanting to receive it on a monthly basis.

I want to personally thank you for allowing our group of runners to run with you when we were in Washington for the RRCA Convention. Each time I run I think of that morning, running with the cherry blossoms falling. To me running is a time for thinking and clearing my head.

I ran my first marathon at the 1989 Marine Corps Marathon. I didn't fair to well, but did finish in under 6 hours. When I came back home after the marathon I took my training log and made it into a book titled *I FINISHED*. I have given copies away to those interested runners. Knowing you may someday run your first marathon I have enclosed a copy for you to read. Maybe you want make the same mistakes I made. If it doesn't interest you please trash it.

Mr. President, *RUNNING Arkansas* is a running publication I started in November of 1992 a year after the *Gazette* sold out. We were getting no running news and all the runners were complaining so I took it on my own to publish it on a monthly basis. It isn't fancy, but gets the results, calendars, grand prix standings and articles related to running for each subscriber to read. It hasn't taken hold as I wanted it, but maybe soon. I have to keep my regular job to pay bills and have money to publish it each month. I just haven't the time to sale ads to help offset the cost. This month I have been working for forty years and this magazine gives me more satisfaction than any paying job I have ever had. I have found something I enjoy and love to do.

Mr. President if it's alright with you I would like to let the other subscribers know that you are receiving *RUNNING Arkansas* and that maybe it's on Air Force One next to *RUNNER'S WORLD*.

Remaining your Arkansas friend,

Lynn E. Wa

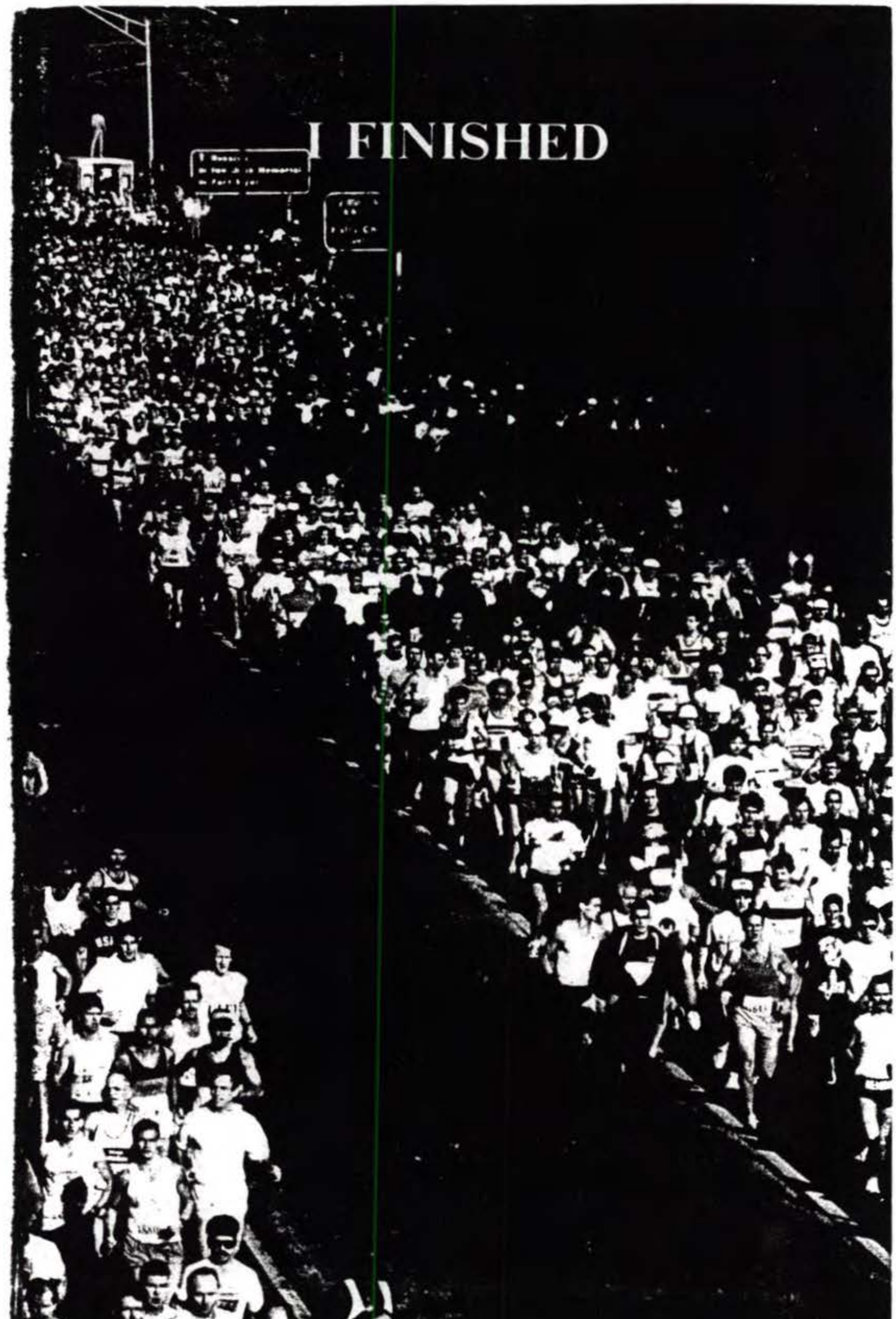
Lynn E. Warner

RUNNING ARKANSAS

The Arkansas Running Magazine

JULY, 1994 VOL 2, NUMBER 16 PRICE $2.00

J. W. RODGERS


I FINISHED

sent to Berger 7/21/94

I found this in a Blue info folder that has Been put Back (with ~~the~~ attached still in it).

THE PRESIDENT HAS SEEN

Sandy

Advice - I'm inclined to agree - BC

JOHN D. ROCKEFELLER IV
WEST VIRGINIA

THE PRESIDENT HAS SEEN

United States Senate
WASHINGTON, D. C.

July 15, 1994

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

Dear Mr. President,

You may know that I recently had a very constructive conversation with Sandy Berger about the Taiwan policy review that you are considering. He was quite helpful.

We agreed that while we always have to be mindful of the PRC, one of the goals of this review was to send positive signals to the Taiwanese, who are good friends and trading partners. I know that there is a limit to what we can do substantively. However, there are a number of symbolic gestures we could make that would mean a lot to our friends in Taiwan, and not unduly offend the PRC.

Specifically, I understand that two of the options you are considering are, allowing a name change of the office used by Taiwan's representatives in Washington and allowing meetings in official buildings between American and Taiwanese officials in Washington and Taipei. It is very important to the Taiwanese that they are allowed to call their U.S. office the "Taipei Representative Office". To call it something else, such as the "Taipei Cultural and

Economic Affairs Office", would not completely satisfy their desire to see a positive signal from the Administration. Likewise, the designated representatives of Taiwan should be able to conduct business with their American counterparts in official US Government office buildings. Frankly, it is demeaning to both countries for a Warren Christopher or a Winston Lord to have to go to a restaurant or a hotel to hold a meeting with the representative of a people with whom we have a mutual security relationship and who are our sixth largest trading partner.

Certainly, the PRC will protest, but they will protest anything you announce in this area. Mr. President, in the absence of being able to do more substantively -- such as supporting Taiwan's full membership in the United Nations -- I implore you do the most that you can do in these largely symbolic areas.

Again, I acknowledge that these are merely symbolic steps, but the subtleties of this are very, very important to the Taiwanese government and would mean a lot to the people of Taiwan who have proved themselves a good and worthy friend.

As always, I am

Sincerely yours,

Jay

John D. Rockefeller IV

Mr. President, these matters are largely symbolic, but very important to me. Jay

THE WHITE HOUSE

WASHINGTON

July 22, 1994

David McCullough
Music Street
West Tisbury, Massachusetts 02575

Dear David:

Thanks for your letter of July 11. Hillary and I were delighted you and Rosalee attended the State Dinner for the Emperor and Empress of Japan. It was quite an event. We're pleased you could join us.

Thanks, too, for your gracious invitation to dinner. We haven't finalized plans for our vacation yet, but I hope we can take you up on your offer if we do come to the Vineyard.

Hillary sends her best regards. We hope to see you and Rosalee soon.

Sincerely,

Bill

cc NH
for Martha's
Vineyard
file

David McCullough

July 11, 1994

Dear Mr. President & Mrs. Clinton:

Your State Dinner for the Emperor & Empress of Japan was spectacular — everything, from start to finish. Rosalee and I could not have had a better time and thank you for including us.

The word is here on the

Island, that you're coming back in August. <u>We certainly hope so.</u>

How about dinner with us, at home, some night? As Rosalee's father used to say, "Come by and listen to the children eat." We'll have children + grandchildren in residence — that's the real summer for us.

With our best wishes,

Paul

Music Street, West Tisbury, Massachusetts 02575-0148

Hillary

Need to send
to all Democratic
House (Senate
members

(maybe B.S.
to target them [Senate]).

JUL 14 '94 02:08PM

THE PRESIDENT HAS SEEN P.2
FR 7-21-94
IRA

News Release

THE HENRY J. KAISER FAMILY FOUNDATION

EMBARGOED FOR RELEASE:
8:30 A.M. EDT, July 15, 1994

2400 Sand Hill Road
Menlo Park
California 94025

For further information contact:
Derek Liston, KPMG
PM, 202/467-3410
Matt James, KFF,
Tel 415 854-9400
Fax 415 854-4800

SURVEY FINDS VAST MAJORITY OF FIRMS OFFER ONLY ONE CHOICE OF HEALTH PLAN

Small Firms Least Likely to Offer Choice of Plan

Menlo Park, CA -- Whether people will be able to choose their health plans, doctors, and hospitals is a major issue in the health reform debate. A new Kaiser Family Foundation/KPMG Peat Marwick survey has found that 84% of employers that provide health insurance to their employees offer only one health plan. The survey found that smaller firms are least likely to offer choice of health insurance plans. Eighty-five percent of firms with 1-9 employees and 82% of firms with 10-49 employees offer only one choice of health plan to their workers. By contrast, a much smaller percentage (27%) of firms with more than 1000 employees offer only one choice of plan. (Table 1)

"Choice of health insurance plans, doctors, and hospitals is disappearing for many Americans. The question is not whether health reform will take choice away, but whether it will give it back," said Drew E. Altman, president of the Kaiser Family Foundation. "Given the current reality, most of the proposals now before Congress would expand rather than limit choice of health insurance plans."

The survey also showed the kinds of health plans available to employed Americans in 1994. Sixty-four percent of employees with insurance are covered through managed care plans--including Health Maintenance Organizations (20%) and Preferred Provider Organizations (44%)--that limit choice of physician to a greater or lesser extent depending on the specific plan. (Table 2)

Despite the rapid growth of managed care, over a third (36%) of employees still receive coverage through a conventional health insurance plan, defined in this survey as a plan under which "a person can go to any physician or hospital they choose." (Table 2)

(more)

The survey also assessed employee contributions to the cost of their health coverage. A third of employees do not contribute at all to the cost of their health insurance--it is paid for by their employer. Less than a third (31%) pay the same percentage of the total cost of the plan regardless of the plan they choose (meaning that lower cost plans have lower employee contributions). Therefore, most employees do not pay a higher price for choosing more expensive plans, an incentive many believe is important to encourage cost-conscious choice of insurance plans. (Table 3)

While the Kaiser/KPMG Peat Marwick survey showed that 84% of employers offer just one plan, a higher proportion of employees have choice among plans because more work for the larger firms that offer choice. A national survey of 1200 adults sponsored by the Kaiser Family Foundation and the Commonwealth Fund in November 1993 found that 44% of adults with coverage through their union or employer have access to just one plan. For workers in firms with fewer than 250 employees, 57% had only one choice of health plan. Only 31% of those who work in firms with more than 1000 employees are limited to one plan. (Figure 1)

"The current employer-based system makes choice of health plans an accident of where you work--those in large firms enjoy choice in their selection of health insurance, while most of those in small firms are offered only one plan," said Dennis F. Beatrice, vice-president at the Kaiser Foundation.

Low-income individuals are much less likely to have a choice of different health plans than high-income individuals. The Kaiser/Commonwealth survey found that only one-third (36%) of workers earning less than $15,000 per year have a choice of different health plans, while two-thirds (66%) of workers earning more than $50,000 per year have a choice of different health plans.

While the current Kaiser/KPMG Peat Marwick survey addresses choice among health plans, the earlier Kaiser/Commonwealth survey also addressed the issue of choice of providers of health care. It showed that only 40% of the American people felt it was unacceptable to limit choice of general physicians, and 48% to limit choice of hospitals. People felt most strongly about choice of specialists: 50% felt it was unacceptable to have limited choice of surgeons and specialist physicians. (Figure 2)

Methodology

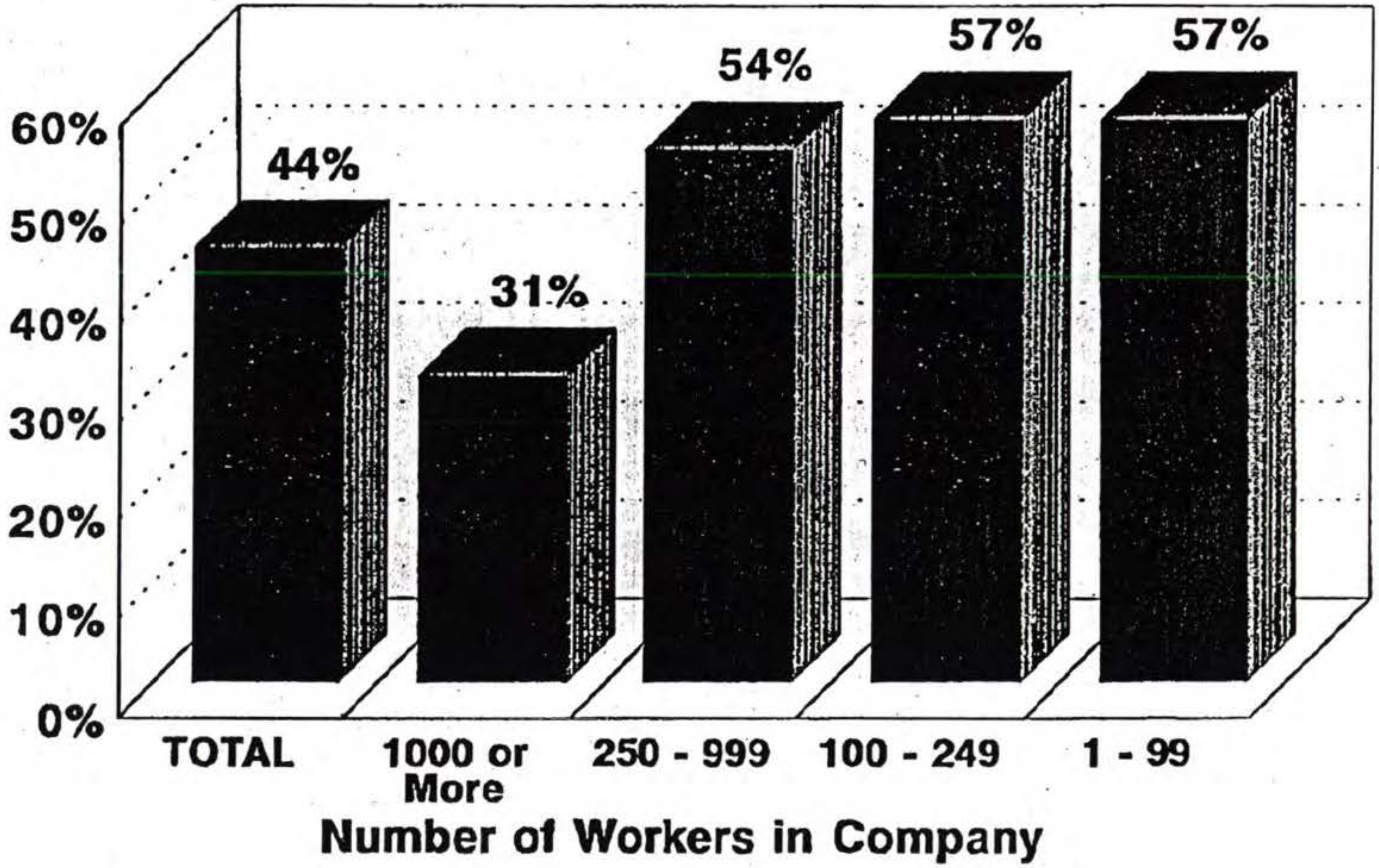
The Kaiser/KPMG Peat Marwick Employer Survey on Health Reform was conducted as a telephone interview with 1100 human resource directors from the nation's private employers who offer health insurance to their employees (in small firms, the respondent was often the owner or manager of the company). The survey was designed as a stratified random sample from a listing of the nation's employers by Dun and Bradstreet. Dun and Bradstreet includes all firms that have entered the credit market at some time in their history, and is the sampling frame most commonly used for surveys of employers. The data base is stratified by firm size and industry.

The Kaiser Family Foundation is an independent health care foundation and is not affiliated with Kaiser Permanente or Kaiser Industries. The Foundation's work focuses on four priorities--health reform, reproductive health, HIV/AIDS, and health and development in South Africa. In health reform, the Foundation is an independent, non-partisan source of research for policymakers, the media, and the general public.

FIGURE 1

WORKERS IN SMALL FIRMS HAVE LESS CHOICE OF HEALTH INSURANCE PLANS

Percent Offered Only One Health Insurance Plan



Kaiser/Commonwealth Fund Health Insurance Survey, 1993
Louis Harris and Associates, Inc.

TABLE 3

MOST EMPLOYEES LACK AN INCENTIVE TO CHOOSE LOWER-COST HEALTH PLANS

Method of Employer Contributions to Health Plans, Where A Choice of Plans is Offered

METHOD OF EMPLOYER CONTRIBUTION	FIRM SIZE				
	1 to 9	10 to 49	50 to 999	1000+	TOTAL
Same dollar amount regardless of the plan chosen	0%	12.2%	14.2%	13.1%	3.2%
Same % of the total cost regardless of plan chosen	33.6%	27.7%	17.8%	20.0%	31.3%
Varies based on salary	0%	6.2%	4.6%	3.9%	1.4%
Depends on cost of plan	17.1%	13.1%	42.1%	48.7%	18.7%
Don't know	14.0%	7.9%	5.7%	3.5%	12.2%
Don't contribute	35.3%	32.9%	15.6%	10.9%	33.1%

Kaiser/KPMG Peat Marwick Employer Survey on Health Reform, June 1994

X

TABLE 1

MOST FIRMS OFFER ONLY ONE CHOICE OF PLAN, BUT CHOICE IS MORE PREVALENT IN LARGE FIRMS

Percentage of Firms Offering Choice of Any Type of Health Plan

NUMBER OF PLANS OFFERED	FIRM SIZE				TOTAL
	1 to 9	10 to 49	50 to 999	1000+	
1	84.9%	82.0%	64.6%	27.0%	83.6%
2	8.3%	13.3%	20.3%	17.6%	9.5%
3 or more	6.8%	4.7%	15.1%	55.4%	6.9%

Kaiser/KPMG Peat Marwick Employer Survey on Health Reform, June 1994

P.5

TABLE 2

ALMOST TWO-THIRDS OF EMPLOYEES RECEIVE COVERAGE THROUGH MANAGED CARE PLANS, BUT 36% ARE STILL IN CONVENTIONAL PLANS

Percentage of Employees Covered by Different Kinds of Health Plans

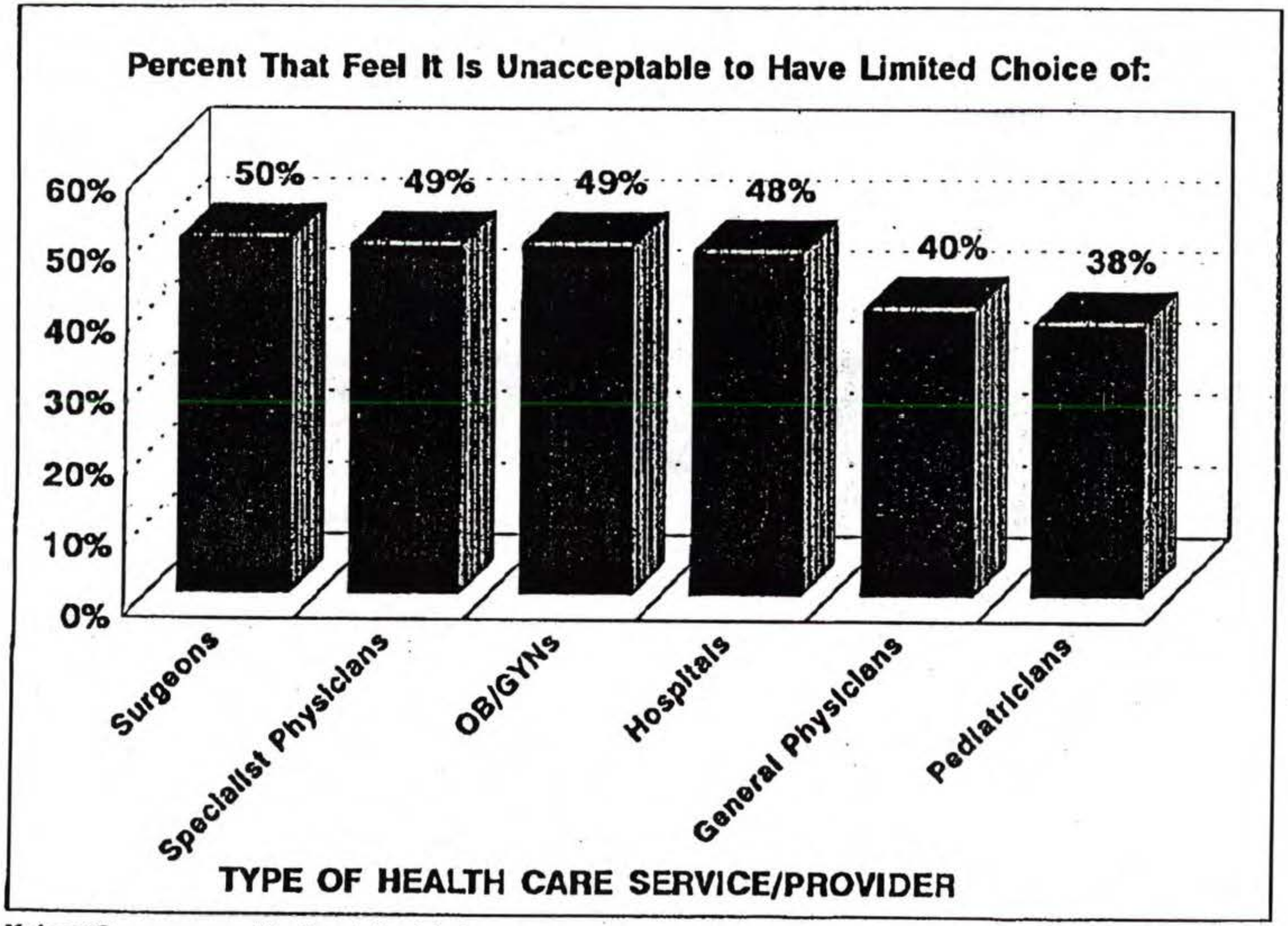
	FIRM SIZE				
TYPE OF HEALTH PLAN	1 to 9	10 to 49	50 to 999	1000+	TOTAL
Conventional	38.3%	45.8%	35.1%	31.0%	36.2%
HMO	17.4%	14.5%	16.6%	27.8%	19.8%
PPO/Hybrid	44.3%	39.7%	48.0%	41.2%	43.9%

Kaiser/KPMG Peat Marwick Employer Survey on Health Reform, June 1994

JUL 14 '94 02:10PM

FIGURE 2

AMERICANS ARE DIVIDED ON LIMITING CHOICE OF HEALTH PROVIDERS



Kaiser/Commonwealth Fund Health Insurance Survey, 1993
Louis Harris and Associates, Inc.

THE PRESIDENT HAS SEEN

7.31.94

Hillary Tho

read the operative paragraphs — BC

[redacted]

<u>Harry</u>

Needs to discuss

<u>BC</u>

7/21 Marcia Hale
for reply
BC [illegible]
cc: Pres.
7/21 cc: Harold

TOMMY G. THOMPSON

Governor
State of Wisconsin

July 20, 1994

The President
The White House
Washington, DC 20500

Dear President Clinton:

I was very encouraged by the conciliatory tone you took regarding health care reform in your speech before the National Governor's Association yesterday.

Unfortunately, the national press has taken this cooperative spirit as a weakening of your position. I did not get that impression. Both you and Senator Dole did an outstanding job expressing your willingness to compromise and work with governors.

* I was further encouraged when, after your speech, we had an opportunity to discuss my suggestion that the federal government allow states flexibility in meeting an established goal of health insurance coverage before the federal government would impose a national methodology.

It appeared that you shared my optimism that this may be a viable solution to addressing health care reform. If you believe this proposal is worth pursuing, I would like to help. I am confident that Governors Dean, Campbell and Romer would be willing to help as well.

I would be more than happy to come to Washington, D.C. to discuss this further with you or your staff, as you deem appropriate.

Your friend,

Tommy [illegible]

TOMMY G. THOMPSON
Governor

TGT/cht

From Gov.
Thompson
Re: Your Speech
to the Governors

Room 115 East. State Capitol. P.O. Box 7863, Madison, Wisconsin 53707 • (608) 266-1212 • FAX (608) 267-8983

THE PRESIDENT HAS SEEN 7/21

C Rasco etal
Government to
keep up in
version?

THE WASHINGTON POST THURSDAY, JULY 21, 1994

GAO Faults Child Support Enforcement Office

By Eric Pianin
Washington Post Staff Writer

The federal office that oversees child support collections has been ineffective in helping states crack down on deadbeat fathers, according to a study by the General Accounting Office.

As one measure, only 19 percent of about 15 million children and families dependent on the federal assistance program received full or partial child support in 1992, latest figures available show.

Moreover, the office is troubled by budget cuts and dubious reorganizational schemes, according to the study. Its staff has spent an inordinate amount of time and money on audits that sometimes are as much as two years out of date when completed and provide little insight into the cases. Instead, federal auditors have shown more interest in determining whether states have complied with federal requirements for written procedures, the study said.

"Although the program's performance has improved over the years, the overall level of performance is still rather low," Joseph F. Delfico, a GAO official, said in prepared testimony yesterday before a Senate Governmental Affairs subcommittee.

Clinton administration officials said they have recently improved operations of the Health and Human Services Department's Office of Child Support Enforcement, but acknowledge major legislative reforms are needed to reduce unpaid child-support awards.

Members of Congress, considering proposals for welfare reform, have become concerned about shortcomings of federal and state agencies in dealing with child support problems.

"We recognize that the current system fails millions of custodial parents and children across America," but a substantial increase in collections could reduce AFDC payments 25 percent.

—Mary Jo Bane, HHS assistant secretary

"I was saddened to read a report by the Children's Defense Fund that stated that while the default rate for car loans is 3 percent, the default rate for child support is nearly 50 percent," said Sen. David Pryor (D-Ark.), chairman of the subcommittee on federal services, post office and civil service. "This is an outrage."

Until the mid-1970s, child support issues were resolved largely by the states and courts. But as the number of Aid to Families With Dependent Children (AFDC) recipients grew, the federal government sought ways to assist women in collecting child support payments and get off welfare.

In 1990, non-custodial parents paid $14 billion in child support, according to HHS figures. Yet, if child support orders reflecting ability to pay had been established and enforced in all cases, single mothers and their children would have received as much as $48 billion that year for housing, utilities, school, clothing and food.

"We recognize that the current system fails millions of custodial parents and children across America," Mary Jo Bane, an HHS assistant secretary for children and families, told the subcommittee.

The Clinton administration hopes to close the estimated $34 billion-a-year gap in child support through tough welfare reform measures.

Under Clinton's comprehensive plan to "end welfare as we know it," hospitals would be required to establish paternity at birth, child support awards would increase with a father's income and fathers who did not pay could face wage garnishment and loss of occupational or drivers' licenses. Clinton's proposal also would establish a national child support clearinghouse and provide demonstration grants to states for mediating disputes or forcing young parents to work off back child support.

According to Bane, a substantial increase in child support collections could reduce AFDC payments by 25 percent. Federal and state governments spend $22 billion annually on AFDC programs.

However, the GAO questions whether the federal office can assume the added responsibilities for technical assistance and oversight that Clinton wants. "Our work to date shows that these are areas already burdened with meeting the demands of existing requirements," the GAO's Delfico said.

Some state welfare officials also are concerned the president's plan could mean more work for their overburdened child support staffs. While many state agencies deal almost exclusively with welfare recipients, Clinton's plan would extend assistance to all single-parent families.

In Virginia, for example, where child collection officials exclusively serve welfare recipients, the state's 300 caseworkers handle 340,000 cases, or a little more than 1,000 cases per worker. Those caseworkers devote an average of eight minutes a month to each case and sometimes can do little more than try to make a telephone call on behalf of a client.

"We're finding it difficult to keep up now," said Michael Henry, director of Virginia's Division of Child Support Enforcement. "If you add to it by making it universal, there would be a lot more stress."

[redacted]

7/20/94
original
Booklet
given to
Ickes
w/note to send to
RM when done with

[redacted]

Hillary - let's talk
about This - RC

[redacted]

[redacted]

THE PRESIDENT HAS SEEN
7-20-94

Estimates of the Uninsured in Working Families and Uninsured Children by Congressional District

Department of the Treasury
July 19, 1994

Table of Contents

THE WHITE HOUSE

WASHINGTON

July 20, 1994

The Honorable William F. O'Brien III
Madison County Judge
Court House
Wampsville, New York 13163

Dear Judge O'Brien:

Thanks for your letter of July 12 and for introducing your son Bill to me. I appreciate your relating the story of Bill's venture. It sounds like an exciting life. We haven't made our final plans for August, but if we do go to the Vineyard, we'll certainly keep your suggestion in mind.

Thanks.

Sincerely,

Bill Clinton

cc:
NH for
Martha's
Vineyard file

WILLIAM F. O'BRIEN III
JUDGE

CHAMBERS OF
MADISON COUNTY JUDGE

COURT HOUSE
WAMPSVILLE, NEW YORK 13163
TELEPHONE: (315) 366-2321

Personal & Confidential

July 12, 1994

DETERMINED TO BE AN ADMINISTRATIVE

MARKING INITIALS: MI **DATE:** 10/31/16
2018-0467-S

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

Dear President Clinton:

The reason for sending a short note to you at this time is to introduce our oldest son, Bill, to you in the event you were to vacation this summer again on Martha's Vineyard.

Our son is 26, a college graduate and recently left his fulltime job as a marine biologist with the State of Massachusetts Division of Marine Fisheries. He left his job to start up his own business as a charter boat fisherman in the Cape Cod/Martha's Vineyard area. While everyone agonized over the decision, he, believing in the *American Dream,* felt that his interest and talents could be best utilized in his own business and was willing to and has taken the risks attendant to leaving a secure position to start up his own business. So far things have been going pretty well for him. He has obtained a starter loan from a Cape Cod bank and purchased a boat with all of the modern equipment for charter boat fishing. He has done all of this on his own without any help from us. We are very proud that he was willing, at his age, to take a chance with a new business venture and to some extent banking on a good economy.

If you are on the Vineyard this summer and would be interested in fishing, he would be more than pleased to have you join him. His specialty is fly fishing although he is equipped for spin fishing also. I am enclosing his business card for your information.

Our best to you and your family.

Sincerely,

WILLIAM F. O'BRIEN, III

WFO:mes
encs.

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 07/20/94

TO: MILITARY OFFICE

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

For your appropriate handling.

[redacted]

cc: Marcia Hale

[redacted]

STATE OF OKLAHOMA
DAVID WALTERS
GOVERNOR

July 15, 1994

HAND DELIVERED

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

Dear Mr. President:

I am writing in regard to Tommy Daniels, a member of the Oklahoma Air National Guard. Colonel Daniels is assigned as the Assistant Adjutant General and in that capacity reports directly to the Adjutant General, Major General Gary D. Maynard. I have written to you once before regarding Colonel Daniels, and I have attached a copy of that letter for your convenience.

Colonel Daniels occupies a position which is authorized the rank of Brigadier General. He has been recommended for promotion for that rank as far back as March of 1992. His promotion has been held up by what I believe is an unsubstantiated allegation made against him by an officer who has a history of unprofessional conduct and whose story lacks credibility. In addition, I fear that since Colonel Daniels' promotion would make him the first African American in Oklahoma National Guard history to be promoted to the General officer rank, racism is involved.

This afternoon I spoke in person with Air Force Secretary Widnall about Colonel Daniels' situation. I have also written to the Secretary of Defense regarding the need for a complete investigation of the allegation which now serves as the road block to Colonel Daniels' promotion.

I have assigned an attorney from my office, Merrick Alpert, to investigate this matter and deliver his findings by the end of July to the investigator which the Air Force has assigned to the case. I am certain that when a detailed investigation of this case is completed, Colonel Daniels will be found innocent of any wrongdoing, and he will be promoted to the position of Brigadier General. I would be grateful if you would intervene and order a full investigation of this matter. The career and reputation of an officer and a gentlemen are in jeopardy.

Sincerely,

David Walters

David Walters

Enclosure

Suite 212 • State Capitol Building • Oklahoma City, Oklahoma • 73105 • 405/521-2342

recycled paper

STATE OF OKLAHOMA
DAVID WALTERS
GOVERNOR

May 23, 1994

The President
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President:

I am writing in regard to Tommy Daniels, a member of the Oklahoma Air National Guard. Colonel Daniels is assigned as the Assistant Adjutant General and in that capacity reports directly to The Adjutant General, Major General Gary D. Maynard

Colonel Daniels occupies a position which is authorized the rank of Brigadier General. He has been recommended for promotion for that rank as far back as March of 1992. His promotion has been held up by a "whistler blower" complaint, which in my opinion is an allegation without substance.

It appears to me that all who have dealt with this case at the Department of the Air Force level have chosen to act on the allegation and ignore the context and the facts, thus holding the promotion back. I am not convinced that they have thoroughly reviewed the facts.

Colonel Daniels' service has been, and continues to be, remarkable. His record is impeccable. I have observed him personally in community initiatives, and in situations on active duty. He is a professional, tactful, action oriented officer. He is a credit to Oklahoma and to the United States.

The complaint against Colonel Daniels stems from his willingness to try to resolve a complaint by a known trouble maker that had lingered on for lack of a courageous officer to deal with it. Colonel Daniels dealt with it professionally and when the complainer exhausted all available courses of action he then turned on Colonel Daniels knowing full well that in the military just the filing of a complaint can end a career.

Colonel Daniels has been patient, but he is obviously embarrassed. I am astounded that Colonel Daniels' non-minority contemporaries have all been promoted, and I believe that none possesses the leadership qualities that Colonel Daniels demonstrates on a daily basis, including his handling of a matter that no one else wanted to touch.

I feel very strong in my support. This is not a routine letter of recommendation to be lost in the bureaucracy. I have no intention of giving up on what I consider to be a matter of principle, a principle of what is right for Oklahoma and what is right for a person who accepted his responsibility and did his job.

I would appreciate your consideration and intervention. I have discussed this with Secretary Widnall and she is currently considering additional evidence in the case.

Sincerely,

David Walters

CC: Senator David Boren
Congressman Dave McCurdy
Congressman Mike Synar
Congressman Ronald Dellums
Secretary Sheila Widnall

[redacted]

United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, DC 20510-6025

OFFICIAL BUSINESS

THE PRESIDENT HAS SEEN

7.20.94

Robert C. Byrd

U.S.S.

BVP

we need to decide

how to respond — I had

some visits with him

B.

President William J. Clinton

[redacted]

[redacted]

July 20, 1994

MEMORANDUM

For: President William J. Clinton

From: Senator Robert C. Byrd

Subj: Haiti

The United States appears to be considering a unilateral military intervention in Haiti in order to oust the illegal military leadership and restore President Aristide to power. This action is apparently in response to the United States' stated vital national interest in "restoring democracy" to Haiti. The potential risks to the United States and to your Administration of an invasion and occupation of Haiti, however, appear to greatly outweigh any potential successes of such an operation. The parallels between the proposed mission in Haiti and the disastrous mission in Somalia are real and disturbing. This memorandum examines the potential risks of an invasion of Haiti and respectfully suggests a diplomatic alternative to invasion.

Concerns about the large numbers of Haitians who have already fled Haiti and those who are preparing to leave are driving the debate over possible intervention in Haiti. The costs of building and maintaining 'safe havens' in Cuba and on other Caribbean islands will be considerable, and still may not be adequate to handle the projected exodus. Corrections to the refugee admissions policy that prompted this most recent emigration should be considered and implemented before the urgency of the refugee problem backs the United States into mounting an invasion of which the sole unstated goal is to create an environment that allows for the return of refugees.

An invasion of Haiti carries many potential risks for the United States. The parallels to Somalia are ominous: in Haiti, as in Somalia, there are deep divisions between elites, and there is no consensus on any goal of national reconciliation that would permit the establishment of a stable government. The initial goal of the U.S. intervention force, to create a secure environment that will foster <u>development toward democracy</u>, is not likely to be sustainable without lengthy nation-building efforts that cannot be tied to a clear exit strategy. There exists fierce opposition to President Aristide's return. President Aristide is a weak link in the policy on Haiti. He has been unwilling to build a viable coalition while in exile. Without Aristide, a multinational coalition might be easier to achieve.

A unilateral operation by the United States to restore President Aristide will engender hostility toward the United States and its soldiers, aid workers, and diplomats. U.S. personnel (a target for General Aideed and other opposition elements in Somalia) may well again become prize targets for the Haitian military and other opponents to the intervention and to President Aristide's return. Haitian opposition might well use crowds of civilians to cover attacks on U.S. personnel, leaving the media to again broadcast images of U.S. soldiers firing at crowds of women and children, as happened in Somalia. And again, there is the prospect of graphic images of U.S. gunships overflying Haitian towns in search of opposition gangs, and of U.S. personnel left bound and shot in the streets.

Just a few U.S. casualties could easily turn U.S. public opinion sharply against a continued U.S. military presence on the island.

Like Somalia, Haiti has no long tradition of democracy, of an independent police force or of an independent judiciary. Building these institutions even as insurgent elements fight against the installed government will be difficult and may take years, as in Somalia. Also like Somalia, the expectations of the majority of the populace will likely be very high and very unrealistic. If the United States fails to meet the expectations for immediate improvement in the economy, infrastructure, and basic living conditions for most Haitians, support for a continuing U.S. presence and for the Aristide government will quickly erode. In parallel with Somalia, there is <u>no clear exit strategy</u> for U.S. forces in Haiti. A general goal of creating an "environment of security" for the establishment of democracy or the creation of 'professional' police and military forces could drive the U.S. into an open-ended "nation-building" exercise, just as occurred in Somalia.

In addition to the problems created in Haiti by a U.S. invasion, there are other, wider diplomatic implications that are also potentially damaging. First, no allied nations nor the United Nations appears willing to join the U.S. in the forcible reinstatement of President Aristide. In acting unilaterally or by contributing the only significant component of a multilateral invasion force, the United States undermines the role of the international community in acting together elsewhere in the future. It might become more difficult to achieve a consensus for multilateral action on the Korean peninsula (or again in Iraq) if the international community believes the United States will assume full responsibility for operations in our interests. A military operation in Haiti also diverts our attentions and efforts away from a more serious crisis in Korea. Second, the United Nations' unwillingness to establish a peacekeeping operation in Haiti at the United States' urging because of budgetary concerns also fuels antipathy within the United States for the United Nations. And finally, unilateral U.S. action in Haiti has been linked by the Russians to their desire to act unilaterally under a U.N. rubric in the states along Russia's periphery. This could well put recent gains in the independence of the Baltic states, not to mention other former Soviet republics, at great risk.

The greatest pitfall associated with a possible invasion of Haiti is that no consensus exists among the elites in Haiti on an acceptable leader. The military leadership remains adamantly opposed to the return of President Aristide. Lower ranking military personnel are fearful of their prospects under Aristide. President Aristide's future in such an environment is uncertain, and the U.S. could not dare leave him unprotected. As an alternative, an internationally respected negotiator with no perceived links to any faction could be appointed or welcomed to explore the possibilities of creating an interim coalition government that is acceptable to the majority of the elites, pending the next presidential elections in December, 1995. The establishment of an acceptable interim government could be linked to the retirement of the current military leadership and to the staged lifting of sanctions against Haiti, as an incentive for their withdrawal. I believe that this alternative holds the greatest promise for a peaceful transition in Haiti.

The creation of an interim government, perhaps temporarily supported by international peacekeeping units, would relieve fears of reprisal fueling the military's opposition to Aristide. It would also relieve the expectations on the part of the Haitian populace that President Aristide's return would be met with either violence or with immediate U.S.-created prosperity in Haiti. Continuing violence or the failing to meet expectations of prosperity could further fuel migration out of Haiti, creating continuing problems for the United States. Under an accepted and stable interim government, an independent police force and judiciary might credibly be created which would ease the way for free and fair elections.

This alternative achieves several goals for the United States in Haiti. It supports the creation of a stable government in Haiti without binding U.S. policy to a single individual. It avoids the infusion of large numbers of U.S. troops, since a transition to an acceptable interim government would reduce the possibility of violence and increase the possibility of gaining international participation in the undertaking. A peaceful transition, the prospects of lifting sanctions and of the disbursement of international aid should permit the return of all Haitians in camps abroad and dissuade others from attempting to leave Haiti. And finally, a diplomatic and multilateral solution to the crisis in Haiti would undercut the Russian position for a free hand in the former Soviet states.

The United States should not be backed into invading Haiti while alternatives exist and while U.S. public and international opinion remains opposed to invasion. An invasion would unnecessarily risk American lives, and could involve U.S. forces in a lengthy occupation of another sovereign nation, both actions that the American public would not long tolerate. It would cost large sums of money that would then not be available for our own critical domestic needs or for contributions to the economic rebuilding of Haiti, and would complicate other potential military actions in Korea. An invasion of Haiti that ultimately did not stop the flow of Haitians toward the United States would be counted as a failure, even if a government leading toward democracy were established in an impoverished land. These factors only magnify the risks inherent in this type of operation.

Lastly, the perceived indecision and inconsistency in our Haitian policy could be overcome with such a creative and diplomatic approach. The laudable domestic goals of this administration may be further damaged by the fallout of the appearance of indecision in foreign policy or by an unwise, unpopular invasion without clear, attainable, and reasonable goals.

To Eller/Strauss

for reply ?

Marcia Hale
to send
to GOV.

THE WHITE HOUSE
WASHINGTON

DATE: 07/20/94

NOTE FOR: JEFF ELLER
RICHARD STRAUSS

[redacted]

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

Information ☐

Action ☒

Please prepare a draft response per the President's request and forward it to my office.

(The draft letter should note that a cc of the final letter should be sent to Governor Miller thru Marcia Hale.)

Thank you.

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

cc: Marcia Hale

THE PRESIDENT HAS SEEN
7. 20. 94

THE WHITE HOUSE

WASHINGTON

94 JUL 18 P4: 36

TO: The President
Bruce Lindsey
Mark Gearan
Dee Dee Myers
FR: Jeff Eller, Richard Strauss
DT: July 18, 1994
RE: Radio Interview From Air Force One

Attached please find a letter from the radio station that was called from Air Force One on the recent flood trip through Georgia. As you can see, the station was extremely pleased with the call and the interview went a long way in helping to raise money and providing people a sense of hope and reassurance.

Thanks
So nice reply from me
cc Gov. Miller
Marcia

B100.3 FM

MAGIC 97 FM

July 18, 1994

President Bill Clinton
White House
1600 Pennsylvania Ave.
Washington, DC 20001

Dear Mr. President:

I am the General Manager of Radio Stations WMGR-AM/FM and WOBB-FM in the Bainbridge/ Albany, Georgia area. As a result of your phone call to our stations from Air Force One, upon departure from Albany on July 13, cash donations our stations have collected for the American Red Cross have increased several thousand dollars. Your encouragement that local donations were critical had an immediate impact.

The people of South Georgia appreciate all of the financial aid you have provided to our area. We find that along with the financial help we need to continue to provide emotional help to those who have lost much of their material possessions and to those that will remain homeless and in shelters for a long time.

Your comments last week went a long way toward giving people hope and cheering them up. We would like to call on-you for continued support and encouragement. If we can continue to reassure the victims of this horrible flood that they are in fact not forgotten; that the office of the President is supporting them emotionally as well as financially, then we can do our part in limiting the emotional distress that is sure to get worse.

We will contact your office on Wednesday, July 20, with a goal towards arranging additional conversation with you for distribution on our radio stations throughout South Georgia.

Thank you for your support and consideration.

Sincerely,

Tom Love

Tom Love
General Manager

WMGR-FM 97.3 • WOBB-FM 100.3
P.O. Box 3106 • 809 South Westover Blvd. • Albany, Georgia 31706-3106
Phone 912-439-9704 • Fax 912-439-1509

THE PRESIDENT HAS SEEN
7-20-94

Mack

Fyi - Dr. Sanford

BC

Kentucky votes remote for Clinton

Post 7-20-94

BILL

STRAUB

WASHINGTON — If President Clinton thinks he can count on Kentucky lawmakers to help him fulfill his vision of national health care reform, his chances of achieving that goal are a lot more remote than he would like to think.

In fact, more votes probably could be raised among members of the state's delegation to return to the practice of leeching or blood-letting than for any sort of employer mandate to provide workers with health insurance.

A combination of factors is working against the president as the deadline approaches for health care in the 103rd Congress. It's apparent — if Kentucky is any indicator — that he will have to settle for substantially less than he hoped for at the outset.

For one thing, it says a lot about the condition of Kentucky politics that the GOP members of the congressional delegation are on more sturdy footing than just about anyone on the Democratic side. If any party captures a majority of the state's six slots in the November elections, it will be the Republicans.

No Kentucky congressman is in a stronger position than Rep. Jim Bunning, R-Southgate, whose suburban district in Northern Kentucky is every bit as conservative as he is. Rep. Hal Rogers, R-Somerset, after some early concerns, doesn't appear to have any problems with the challenge being mounted by state Sen. Walter Blevins, D-West Liberty.

And anyone who thinks Rep. Ron Lewis, R-Cecilia, is just a one-shot wonder in the 2nd Congressional District hasn't been studying Western Kentucky voting trends over the past 10 years. The area has become increasingly right-wing even though it consistently endorsed the late William Natcher, a Bowling Green Democrat.

Now that the genie is out of the bottle, Democrats are mistaken if they think regaining that once-sure slot will be a cinch, even with a candidate as attractive as Owensboro Mayor David Adkisson.

Clinton can just say goodbye to those three votes from the get-go. All three, particularly Bunning, are members in good standing of the "If the Chamber of Commerce is against it, I'm against it" caucus on Capitol Hill. It would have been easier for Lincoln to convince the South to abolish slavery than to convince the established business folk to provide health security for their workers because of some outrageous concept of it being the right thing to do.

These three will go along with some form of health care reform — just enough to say they did something and didn't contribute to gridlock. Bunning, for instance, has signed onto the Rowland-Bilirakis bill, which assures portability and guarantees access but does little else.

It's also advantageous for Republicans to oppose a Democratic president in an election year — right or wrong. In these cynical times, there's no question where the GOP members of the delegation will fall.

While Republicans are, at least, consistent in where they're coming from, the Democrats are all over the map. Rep. Ron Mazzoli, D-Louisville, who is retiring after this year, is probably Clinton's most promising vote and he's no sure thing.

A combination of factors is working against the president as the deadline approaches for health care in the 103rd Congress. . . .

Rep. Tom Barlow, D-Paducah, has made some subtle noises that he would like to be for the lion's share of Clinton's proposal but can't because of the political realities of the 1st Congressional District. Western Kentucky has developed into a hotbed of Clinton haters. It wouldn't do for the lawmaker from that neighborhood to show too much sympathy to the president or first lady Hillary Clinton. Barlow, walking a tightrope in his bid for a second term, can't go wrong by distancing himself a bit from the White House.

Then there's Rep. Scotty Baesler, D-Lexington, who distinguished himself, if that's the proper word, recently by calling on Surgeon General Joycelyn Elders to step down.

Baesler is an example of a new breed of Democratic lawmaker who makes it almost impossible for the White House to get anything done. Like Rep. David Mann, D-Cincinnati, Baesler seems to delight in running counter to the desires of a Democratic president and the Democratic congressional leadership.

While it's the Republicans who generally get blamed for gridlock (with their filibustering tactics in the Senate the charge often is well-earned), the House Democrats also contribute to the problem.

This assessment doesn't even get into tobacco politics which, if nothing else, provides those lawmakers gearing up to vote against the Clinton plan with some political cover. Any proposal that raises the cigarette tax significantly won't get a second look in the Bluegrass.

The picture isn't much different on the Senate side. Sen. Mitch McConnell, R-Louisville, a good party soldier, won't stray from the GOP camp on this.

X The man who really finds himself caught in the middle is Sen. Wendell Ford, D-Owensboro, the Senate majority whip. As the number two man in the upper chamber, Ford is usually expected to support the administration's position. As an old insurance man himself, Ford probably would like to follow the White House lead that everyone should have coverage.

But it's politically sticky. Ford simply won't vote for any package that increases the tobacco tax significantly, arguing that it would be ruinous to the state's farm economy no matter how it's rationalized. He'll remain fixed on that point regardless of how much Sen. George Mitchell, D-Maine, the majority leader, needs his vote.

It would also prove difficult for Ford to convince the swarm of Clinton haters in Western Kentucky to support his protege, Adkisson, if he votes for the president's health care program.

If anyone in the Kentucky delegation bears watching in the health care debate over the next few weeks, it's Ford. The way he goes probably will determine the outcome of the issue.

Bill Straub is the Washington correspondent of The Kentucky Post.

Missy 1/3

R=97%

THE PRESIDENT HAS SEEN
7. 20. 94

Carson
we need to
discuss - This is
a Big deal —

Carol Rasco wanted you to see this before you meet with Governor Chiles. Bruce

July 15, 1994

STATUS OF HCFA NEGOTIATIONS ON THE FLORIDA WAIVER

The State of Florida is seeking a waiver to implement the Florida Health Security (FHS) program, which would provide insurance to 1.1 million uninsured persons at or below 250% of the poverty level.

After several weeks of discussion, HCFA and the State have resolved a large number of issues. There are now two issues outstanding:

- <u>Budget Neutrality</u>: We are endeavoring to agree on a methodology to ensure that Florida spends no more under the waiver than it would have in the absence of a waiver. This would essentially create a cap on Medicaid spending. HHS and OMB have been concerned that Florida's estimate of what they would spend in the absence of a waiver is too high, creating a significant Federal budget risk. The President raised this issue with the Governor at their meeting last month.

  In computing the baseline costs that determine the spending cap, the State insists on using an estimate of the future growth rate rather than actual growth. However, the growth rate has slowed substantially in the past year, from 21% to 14% or even less. On Thursday, HCFA offered to lock in a 17.75% growth rate, which would be a favorable arrangement for the State. The State had been insisting on 18.5% and has not yet responded to this offer.

  Should Florida reject this offer, HCFA is prepared to make the State another offer using an alternate methodology.

- <u>Use of Insurance Agents</u>: Florida plans to use insurance agents to sell health plans under its FHS program. However, the Justice Department has indicated that Florida's plan would violate the Medicare/Medicaid anti-kickback statute. This statute addresses the policy concern that insurance plans could out-bid one another in offering remuneration of commissioned agents, and result in Medicaid patients being "steered" to plans offering the most lucrative commissions to the agent. There is considerable Congressional interest in this issue, with Rep. Waxman investigating whether some abusive, high-profit Medicaid managed care plans obtain enrollees by offering high commissions.

  According to Carol, this is a sticking point.

  Florida continues to argue that their plan does not violate the law. The Justice Department and the HHS Inspector General are once again explaining our position to the State.

The Secretary does have the authority to create a safe harbor from the statute, in "consultation" (interpreted by DOJ and OMB as "approval") with the Attorney General, if the HHS IG finds that the plan in question does not raise fraud and abuse concerns. We do not believe that the Justice Department or the HHS IG are prepared to make such an assurance at this time. In addition, issuing a safe harbor regulation for Florida would take several months at least, since it would require a proposed rule in the Federal Register, a public comment period, and a final regulation that responds to public comments. Such a timetable would be a problem for Florida.

It appears that Florida must alter their plan in order for it to be judged acceptable by the HHS IG and Justice, but they have so far shown no flexibility in doing so, citing political concerns.

THE PRESIDENT HAS SEEN
7.20 94

Mark
need to discuss
BC

THE WHITE HOUSE

WASHINGTON

June 29, 1994

Dear 1":

Thank you for your letter regarding recent comments made by Dr. Joycelyn Elders. As you noted, the Surgeon General has challenged the consensus surrounding several controversial issues. Dr. Elders is, however, attempting to accentuate issues, central to the health and welfare of many Americans, that have been often overlooked or ignored by the mainstream. Moreover, while the opinions expressed by the Surgeon General do not necessarily reflect those of the President or his Administration as a whole, the President remains confident in Dr. Elders and her ability to perform the tasks of the Surgeon General.

Sincerely,

Susan Brophy
Deputy Assistant to the President
for Legislative Affairs

The Honorable 2"
House of Representatives
Washington, D.C. 20515

SB · This is the language that we used in response to letter from 87 Repubs. Pls advise.

M E M O R A N D U M

TO: THE PRESIDENT

FROM: BETTY CURRIE

RE: PHONE CALL FROM SENATOR KASSENBAUM

DATE: JULY 1,1994 - 12:35 PM

SENATOR KASSENBAUM WOULD LIKE TO TALK WITH YOU REGARDING A LETTER SHE SENT YOU.

CONGRESSIONAL AFFAIRS IS CHECKING ON LETTER AND WILL INFORM YOU OF LETTER AND CALL.

202-224-3204

According to Congressional Affairs - the most recent letter is regarding Dr. Elders - copy attached.

CONGRESSIONAL AFFAIRS RECOMMEND THAT YOU DO NOT RETURN CALL.

PAT SUGGESTS THAT YOU HAVE EITHER LEON PANETTA OR MACK MC LARTY RETURN CALL, PAT WOULD BE HAPPY TO RETURN, BUT THINKS THE SENATOR WOULD WANT SOMEONE WITH HIGHER STATURE.

NANCY LANDON KASSEBAUM
KANSAS

United States Senate
WASHINGTON, D. C.

July 1, 1994

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

Dear Mr. President:

I am writing to express my disappointment with the performance of Dr. Joycelyn Elders as U.S. Surgeon General.

As you may recall, I voted in favor of confirming Dr. Elders for this position. I did so because I believed she had the capacity to reach young people in a way that others could not with a strong message on behalf of healthy, responsible behavior.

At the same time, I recognized that Dr. Elders' past record of provoking controversy posed the risk that substantive messages directed toward young people would be sidetracked. I expressed concern that the message would be lost if the messenger became the focus. Ultimately, I determined that she deserved the chance to have a national platform from which to speak about the public health issues to which she is obviously deeply committed.

Unfortunately, I have come to the conclusion that Dr. Elders is either unable or unwilling to put forward a positive and consistent message to young people. Throughout her tenure in office, she has instead engendered needless controversy--due largely to her tendency to make dramatic statements on issues which she has not fully considered and which are peripheral to the public health mission.

In April, I conveyed my concerns directly to Dr. Elders, and we met at that time to discuss them. As on other occasions, I was impressed with the sincerity of her desire to promote important public health issues. She agreed at that meeting to consider ways in which she might bring greater focus to her efforts and to get back to me to discuss the matter further. Regrettably, I have not heard from Dr. Elders since that time, nor have I seen any sign that she took my concerns to heart.

In an interview which appeared in the June 3-5, 1994, edition of USA Weekend, Dr. Elders indicated that you had never asked that she "tone down" her rhetoric. When asked why not, she responded:

> I think when he decides to do that he'll ask me to resign. I think the President feels he knew what I was about when I came to Washington. If he feels he has to call me up reprimanding all the time, if I'm too wild and too way-out, then he needs a new surgeon general.

Although I regret having to say so, I believe you do need a new surgeon general.

Warmest regards,

Nancy Landon Kassebaum
United States Senator

CC: Dr. Joycelyn Elders

This is good, too

Feedback

President doing his job well

The American public is smarter than tabloid journalists and sound-bite politicians think.

Fiction and hearsay may provide for juicy entertainment, sophomoric jokes and mindless coffee conversation, but the facts are still what Americans care about.

Fact: President Clinton's first 17 months in office have been among the most productive and remarkable in history. Legislation supported by him passed 88.6 percent of the time, the highest first-year success rate since President Eisenhower in 1953.

Clinton administration successes include the Family and Medical Leave Act, Student Loan Reform Act, Brady Bill, National Service Act, NAFTA, Rio Biodiversity Treaty, Assault Weapons Ban, National Voter Registration Act, Goals 2000 Education Reform, NATO Partnership for Peace, the largest deficit-cutting bill in history and unrivaled leadership in health care and welfare reform.

With 3.4 million new private sector jobs created since January 1993, jobs are being created at the fastest rate since 1988.

In a never-ending effort to subscribe Clinton to either a liberal or conservative agenda, extremists of both persuasions are anxious to criticize his every action.

They just can't figure him out. Here is a family man who cares enough about the future of our country to support international trade reform, welfare reform, NAFTA and a strong defense while also supporting health care reform, environmental protection, more AIDS research and better public schools.

Clinton is not perfect, and he has made mistakes just like every president, but this country elected him as president, not saint. People may Rush to Dole out criticism, but let's all look at the big picture. Clinton is doing the job he was elected to do, and based on the facts, he is doing it well.

IVAN BAKER
Hope

Crucial telephone bill

Within the next few days, the U.S. Senate will be voting on a major piece of legislation that not too many people know about as a result of health care legislation getting so much attention at this time.

This bill, S. 2111, will strongly impact how much we pay for our telephone service in future. As a retired employee of Southwestern Bell Telephone Co., I have watched with interest the actions in Washington and Little Rock since the divestiture of the old Bell System. If our senators plus a majority of the other senators vote for this bill, we will give our local telephone company a chance to compete again.

It should mean lower long-distance rates. Also, it will allow the local telephone companies to compete with the cable companies for all kinds of communications services in the future.

The removal of these anti-competitive barriers will result in consumer savings and job creation. According to the Wharton Econometric Forecasting Associates, Arkansas will gain more than 36,000 jobs over the next 10 years and we'll see about 3.6 million new jobs nationwide.

If you are so concerned about your residential and small business telephone services as I am, then contact your senators before the bill comes to a vote. Their support is necessary.

K.W. "BILL" KELTNER
Little Rock

JIM
DORSKIND

1) Do Neaux
2) [illegible]

Mark

1) This is good — but we need hundreds of people putting these in all major papers

2) Should we circulate [illegible] pieces?

THE PRESIDENT HAS SEEN
7-20-94

THE WHITE HOUSE

WASHINGTON

94 JUL 20 P2:29

July 20, 1994

Do congrat letters to winners + Mayor Campaign

MEMORANDUM FOR THE PRESIDENT

FROM: Joan Baggett and Reta J. Lewis, Political Affairs

RE: Georgia - July 19th Primary

1994 GUBERNATORIAL PRIMARIES

Governor Zell Miller defeated state Representative Charles "Judy" Poag, retired military officer Mark Tate and third-time candidate Jim Boyd with 70 percent of the vote in Tuesday's primary election. Boyd placed a distant second with 17 percent of the vote, while Tate and Poag received seven and eight percent of the vote, respectively. Republicans Guy Millner and John Knox will face each other in a runoff primary election on August 9th. Millner had hoped to win the primary election outright, but fell short with only 48 percent of the vote. Millner, the multimillionaire businessman from the Atlanta-area, is considered a less credible challenger to Miller than Knox, who is closely aligned with the state's far-right activists.

CONGRESSIONAL PRIMARY RACES

CD02. Freshman Democrat Sanford Bishop defeated Dougherty County Democratic Party chairman James Bush in the primary election, 67 percent to 33 percent. Bishop is expected to easily win re-election in the general election.

CD03. Primary frontrunner and Columbus attorney Fred Overby was forced into a Democratic primary runoff against 1992 congressional candidate Jim Friday. Overby received 46 percent of vote, compared to Friday's 29 percent. The third district experienced exceptionally low voter turnout in the primary election due to the recent flooding. Should he win, Overby is expected to offer a credible challenge to Collins in the general election. A recent poll conducted by Cooper & Secrest Associates for the Overby campaign showed a vote to re-elect rating for Mac Collins of only 32 percent.

CD07. Former U.S. Attorney and 1992 Senate candidate Bob Barr won the GOP nomination against physician Brenda Fitzgerald in Tuesday's primary election with 57 percent of the vote. Barr has long been considered an "easier" opponent to Buddy Darden in the general election than Fitzgerald, given his (extreme) conservative platform.

CD08. Democratic Congressman Roy Rowland's April retirement announcement led to a landslide of primary candidates for the Democratic nomination. Former Jenkins legislative director Craig Mathis (the son of Dawson Mathis) and Georgia Peanut Commission consultant Tyron Spearman will face each other in the August 9th runoff election. Mathis received 26 percent of the primary vote, compared to Spearman's 19 percent. Businessman Saxby Chambliss, who ran unsuccessfully against Rowland in 1992, is the uncontested GOP nominee.

CD10. Far-right religious activist Ralph Hudgens will face a runoff battle against moderate Republican Charlie Norwood for the GOP nomination. Hudgens received 46 percent of the vote in the primary and Norwood 38 percent. Hudgens, who was the 1992 GOP congressional nominee, is the predicted winner in the runoff election. He is the preferred challenger by Democrats in the November election against incumbent freshman Don Johnson.

BALLOT INITIATIVES

In Tuesday's election Atlanta voters gave an overwhelming mandate to Mayor Bill Campbell by approving a $150 million bond issue for repairs to the city's streets, bridges, sewers and partks. With all precincts reporting unofficial returns showed 73 percent of voters approved a $78.2 million bond issue for bridges, viaducts and streets; 71 percent approved $55.6 million for storm sewers and drainage; and 70 percent approved $16.1 million for erosion and flood control.

Back to Ickes

THE PRESIDENT HAS SEEN
7.20.94

PROPOSAL FOR SENATE BILL

WE PROPOSE A PACKAGE OF SUBSIDIES TO EXPAND COVERAGE AND CARRY OUT INSURANCE AND HEALTH CARE MARKET REFORMS LEADING UP TO A HARD TRIGGER TO EMPLOYER/INDIVIDUAL MANDATES IF 96% COVERAGE IS NOT ACHIEVED BY THE YEAR 2000.

IF WE CANNOT SUCCEED WITH THE HARD TRIGGER, THE PACKAGE CAN STILL PRODUCE POSITIVE RESULTS.

THERE ARE THREE OPTIONS FOR THIS PACKAGE:

- MORE AGGRESSIVE SUBSIDIES TO TARGET POPULATIONS
- LESS AGGRESSIVE SUBSIDIES TO TARGET POPULATIONS
- STATE INITIATIVE WITH FEDERAL BLOCK GRANT SUBSIDIES

UNDERLYING REFORMS IN ALL PACKAGES

A COMMON SET OF PROPOSALS POLICIES UNDERLIE EACH OF THE OPTIONS:

- CAPPED FEDERAL SUBSIDIES WHICH LIMIT FEDERAL LIABILITY
- STANDARD BENEFIT PACKAGE TO ENHANCE COMPETITION
- INSURANCE REFORMS
  - MODIFIED COMMUNITY RATING, ADJUSTED FOR AGE
  - ELIMINATION OF PREEXISTING CONDITION EXCLUSIONS BUT WITH 6–MONTH WAITING PERIOD FOR UNINSURED WITH PREEXISTING CONDITIONS
  - ESTABLISHMENT OF VOLUNTARY PURCHASING COOPERATIVES FOR SMALL EMPLOYERS AND INDIVIDUALS
  - GUARANTEED ISSUE TO ALL APPLICANTS
  - GUARANTEED RENEWAL OF POLICIES TO ALL APPLICANTS
- SUPPORT FOR ACADEMIC HEALTH CENTERS AND SELECTED PUBLIC HEALTH INITIATIVES
- WORKFORCE REFORMS EMPHASIZING PRIMARY CARE
- NATIONAL QUALITY AND INFORMATION STANDARDS

OPTION ONE
AGGRESSIVE SUBSIDIES TO TARGET POPULATIONS

OPTION ONE PROVIDES THE FOLLOWING SUBSIDIES TO INCREASE COVERAGE:

- LOW-INCOME VOUCHERS (100% PAYMENT UP TO 75% POVERTY; SLIDING SCALE FROM 75-200% POVERTY)
- PREGNANT WOMEN AND KIDS UP TO 185% POVERTY RECEIVE FREE COVERAGE
- EXTENDS FREE COVERAGE FOR WELFARE RECIPIENTS WHO GO TO WORK FROM 1 YEAR TO 2 YEARS
- SUBSIDIES FOR WORKERS WHO HAVE INSURANCE AND LOSE OR LEAVE THEIR JOB TO SUBSIDIZE THEIR INSURANCE FOR 6 MONTHS
- LIMITED, TEMPORARY SUBSIDIES TO BUSINESSES THAT EXPAND COVERAGE OF EMPLOYEES

POSSIBLE FUNDING SOURCES
FOR OPTION ONE

OPTION ONE CAN BE FUNDED THROUGH THE FOLLOWING SOURCES:

TOBACCO TAX: A TAX INCREASE OF .45/PACK IS PHASED IN BY 1999, CONSISTENT WITH WAYS AND MEANS BILL.

MEDICARE SAVINGS: SPECIFIC PROGRAM SAVINGS, ACHIEVED THROUGH REDUCTIONS IN PROVIDER PAYMENTS, INCREASED BENEFICIARY PAYMENTS AND OTHER SPECIFIC SAVINGS, CONSISTENT WITH SENATE FINANCE BILL.

MEDICAID SAVINGS: CONSISTENT WITH SENATE FINANCE BILL, AFDC AND NON-CASH BENEFICIARIES ARE BOUGHT PRIVATE HEALTH PLANS AT THE COMMUNITY RATE, RESULTING IN SAVINGS FOR EACH POLICY AND SAVINGS OVER TIME BECAUSE OF LOWER PRIVATE SECTOR GROWTH RATES.

CAFETERIA PLANS: ELIMINATES HEALTH BENEFITS FROM TAX-PREFERRED EMPLOYEE CAFETERIA PLANS, RESULTING IN REVENUE INCREASES TO THE TREASURY.

HIGH-COST PLAN ASSESSMENT: MODIFIED "BRADLEY TAX" : ASSESSES COMMUNITY-RATED PLANS WHOSE PREMIUMS ARE HIGHER THAN A DEFINED TARGET AND ASSESSES EXPERIENCE-RATED PLANS WHOSE PREMIUMS GROW FASTER THAN A DEFINED TARGET.

RISK ADJUSTMENT: ADDS A PREMIUM SURCHARGE TO PLANS OUTSIDE THE COMMUNITY RATED POOL TO SHARE THE COST OF HIGH-COST MEDICAID BENEFICIARIES AND THE UNINSURED. THE SMALLER THE COMMUNITY-RATED POOL, THE HIGHER THE EXTRA COST AND THE LARGER THE SURCHARGE ON PLANS OUTSIDE THE POOL.

OPTION ONE
PROS AND CONS

PROS:

- INCREASES COVERAGE SIGNIFICANTLY IN AN EFFICIENT MANNER

- INTEGRATES MEDICAID INTO PRIVATE SYSTEM

- HAS INCENTIVES FOR CONSUMERS TO CHOOSE LOW-COST PLANS

CONS:

- RELIES ON SOME REVENUE SOURCES WHICH MAY BE CONTROVERSIAL

  - RISK ADJUSTMENT ASSESSMENT MEANS THAT LARGER FIRMS WILL PAY A 1.5%- 3% SURCHARGE ON PREMIUMS TO HELP SUPPORT MEDICAID AND NEWLY INSURED HIGH-RISK BENEFICIARIES

  - ELIMINATION OF TAX DEDUCTIBILITY OF HEALTH CARE IN CAFETERIA PLANS DISRUPTS SOME COVERAGE PEOPLE HAVE TODAY

  - ASSESSMENT ON HIGH-COST PLANS WILL RAISE THE PRICE OF SOME HEALTH INSURANCE PLANS PEOPLE CURRENTLY HAVE

  - WITHOUT RISK ADJUSTMENT ASSESSMENT, MEDICAID CANNOT BE INTEGRATED AND FEDERAL MEDICAID SAVINGS ARE LESSENED.

- FULLY SUBSIDIZES UP TO 6 MILLION LOW-INCOME PEOPLE WHO HAVE COVERAGE TODAY AND WILL BE DROPPED

- ADMINISTRATIVELY COMPLEX

- SOME SMALL EMPLOYERS MAY OBJECT TO BEING FORCED INTO A COMMUNITY-RATED POOL

OPTION TWO
LESS AGGRESSIVE SUBSIDIES TO TARGET POPULATIONS

BASED ON OPTION ONE BUT ELIMINATES MORE CONTROVERSIAL FUNDING SOURCES AND LESSENS THE SUBSIDIES AVAILABLE.

SUBSIDIES:

- PREGNANT WOMEN AND KIDS
- EXTENDING COVERAGE TO WELFARE RECIPIENTS WHO GO TO WORK
- ASSISTANCE FOR WORKERS IN–BETWEEN JOBS

FINANCING:

- MEDICARE SAVINGS
- TOBACCO TAX
- LIMITED MEDICAID SAVINGS

OPTION TWO
PROS AND CONS

PROS:

- DOES VERY LITTLE TO DISRUPT THOSE WITH COVERAGE TODAY
- TARGETS POLITICALLY SYMPATHETIC GROUPS; PREGNANT WOMEN AND CHILDREN; TEMPORARILY UNEMPLOYED PEOPLE WHO HAD INSURANCE; PEOPLE GOING OFF OF WELFARE
- MAXIMUM COVERAGE FOR DOLLARS SPENT

CONS:

- DOES NOT INTEGRATE MEDICAID
- COVERS FEWER PEOPLE THAN OPTION ONE
- DOES LESS TO RESTRUCTURE MARKET THAN OPTION ONE

STATE FLEXIBILITY OPTION

STATES WOULD BE GIVEN FINANCIAL INCENTIVES TO VOLUNTARILY ACHIEVE UNIVERSAL COVERAGE.

THE FEDERAL GOVERNMENT WOULD ESTABLISH A TRUST FUND WITH A SUBSET OF THE FUNDING SOURCES (I.E. TOBACCO TAX, MEDICARE SAVINGS, SOME MEDICAID SAVINGS). FEDERAL SPENDING WOULD BE CAPPED AT THE AMOUNT OF MONEY IN THE TRUST FUND.

TO RECEIVE A GRANT, A STATE MUST DELIVER A FEDERALLY-DEFINED BENEFIT PACKAGE TO ALL LEGAL RESIDENTS BY A SPECIFIED DATE AND SHOW CONTINUING PROGRESS TOWARD THAT GOAL AND IMPLEMENT INSURANCE REFORMS (UNLESS SINGLE-PAYER IS IMPLEMENTED). STATES WOULD HAVE BROAD FLEXIBILITY TO TAILOR THEIR OWN SYSTEMS AS LONG AS THESE CONDITIONS WERE MET.

BECAUSE GRANTS ARE CONTINGENT UPON FUNDS AVAILABLE IN THE TRUST FUND, GRANTS WOULD BE AVAILABLE ON A "FIRST COME, FIRST SERVED" BASIS.

IF BY A DATE CERTAIN SOME STATES HAVEN'T MOVED, THE PROPOSAL COULD INCLUDE A WITHDRAWAL OF SOME FEDERAL MEDICAID OR OTHER FUNDS, THOUGH THIS WOULD BE VERY CONTROVERSIAL.

THERE WOULD BE A FEDERAL MODEL WHICH WOULD DETERMINE THE LEVEL OF FEDERAL SUBSIDIES A STATE WOULD BE ELIGIBLE FOR, BUT THE FEDERAL MODEL WOULD NOT HAVE TO BE ADOPTED.

STATE OPTION
ERISA OPTIONS

THERE ARE THREE OPTIONS FOR THE TREATMENT OF LARGE EMPLOYERS UNDER A STATE FLEXIBILITY PROGRAM:

- STATES, AT THEIR OPTION, MAY PREEMPT ERISA AND INCLUDE EMPLOYERS OF ALL SIZES IN STATE REFORM PLANS.

- STATES MAY NOT INTEGRATE LARGE EMPLOYERS IN STATE REFORM PLANS. LARGE EMPLOYERS REMAIN UNDER ERISA.

- STATES RECEIVING GRANTS MAY NOT INTEGRATE LARGE EMPLOYERS BUT MAY RAISE SOME LIMITED REVENUES FROM LARGE EMPLOYERS TO HELP PAY FOR THE EXTRA COSTS TO EXPAND COVERAGE FOR HIGH-COST POPULATIONS.

STATE OPTION
ADVANTAGES AND DISADVANTAGES

ADVANTAGES:

- ALLOWS STATES MAXIMUM FLEXIBILITY
- OFFERS SUBSTANTIAL INCENTIVES TO STATES TO ACHIEVE UNIVERSAL COVERAGE

DISADVANTAGES:

- WITH LIMITED FUNDING, STATES WITH LARGE NUMBERS OF UNINSURED MAY BE LESS LIKELY TO RECEIVE GRANTS
- DOES NOT GUARANTEE THAT COVERAGE WILL INCREASE. MOST STATES MIGHT DECIDE NOT TO PARTICIPATE.
- IF STATES HAVE ABILITY TO PREEMPT ERISA, LARGE EMPLOYERS WILL OPPOSE
- SMALL EMPLOYERS MAY OPPOSE IF REVENUE SOURCES ARE NOT SPECIFIED UP FRONT

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: 7/20/94

TO:
LEON PANETTA
GEORGE STEPHANOUPOULOS
PAT GRIFFIN
MARK GEARAN
MACK McLARTY

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

[redacted]

The attached has been forwarded to the President.

cc: Dorskind to coordinate reply.

(Dorskind was sent the original ltr)

[redacted]

American Federation of Labor and Congress of Industrial Organizations

815 Sixteenth Street, N.W.
Washington, D.C. 20006
(202) 637-5000

94 JUL 19 A10:05

July 18, 1994

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

Dear Mr. President:

On behalf of the AFL-CIO, thank you for your efforts on behalf of the Workplace Fairness Act, legislation to prohibit the "permanent replacement" of workers who exercise their legal right to strike. I know that you, the Vice President, Secretary Reich, George Stephanopoulos and others in your administration did everything possible to persuade members of the Senate to allow this bill to come to a vote. Particularly helpful were the letters you sent to every Senator and to the CEO of Caterpillar, stating your belief in the rightness of the position we share.

Of course, we are deeply disappointed that a minority of Senators has succeeded in using the filibuster to frustrate enactment of legislation supported by you and majorities in both Houses of Congress. Unfortunately, those Senators and their allies in the employer community are dead-set against any improvements in the law that might restore some semblance of balance to labor-management relations in this country. They applaud the current imbalance, and the resulting deterioration of real wages, as necessary to enhance our country's "competitiveness" in the world. They prefer a low-wage America.

Despite this setback, we will continue to seek a Senate vote on the Workplace Fairness Act in the Congress and in future Congresses for so long as is necessary to prevail. And employers who view the success of this filibuster as license to permanently replace their union workers should know of our resolve to support and assist any and all who fall victim to this disgraceful tactic. We will spare no resource to ensure that "permanent replacements" are never permanent and that employers who resort to this approach are marked in their community as unworthy of patronage.

Mr. President, we look forward to your continued support on this issue and for changes in our labor laws that will enable workers to live and work in dignity with hope for justice and a more abundant life.

Sincerely,

President

Mack/
Need to get
this around

THE PRESIDENT HAS SEEN
7-30-94

Did you see this?

Give Clinton credit

John Brummett

Has anyone bothered to mention that President Clinton's economic package, the one that messily passed Congress last year by the landslide of Al Gore's vote, was a smashing success?

Has anyone bestowed on Clinton the credit he so richly deserves for finding a credible middle ground of tax increases and spending cuts to accomplish two almost diametrical objectives: getting the federal budget down significantly while not constricting, and in fact enhancing, the nation's economic growth?

Has anyone told the truth about those dissembling Republicans who said the plan would confiscate the discretionary riches that the wealthy needed to retain to create growth and jobs — you remember trickle-down economics, don't you? — and that life as we know it would be devastated by the program's enactment?

Has anyone pointed out that we have job growth, relatively low unemployment, inflation in check and interest rates that, while rising incrementally because of a Federal Reserve fretting about inflation, are still at levels sufficiently low to stimulate borrowing and home mortgage refinancing?

Has anyone pointed out that the budget deficit for fiscal 1995, once forecast to exceed $300 billion, is now projected to be $160 billion? Has anyone asked when last we had a president who cut the deficit by 5 percent, much less 50 percent?

Has anyone dared mention the courage — yes, courage — required of Clinton to propose an economic plan that made him susceptible to criticism from the right that he was a tax-and-spender, criticism from the left that he was a heartless budget-cutter and criticism from the center from moderates who, upon reading public opinion polls influenced by the rhetoric of Republicans and Ross Perot, decided to say he was a little too far one way or the other, almost always the left?

If anyone has done any of that, save an administration official immediately dismissed out of hand on the basis that he or she merely spouts a party line, I have missed it.

What everyone says instead is that Clinton used profane language and followed a sloppy process in arriving at this budget plan, that he is burdened by attacks on his credibility and character, that his libido is world-class, that his and Hillary's health plan cannot pass and that he is weak and indecisive on foreign policy.

Generally, where Clinton is concerned, people seem more intent on applying personal psychoanalysis than objective product assessment.

For my part, I say:

• That Clinton can say the F-word from now until doomsday as long as we have job growth, inflation in check, manageable interest rates and reduced federal budget deficits.

• That Clinton always follows a sloppy process to a worthy product but that in the end the product is always more important to people's lives than the process. His labor pains can be hell, but the babies are cute enough.

• That the president's character is not as flawed, his credibility not as weak and his libido not as strong as people would have you believe — though, yes, flawed, weak and strong are not altogether inaccurate or inapplicable adjectives in those respective contexts.

• That his and Hillary's health plan ought to be scaled back a bit but that they deserve credit for seizing the monumental issue.

• That, yes, his foreign policies are vacillating, confusing and weak, but that I wish just once a critic would outline what sort of coherent foreign policy any president could fashion in this post-Cold War world that would apply equally and sensibly to Somalia, Rwanda, Bosnia, Haiti and North Korea. I think you must take these isolated human tragedies one at a time and try not to screw up tragically or cosmically. Clinton hasn't erred cosmically, yet.

• That I seem to remember the American people throwing out a president who was strong on foreign policy because he was weak and detached on the matter of the domestic economy.

So may I remind you, then, that back at home the economy is perked up and the deficit dwindled down?

John Brummett's column appears every Tuesday, Thursday, Saturday and Sunday.

HARVARD UNIVERSITY
Graduate School of Education

Janice M. Barrett
Doctoral Candidate

THE PRESIDENT HAS SEEN
7/20/94

TO Grasso

(617) 893-4199 (H)

16 Partridge Hill Rd.
Weston, Mass. 02193
(H)

Dear President Clinton, 7/19/94 I
am interested in TECHNOLOGY in
Education & Professional Develop-
ment for teachers. I am going
to be Asst. PROF. @ B.U. in Sept. +
I want to help you on these
policy issues! Janice Barrett

To: The President
From: ~~Bob Rubin~~
FYI

B Rubin

THE PRESIDENT HAS SEEN
7/20

94 JUN 29 P2:44

Self-Fulfilling Prophets

Inflated Zeal at the Federal Reserve

James K. Galbraith

On February 4, 1994, Federal Reserve Chairman Alan Greenspan announced a quarter-point rise in federal funds rate, which is the overnight interbank lending rate and a basic instrument of monetary policy. It was the first of four interest rate hikes. By late May, the Federal Reserve had driven up short-term interest rates by a percentage point and a quarter.

From the beginning, things went badly. Contrary to Greenspan's professed purposes, long-term interest rates soared. Thirty-year fixed-rate home mortgage loans had been available at about 7 ¼ percent before the Federal Reserve acted. At this writing they are over 8 ½ percent. Some medium- and long-term rates actually rose by more than short rates at first: three-year notes jumped a full point and a half; 10-year bonds jumped a point and a quarter before the Board's fourth rate-hike, of a half-point, in May.

Four months later, many questions remain. Why did the Federal Reserve act? What went wrong? What can we do? In answering these questions, we will find a deep incoherence at the heart of Federal Reserve decision-making. The episode suggests a clear need, not just for policy change, but for institutional reform.

The Board's Self-Criticism

Neither economic theory nor history dictate that long-term interest rates necessarily rise when short rates rise. It depends on circumstances. In this case the Federal Reserve's own documents reveal how badly it misjudged what the real circumstances were.

On February 23, one of the Board's technical experts, Vincent Reinhart of the Division of Monetary Affairs, delivered a memorandum to Donald Kohn, Director of the Division, that helps explain the misjudgment. Reinhart's retrospective memo distinguishes three hypothetical cases:

First case: "A tightening [of short-term rates] that whittles down inflationary expectations, say by convincing market participants that the central bank is willing to act on its distaste for inflation, will permit nominal rates to be lower in the future . . . The policy move might result in very little, if any, rise in long-term rates." This, more or less, was Greenspan's hope.

Second case: "Tightening that is deemed to be insufficient to trim future inflation, say because it was viewed as only keeping up with an inflation impetus, brings with it no expectation of lower future nominal rates. . . . As a result, more of the increase in the short rate would pass through to the value of long rates." This would have been an intermediate case, short of success, but better than failure.

Third (and relevant) case: "A tightening that raises inflation fears, say, because it was viewed as suggesting future, previously unexpected pressures on inflation that would only be incompletely offset by the policy action brings with it the expectation of higher future nominal interest rates. In such circumstances, the current short rate would be accompanied by an upwardly revised outlook for short rates over the long haul. . . . As a result, the increase in the short rate would have a magnified impact on long rates." This is what actually happened.

In other words, by the analysis of the Federal Reserve's own expert staff, the rise in long rates that followed suggests that the move on February 4 was a mistake. To be precise, it was neither necessary, because the inflation expectations with which it dealt did not exist beforehand; nor was it sufficient, because the move itself was too small to deal with whatever inflation expectations it itself created. Considering the source, this is a devastating indictment.

Thoughts of Chairman Greenspan

Why did the Federal Reserve take this action? Dutiful journalists reported that the policymaking Open Market Committee was out to sustain the recovery, to "engineer a soft landing," to "nip inflation expectations in the bud." Perhaps some members of the Committee actually believed this. But the record, notably the Federal Reserve's own official account of its policy, suggests that they had no serious basis for holding this or any similar view.

There is only one authoritative source: the semiannual Report of the Federal Reserve to Congress, mandated under the Humphrey-Hawkins Full Employment Act of 1978. Chairman Greenspan delivered such a report on February 22, 1994, nearly three weeks after the fateful February 4 rate increase. Yet this document conspicuously fails to justify the policy change on inflation-fighting grounds:

Greenspan's Point 1: There is no inflation problem. Greenspan begins by conceding that his previous fretting over inflation, expressed in his immediately preceding report in July of 1993, had proven unfounded: "On the inflation front, the deterioration evident in some indicators in the first half of 1993 proved transitory." Further, he reports, consumer price inflation in 1993 was the lowest since 1986. While falling oil prices contributed to this reduction, inflation was falling even excluding oil. What about commodity prices? Here Greenspan is explicit: commodity prices had "firmed" in the months before the February move. Yet "in the past such price data have often been an indication more of strength in new orders and activity than a precursor of rising inflation throughout the economy. In the current period, overall cost and price pressures still appear to remain damped." Greenspan goes on to note, correctly, that wage pressures remain absent—and wages are a far larger share of costs than commodity prices.

Greenspan's Point 2: Growth is not excessive. Greenspan discounts the concern that the economy is growing at a rate that poses inflationary risk. "It is too early to judge the degree of underlying economic strength in the early months of 1994." This cautious opinion was vindicated in late April, when preliminary first-quarter 1994 real GDP growth was shown to have sharply decelerated from the high growth rate at the end of 1993. Greenspan does note that "attempts to force-feed the economy past its potential have led in the past to rising inflation," which is true enough. But Greenspan does not suggest that the economy is presently at, or even near, its potential.

Greenspan's Point 3: Inflation expectations have been falling. Here Greenspan turns to an explicit consideration of inflation expectations and their role in the inflation process. But inflation expectations have not been rising, by his account. To the contrary, Greenspan finds that both fiscal and monetary policy "have contributed to the decline in inflation expectations in recent years along with decreases in long-term interest rates." In particular, "the actions taken last year to reduce the federal budget deficit have been instrumental in this regard."

Why, then, raise interest rates? The key paragraph in Greenspan's testimony gives but one solid clue: "As the Federal Open Market Committee surveyed the evidence at its February 4 meeting, a consensus developed that the balance of risks had, in fact, shifted.... Real short rates close to zero appeared to pose an unacceptable risk of engendering future problems."

By "real short rates close to zero," Greenspan means the difference between a short-term interest rate such as the overnight federal funds rate, 3.0 percent on February 4, and the current rate of inflation, 1.9 percent for the three months ending January 1994. Since short-term rates are also what is now paid on very liquid bank deposits—the near-equivalent of cash—Greenspan's argument amounts to a call for a significantly positive real rate of return on money.

But there is a big problem with this argument: as a matter of history, it is untrue. Checking accounts and other cash equivalents earned no interest at all until the early 1970s—there simply was no return on money. Hence, for all of postwar history up to that point, the real short-term interest rate on such holdings—defined as the nominal interest minus inflation—was actually negative. It was zero minus the rate of inflation. Yet despite this, inflation remained quite low, by more recent standards, from 1947 through 1970. If we look at slightly less (but still very) liquid assets, such as loans in the overnight market for bank reserves (federal funds market), we find that real interest rates in this market averaged only 1.6 percent from 1960 to 1972. And with steady growth and high employment, the sixties were the best period of postwar macroeconomic performance.

In Search of Theory

Ah, but isn't it the Federal Reserve's responsibility to look ahead and prevent inflation before the symptoms appear? And can't we accept Alan Greenspan's argument that the moves in February and March represent low-cost insurance to stave off inflation? Hardly. To "look ahead" for inflation or anything else in economics, one needs a theory, something that will predict the inflation that the data does not yet reveal. And to know whether insurance is a good bargain, you need to know the risks. Yet the Federal Reserve itself rejects the only economic theory that predicts inflation now.

That theory is monetarism. Some monetarists, such as Professor Allan Meltzer of Carnegie-Mellon, have been calling loudly for tighter policy, on the claim that rapid growth in some measures of the money supply signals higher inflation. But the statistical record of this idea since 1983, when the Federal Reserve abandoned its last fling with monetarism, is extremely poor. Recognizing this, Greenspan's own testimony explicitly rejects monetarist arguments: "We will continue to monitor developments in money and credit, but in 1994 as in 1993 the FOMC [Federal Open Market Committee] is unlikely to be able to put a great deal of weight on the behavior of these aggregates [that is, the indicators of money supply] relative to their ranges." Any present confluence between monetarist theorizing and monetary policies is, we are told, accidental.

If he is not a monetarist, is Greenspan perhaps a closet Keynesian? Traditional Keynesians argue that inflation threatens when unemployment falls too low, when capacity limits are reached, or in some variations when economic growth is too rapid. But while Greenspan does carefully assess each of these threats, he then explicitly dismisses them—and rightly so. The data, showing unemployment at 6.5 percent, capacity utilization at 83.6 percent, and growth averaging perhaps 3 percent (the exceptional strength of the fourth quarter of 1993 having faded), indicate that the economy remains below past inflation threshholds. Non-traditional Keynesians (such as myself) would also argue that severe competitive pressures on U.S. industries—rooted in rising trade with low-wage countries, a decline in labor standards, and fire sales of commodities from former communist countries—will keep a lid on inflation, even if employment levels rise. Thus Keynesianism cannot explain Greenspan's actions, any more than monetarism can.

Is Greenspan then a disciple of the hard-line "new classical economics"? Conservative commentators have long rumbled about the need for the Federal Reserve to adopt a zero inflation target—a "monetary rule," in effect, of tightening policy whenever the inflation rate is positive and political circumstances permit. Legislation imposing such a target, and thereby annulling the formal goal of "full employment" embodied in the 1978 Humphrey-Hawkins Act, has been proposed in Congress and has had supporters on the Open Market Committee. The idea is that the economy will fluctuate naturally around an equilibrium rate of unemployment, irrespective of policy; the Federal Reserve should concern itself only with stabilizing the price level, by taking a super-tough stance to subdue inflation expectations.

Again, the description doesn't quite fit. For one thing, the new classical theory has a monetarist core. In this line of argument, achieving price stability requires the Federal Reserve to focus on control of the money supply, which it is not doing. Moreover, if inflation expectations are rising, why would Greenspan explicitly state that they have been falling? There is no new classical coup at the Federal Reserve Board.

Is the Federal Reserve then reacting to the rising price of gold? This would make the Board into a neo-supply-side institution and a secret ally of Jude Wanniski, who has called (on the op-ed page of the *Wall Street Journal*) for tighter policies to stabilize the price of gold. Greenspan himself has an embarrassing past as a gold bug, and his testimony nods in this direction, stating that the price of gold "has been especially sensitive to inflation concerns." But one subordinate clause seems a thin reed on which to base a theory of Federal Reserve action.

The most intriguing possibility—based on Greenspan's obscure reference to the "unacceptable risks" of low interest rates—is that he has embraced some antique theoretical ideas, traceable to the early twentieth century Swedish economist Knut Wicksell. These ideas, proposing a "natural interest rate," concern the relationship between the optimal rate of interest, the physical productivity of capital investment, and the rate of growth. According to this doctrine, interest rates should rise when they fall below the "natural" rate of return on capital, which in simple steady-state models is equal to the long-run sustainable real rate of economic growth. If this rate is, say, 2.5 percent, and inflation is 2 percent, then such a rule would indicate a target level of 4.5 percent for nominal interest rates.

A Reuters dispatch from early May lends some support for this view, noting that that Federal Reserve officials "want to shift monetary policy away from being accommodative . . . to a neutral stance that neither acts as a spur nor a drag on growth." Reuters quoted Federal Reserve Board Governor Lawrence Lindsey: "We're not quite in neutral. But we're substantially closer to it."

Lindsey and Greenspan may be using "neutral" where they mean "natural" in the Wicksell sense. The confusion of words could be an appeal to metaphor, namely to the neutrality achieved by shifting an automobile's engine out of gear, in order to explain this idea to the vulgar.

But even if we get the terminology straight, applying the doctrine of a natural interest rate presents three major problems. First, we have no measure of the natural real rate of return on capital (indeed, we have no coherent measure of the capital stock); the model only works in a highly simplified theoretical setting. Second, the long-run sustainable rate of growth is only relevant after the economy is at full employment. So long as unemployment remains high, the economy can grow faster than its present rate, with lower interest rates helping it along. Hence, this theory does not suggest that the best interest rate now is higher than it was in January. Finally, this theory does not tell us why the short-term interest rate should be adjusted to the "natural" rate. To the contrary, it would seem that long-term bond rates are much more relevant to the problems that interested Wicksell, and real long-term rates remain extremely high.

John Maynard Keynes long ago summed up the arguments in this field:

> I am now no longer of the opinion that the concept of the 'natural' rate of interest, which previously seemed to me a most promising idea, has anything very useful or significant to add to our analysis. It is merely the rate of interest which will preserve the status quo; and, in general, we have no predominant interest in the status quo as such.

Apparently, others have accepted that verdict. In the last 50 years natural interest rate theory has hardly developed; many textbooks don't even mention it. It would be amusing, but strange, if Greenspan and Lindsey were intent on reviving this archaic doctrine.

There is the possibility that Greenspan was acting to defend the dollar. Press reports suggest that Japanese money has been flowing out of foreign investments, which would weaken the dollar against the yen. Perhaps Greenspan felt higher interest rates would stop this trend. If true, this motivation has three problems. First, it's dumb, since raising U.S. interest rates can only deepen the financial crisis in Japan by drawing funds back out of Japan. Second, it won't work (and didn't: the dollar didn't stabilize). And third, it's a total secret so far as reporting to Congress and the public is concerned. The words "dollar," "international," and "Japan" do not appear in the February Report, and the phrase "exchange rate" appears only once, unimportantly.

Can some non-economic, or at least non-macroeconomic, theory explain the rate hike? Perhaps Greenspan was trying to set a course towards tighter money policy before Clinton's two new appointees to the Board, Alan Blinder and Janet Yellen, come and try to stop him. Or perhaps Greenspan, alongside the overwhelming Republican majority on the Open Market Committee, has simply decided to torpedo the Clinton administration's economic recovery, and with it the immense progress made in 1993 in budget deficit reduction.

Each of these political motivations, if true, would constitute grounds for impeachment, not only for Greenspan but for all who voted with him on the Federal Reserve Board. It is not the Federal Reserve's job to regulate the outcome of elections. Of course, hard evidence on these questions is lacking and, in the final analysis, unlikely to surface.

One last possibility came to light when Greenspan returned to the Senate on May 27 to defend his policy. Perhaps he felt a need to pop a bubble in the stock and bond markets, and specifically to help drive stock and bond mutual fund investors back to the eroding deposit base of the commercial banks. Greenspan was astonishingly explicit about this to the Senate, stating that small investors had become accustomed to "an unsustainable combination of high returns and low volatility;" that they failed to appreciate the inherent risks of holding long-term assets. In reality, of course, these high returns were only unsustainable after February 4—because Federal Reserve policy had changed.

The crass clientelism of this motive gives it, one fears, the awful ring of truth. The high spreads between long and short rates in recent years have been a thinly disguised bailout for commercial bank profits. So why not now bail out commercial bank market share, by forcing small investors out of long-term investments and back to the security (and low-interest rates) of insured bank deposits? The mind wrestles with the anti-social implications of this policy, as well as with the effrontery of admitting as much, even in obscure language, to the Senate. If a tie-dyed Marxist had made the accusation, few would believe it. Absent formal inquiry into the FOMC transcripts—which is called for—I have trouble believing, even now, that a bank bailout was a key motivation before the fact.

We are left, then, with the thought that the Federal Reserve Board does not know what it is doing. This is the "Wizard of Oz" theory, in which we pull away the curtains only to find an old man with a wrinkled face, playing with lights and loudspeakers.* Absent stronger evidence from Greenspan's mouth or the Board's files, I fear that this is the conclusion on which we must, for the moment, rest our case.

In this view, Federal Reserve policy reduces to a syllogism: "good times are followed by bad times; therefore good times must be prevented." An old chestnut attributed to William McChesney Martin, who was Federal Reserve Board Chairman in the 1960s, holds that the Federal Reserve's job is to "take away the punchbowl just when the party gets going." Has this feeble cliche, with its stupid implications, become the central basis on which monetary policy is now made?

* The parallel is not accidental, as scholarship has shown that "Oz" was a monetary parable. Specifically, the Emerald City was Washington (where greenbacks were made), the tin man (rusted solid) was a depressed industrial worker, the Scarecrow a depressed farmer, and Dorothy wore silver slippers on the yellow brick road. William Jennings Bryan is the Cowardly Lion; the wizard was the President, dispatched in the end in a hot air balloon. The parable was elucidated by Henry Littlefield, "The Wizard of Oz: A Parable of Populism," in the *American Quarterly* of Spring, 1964. I am indebted to Lowell Dyson of the Economic Research Service, USDA, and to Jim Devine and Michael Genovese of Loyola Marymount College for posting information on the Internet on this topic.

A Breach of Faith

We arrive at the view that a group of nine men and one woman, nine Republicans and one Democrat, decided to raise interest rates because on balance they felt, for no particularly coherent reason, that raising interest rates was the thing to do. Should we, the public, the Congress, and the Administration, accept this?

Clearly not. The actions so far have not led to recession. But the costs are nevertheless substantial—a huge increase in the "interest tax" paid by consumers and businesses to their banks, as well as slower growth and higher joblessness.

To take a typical case—my own—a rise of 1.25 percentage points in the short-term interest rate will translate into an additional $2,000 in interest payments, next year, on my $160,000 adjustable-rate mortgage. This is a tax increase many times as great as last year's increase in the income tax. And I am paying this tax to a private commercial bank whose shareholders are no doubt on average richer than myself.

For the Administration and Congress, there is another, equally serious consideration. With the public holding $3 trillion of federal debt, each one-point increase in interest rates eventually imposes $30 billion in net new annual interest costs on the budget, while slower growth cuts revenues and adds to spending for unemployment insurance and welfare. This is enough to upset, in a radical way, progress made toward lower budget deficits in 1993.

The 1994 Economic Report of the President, transmitted on the same day as the new Federal Reserve policy (February 4), reveals clearly how much the Clinton administration and Congress were relying on lower, not higher interest rates:

> Long-term nominal and real interest rates dropped sharply in 1993. The decline in rates was closely linked to the proposal and enactment of the Administration's budget . . . Lower Federal borrowing reduces interest rates

> directly, by reducing demand for credit. [And] a more prudent fiscal policy reduces the likelihood that the Federal Reserve will need to pursue a restrictive monetary policy, and so reduces expected future short-term rates. (p. 35).

Later the report notes:

> With a greatly improved outlook for the Federal budget deficit, the Council of Economic Advisers expects long-term interest rates to remain relatively low for the foreseeable future—which will help keep economic growth on track. Low interest rates are the key ingredient that should allow the economy to grow in the face of future large deficit reductions, which would otherwise tend to contract the economy. (p. 56)

Thus, higher interest rates cut twice against the administration's best hopes for sustained growth. They slow economic growth directly by deterring job creation, and they raise the deficit itself, which in turn increases political pressure for an even more contractionary fiscal policy.

Toward Accountability

In 1993, Alan Greenspan and the Federal Reserve Board encouraged deficit-cutting, leaving the impression that deficit reduction was the key to low interest rates. President Clinton repeatedly made the connection between the two. Members of Congress repeatedly justified tough votes on taxes and spending to their constituents in the same terms. Unfortunately, the administration did not obtain an explicit commitment that the Federal Reserve would reward progress on the budget deficit by maintaining low interest rates. The apparently coordinated economic policy of the administration and Congress with the Federal Reserve in 1993 has been rejected by the latter, without the consent of the former. The cumulative effect raises the deepest suspicions of bad faith on the part of the Federal Reserve Board.

The immediate problem is bad policy. This Congress can change, if it chooses. The Federal Reserve is not, under the Constitution, a fourth branch of government. It is an agency created under the Constitutional provision that Congress has the power to "coin money and regulate the value thereof." Congress wrote the Federal Reserve Act, and can change it. It has already done so in a general (if ineffective) way, for example, by writing the objectives of "maximum employment, production and purchasing power" into the 1946 Employment Act and "full employment" alongside "reasonable price stability" into the 1978 Humphrey-Hawkins Full Employment and Balanced Growth Act.

To pass a law on current policy, however, would involve the President directly in monetary policymaking, and would thus end the independence of the central bank from the executive branch. It seems a draconian step to remedy a short-term problem of policy incoherence.

Alternatively, Congress could put a monetary directive into a concurrent resolution. Concurrent resolutions, such as the annual budget resolution, do not require the President's signature and thus lack the force of law. But past Federal Reserve chairmen have acknowledged that such resolutions are binding in effect, because the Federal Reserve Board is a creature of Congress.

In 1975, in House Concurrent Resolution 133, Congress directed the FRB to conduct policy "so as to lower long-term interest rates." At the end of 1982, Congress ordered that monetary policy "achieve and maintain a level of interest rates low enough to generate significant economic growth and thereby reduce the current intolerable level of unemployment."

Last April 28, 44 members of Congress wrote Chairman Greenspan asking that interest rates be raised no further. This request was ignored, and the time is ripe for stronger action. A directive ordering a gradual roll-back of interest rates—a shocking thought to many—is distinctly thinkable today.

Shedding Light

Over the long haul, it is neither practical nor wise for Congress to micro-manage monetary policy. Yet experience also tells us that the 19-year effort to impose rationality and coherence on the Federal Reserve solely through semi-annual reporting requirements has failed. It's time for something more effective.

One proposal, by Congressman Lee Hamilton and Senator Paul Sarbanes would abolish the Federal Open Market Committee. At present the FOMC is composed of the seven Federal Reserve Board members and a rotating group of regional Reserve Bank presidents. The Hamilton-Sarbanes plan would reconstitute the twelve regional Federal Reserve Bank Presidents as a non-voting Open Market Advisory Committee. Alternatively, Representative Henry Gonzalez proposes to make the heads of the regional banks Presidential appointees. Either measure would constitute an improvement over the present system. The Gonzalez proposal would also permit the President to bring gender and race diversity to the regional Federal Reserve bank presidencies for the first time. The antiquated structure of regional Federal Reserve banks (there are two in Missouri and one in California) as well as of the Open Market Committee (which gives preferred voting rights to New York, Chicago, and Cleveland over other districts) is also ripe for change. But these important reforms do not really address the basic issue of policy coherence.

What would help most would be an immediate end to the reign of secrecy in Federal Reserve decision-making. If we knew in detail and in real time how and why each member voted on each decision, we would not assure a coherent or rational result. But at least we would know the basis for monetary policymaking—if there is one. And we could take the next step, which is to evaluate the coherence of the Federal Reserve Board and Open Market Committee, now carefully shielded from public view.

In the one positive development this year, the Federal Reserve has itself stripped away all justifications for the deep secrecy surrounding its monetary policy decisions. Until February 4th, the Federal Open Market Committee indulged in a charade, whose only effect was to reduce the Federal Reserve's political visibility: The FOMC issued a policy directive, but released it to the public only six weeks later, after the subsequent FOMC meeting. Money markets, of course, could deduce the new policy within hours, from changes in the pattern of Federal Reserve operations. But the public and Congress had no official statement, and no explanation, on which to hang a discussion of the policy merits.

On February 4, and again in the following weeks, the FOMC dropped the charade. Greenspan simply announced that the federal funds rate would rise by a quarter-point—an immediate disclosure of the FOMC directive. What followed was exactly what advocates of immediate policy disclosure had long predicted. The federal funds rate adjusted, immediately, to the announced target. This happened before any open market operations were conducted. And the Federal Reserve had no difficulty maintaining the federal funds rate exactly where it wanted it, thereafter. This tells us that all previous arguments for secrecy surrounding the FOMC's directive were captious, as critics had argued. Why not then take the next step, and open the FOMC meeting at which the directive is decided?

Those who defend FOMC secrecy cannot argue, as they have done up to now, that real-time public scrutiny of Federal Reserve decision-making would affect implementation of monetary policy. We have put that proposition to test, and found that monetary policy is easier to implement, and more effective, when the decision is publicly known. We are left only with arguments that somehow spontaneity, or something, would be lost if FOMC proceedings were public.

But if the Federal Reserve cannot give us a coherent account of its policies, why should we take it on faith that wonderful things happen behind closed doors at its meetings? Members of Congress, particularly more senior members, have direct experience with moves toward greater openness, both in the reforms of 1975, which opened up the Committee processes, and in the creation of C-SPAN in the 1980s. Some congressmen cannot function without a script. Others function very well, and operate as comfortably in public view as behind closed doors, by mastering the details of the rules and of the legislation before them. Of the two types, which do you suppose is more effective and commands more respect?

Congress discovered that there was nothing, intelligence appropriations and a few other things excepted, in the making of public laws that could not be shown to the public. In the case of Federal Reserve monetary policy (bank regulatory matters are something else), there is even less to hide. Why are economic data, the runs of models, and the arguments of monetarists and Keynesians, considered a state secret?

President Clinton has recently appointed two first-rate economists to the Federal Reserve Board: Alan Blinder of his own Council of Economic Advisers and Janet Yellen of Berkeley. Neither would have any difficulty making a public case for a more rational, better defended policy. It would be interesting to see whether any of the old guard could effectively challenge this high-powered pair in a public setting. And it would be a shame if their voices were lost behind the veil of obscurity that now surrounds Federal Reserve decisions.

Congressman Gonzalez, chairman of the House Banking Committee, has suggested that a camera be placed in every Federal Open Market Committee meeting. Fed-SPAN—that's the ticket. Blinder and Yellen should team with Lindsey (no intellectual slouch, though conservative) and simply put this issue to the Board. If they won't, or if the Board won't go along, then let Congress do it for them.◆

THE WHITE HOUSE
WASHINGTON

July 19, 1994

MEMORANDUM FOR JOHN PODESTA

THROUGH: TIM SAUNDERS

FROM: DAVID KALBAUGH DK

The attached informational memo has been reviewed. We are submitting it to you for information only. No action is required of the President.

original to RM
cc to Bob Bell

THE WHITE HOUSE

WASHINGTON

July 14, 1994

94 JUL 19 A9:2

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ALPHONSO MALDON, JR. Amy
DEPUTY ASSISTANT TO THE PRESIDENT AND
DIRECTOR, WHITE HOUSE MILITARY OFFICE

SUBJECT: General Officer Nomination

On January 16, 1993, former President Bush nominated Brigadier General William E. Murphy and Colonel Darrel P. Baker to the grades of major general and brigadier general, in the Reserve of the Army. On February 19, 1993, the Senate Armed Services Committee forwarded to the Department anonymous allegations concerning these officers. The allegations were investigated by the Department of the Army Inspector General. The Secretary of the Army recently advised that the investigation is complete and no allegations concerning these officers were substantiated.

The attached letter (Tab A) has been forwarded to the Chairman of the Senate Armed Services Committee by the Under Secretary of Defense (Personnel and Readiness).

Attachment

UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

PERSONNEL AND
READINESS

Honorable Sam Nunn
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

13 JUL 1994

Dear Mr. Chairman:

I am writing in reference to the nominations of Brigadier General William E. Murphy and Colonel Darrel P. Baker, members of the Texas National Guard. These officers were among the 27 officers nominated by former President Bush for appointment to the grades of major general and brigadier general, in the Reserve of the Army.

On February 19, 1993, you brought to the attention of the Secretary of Defense, allegations concerning these officers. The allegations were investigated by the Department of the Army Inspector General. I am informed the Deputy Inspector General recently provided you a copy of the report of investigation. No allegations concerning these officers were substantiated. To the Department's knowledge, there are no pending investigations of alleged adverse information concerning these officers.

Thank you for facilitating the confirmation of pending nominations.

Sincerely,

Edwin Dorn

COOK & COMPANY
political analysis

THE COOK POLITICAL REPORT

1994 GOVERNOR RACES RATINGS

7/19

To Ricki Seidman
Return to Dreyer

SOLID DEM	LIKELY DEM	LEAN DEM	*TOSS UP*	LEAN REP	LIKELY REP	SOLID REP
21 DEMOCRATIC- HELD SEATS						
(1) Dean (VT)	(1) Nelson (NE)	(9) Folsom (AL) King (NM) Romer (CO) B. Miller (NV) Z. Miller (GA) Tucker (AR) ID (Andrus) OR (Roberts) WY (Sullivan)	(8) Chiles (FL) Cuomo (NY) Richards (TX) KS (Finney) MD (Schaefer) OK (Walters) PA (Casey) TN (McWherter)	(2) Sundlun (RI) HI (Waihee)		
			13 REPUBLICAN- HELD SEATS			
			(6) Branstad (IA) Carlson (MN) Symington (AZ) Wilson (CA) ME (McKernan) SC (Campbell)	(3) Edgar (IL) Engler (MI) SD (W. Miller)	(1) Weld (MA)	(3) Merrill (NH) Thompson (WI) Voinovich (OH)
			2 INDEPENDENTS			
			Hickel (AK)	CT (Weicker)		

Current Gubernatorial Lineup: 29 Democrats, 19 Republicans, 2 Independents.
Governors whose names are in parentheses are retiring or lost their primaries.

WHAT'S INSIDE
July 7, 1994

NATIONAL OVERVIEW

Not since 1980 have the congressional election stakes been so high. In all probability, conservatives will claim effective control of both the House and Senate after November, and outright Republican control of the Senate, and to a lesser extent the House, is no longer just a gleam in the GOP's eye.

Though there's no endangered incumbent president appearing on the ballot this year, in some respects 1994 looks even more foreboding for Democrats than did 1980 at this point in the cycle, in that the bottom didn't fall out for Democrats that year until the last few days before the election. This year, things are looking dark for the party five months out. While it is entirely possible that this election will not live up to its advance billing, the imbalance in pick-up

Continued next page

THE WHITE HOUSE
WASHINGTON

DATE: 7/19/94

TO: Leon Panetta
Mark Gearan
Ginny Trezano

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

THE WHITE HOUSE

WASHINGTON

94 JUL 19 P4:36
July 19, 1994

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE

SUBJECT: Presidential Statement on the Anniversary of the House Arrest of Daw Aung San Suu Kyi

Purpose

To issue a statement on the anniversary of the house arrest of Daw Aung San Suu Kyi.

Background

Wednesday marks the fifth anniversary of the house arrest of Aung San Suu Kyi, the symbol of the democratic movement in Burma.

While Burmese strongman Khin Nyunt has recently indicated he will meet with Suu Kyi, we have little indication that the regime would be prepared to consider her unconditional release in the foreseeable future. Moreover, the regime continues to consolidate its position and the democratic opposition has been rendered largely ineffective due to fierce repression in recent years.

Despite the limited prospects for reform, we have urged the UN Secretary General to appoint a special envoy to encourage dialogue between Aung San Suu Kyi and the regime and have called upon ASEAN governments to urge dialogue with Aung San Suu Kyi as well as her unconditional release. We have also urged governments that provide (or permit companies in their countries to provide) arms to Burma to prevent such transfers.

On the humanitarian side, AID has instructed its mission in Bangkok to allocate some $1 million to provide assistance to displaced Burmese on both sides of the border, and we continue to provide assistance to Burmese refugees in Bangladesh.

cc: Vice President
Chief of Staff

RECOMMENDATION

That you approve the attached Presidential statement on the anniversary of the house arrest of Daw Aung San Suu Kyi.

Approve ______ Disapprove ______

Attachment
Tab A Presidential Statement

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release July 19, 1994

STATEMENT BY THE PRESIDENT
ON THE FIFTH ANNIVERSARY
OF THE HOUSE ARREST OF AUNG SAN SUU KYI

July 20 marks the fifth anniversary of the detention of Daw Aung San Suu Kyi, the leader of the democratic opposition in Burma and a symbol of human rights and democracy worldwide.

The remarkable resurgence of democracy in so many parts of the world in recent years demonstrates that authentic voices of freedom cannot be stilled and will ultimately triumph. Aung San Suu Kyi reflects the fundamental yearning of the Burmese people for freedom and justice and honors the memory of her father Aung San, the founder of modern Burma. She continues to embody the hopes of the people of Burma for an end to the military dictatorship and the re-establishment of popular, representative government.

I urge the Burmese military regime to heed the will of its own people by releasing unconditionally Aung San Suu Kyi and all other remaining prisoners of conscience in Burma, by honoring the results of the 1990 election and by undertaking genuine democratic reform. In furtherance of such reform, the regime should also begin a substantive dialogue with Aung San Suu Kyi aimed at achieving a political settlement that respects the sentiments of the people of Burma.

This issue remains a priority for my Administration. For this reason, we welcome any efforts by the international community and by Burma's neighbors to encourage genuine reforms. The United States also looks forward to discussing these vital issues later this month during the ASEAN Post-Ministerial Conference in Bangkok, where we will seek an intensified effort to gain the release of Aung San Suu Kyi and other political prisoners as well as genuine democratic reform.

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
7/17/94

94 JUL 15 P7:12

July 15, 1994

MEMORANDUM FOR THE PRESIDENT

FROM: CHRISTINE A. VARNEY
Secretary to the Cabinet

SUBJECT: Summary of Weekly Cabinet Reports
July 15, 1994 through July 22, 1994

CABINET-WIDE ACTIVITY

SOUTHEASTERN FLOODS

Recovery from the southeastern floods continues. Members of the Administration continue to travel to the region to follow up your successful visit Wednesday, to ensure that the federal response continues to be effective and to provide appropriate grants and loans. Secretary Pena and Administrator Bowles are in Georgia today.

HEALTH CARE SUMMARY

This week, members of the Cabinet and their Chiefs of Staffs participated in a two hour health care strategy session led by Leon Panetta, Harold Ickes, and Pat Griffin. Over the next two weeks, the Cabinet will take part in an ambitious schedule of over 100 editorial board briefings, reaching out to newspapers in every major city in the country. At the end of the month, the Cabinet will travel on the Health Security Express bus tour organized by allied groups.

CRIME BILL

The Attorney General is actively engaged in discussions with Members of Congress, especially the Congressional Black Caucus Members, regarding the conference report. In addition, she is participating in crime media and events, including a community policing event this weekend in Richmond and a speech to the National Organization of Black Law Enforcement Officers. Director Lee Brown will also address the group this weekend. In addition, between today and Tuesday, Secretaries Reich and Cisneros are conducting interviews with major newspaper editorial boards in the districts of Congressional Black

Caucus Members. Secretary Reich traveled to Chicago today to participate in an event highlighting the youth programs in the bill.

SCHOOL-TO-WORK

Today, the Departments of Labor and Education jointly announced first-year awards to states for implementation of School-to-Work programs within the next few days. The following states are receiving awards: Kentucky, Massachusetts, Michigan, New Jersey, New York, Oregon, Maine and Wisconsin.

** ** ** **

DEPARTMENT SUMMARIES

Department of Commerce

- **Diversity Plan:** Secretary Brown will announce Commerce's major new Diversity Plan geared to effect short-term and long-term changes within the Department. The results-oriented Plan is the product of months of study and discussion. Minority constituencies have been vocal regarding diversity concerns in the Administration and specifically at Commerce.

- **Economic Development Administration (EDA) Grants:** Commerce's EDA will announce a total of $4.5 million in economic development grants next week.

Department of Transportation

- **Haiti:** Transportation's Haitian interdiction process rescued 6,361 people during 136 interdictions this week. Since the Migrant Processing Center was activated last month, more than 19,000 Haitian immigrants have been interdicted. Over one thousand vessels have been boarded and 114 diverted.

- **Soo Line Strike:** On July 14, the United Transportation Union initiated a strike against the Soo line Railroad. Neither side is interested in federal intervention at this time.

Department of Justice

- **Fax Paper Price Fixing Case:** Yesterday, the Department filed its first case in its ongoing criminal investigation of price fixing by Japanese and American fax paper suppliers. These cases are significant because they include pleas by a Japanese corporation and a Japanese national, involve fines totaling more than $6.5 million,and are the culmination of a joint investigation by U.S. and Canadian antitrust authorities.

- **Gasoline Suit:** The American Petroleum Institute has informed the Environmental Protection Agency that it intends to challenge the Agency's renewable oxygenate requirement for reformulated gasoline.

Health and Human Services

I need to see this — ruling on this must not stop waivers

- **Court of Appeals Orders HHS to Reconsider Waiver:** On July 12, the U.S. Court of Appeals held that the Department failed to comply with the Administrative Procedures Act when, in 1992, it approved a welfare waiver for California. The court ordered the Department to reconsider the proposed demonstration, the core element of which is a 6.3% reduction in AFDC benefits. In addition to the implications with respect to California, the decision is relevant to current deliberations regarding proposed Department policies and procedures for reviewing waiver requests.

- **Household Survey of Drug Abuse Results to be Released:** On July 20, Director Lee Brown and Secretary Shalala will hold a press conference to announce the findings of the Household Survey of Drug Abuse, conducted by the Substance Abuse and Mental Health Services Agency. The survey shows that rate of illicit drug use has remained flat during the 1990s, with roughly 11.7 million Americans reporting use in 1993. However, the number of people who use cocaine on a weekly basis, 500,000, is at its highest level since 1985.

Why

- **Florida Medicaid Waiver:** The Department is in its final stages of negotiations with Florida on their request to implement the Florida Health Security Program through a waiver. Florida's program would provide insurance to 1.1 million uninsured persons at or below 250 percent of the poverty level. Significant remaining issues are budget neutrality and the state's plan to use insurance agents to sell policies:

  - Budget Neutrality: The Department is seeking agreement on a methodology to ensure that Florida spends no more under the waiver than it would have in the absence of a waiver. The Department has been concerned that Florida's estimate of what they would spend in the absence of a waiver is too high and entails a significant budget risk. HCFA and Florida are discussing options and hope to reach an agreement soon.

  - Use of Insurance Agents: Florida plans to use insurance agents to sell health plans under its Florida Health Security program. The Justice Department has indicated that Florida's plan would violate the Medicare/Medicaid anti-kickback statute. There is, however, a Departmental process by which a safe harbor could be created by regulation after a finding that there is no danger of fraud and abuse in the plan. The Department is examining this issue closely.

Don't let them stop it

- **HCFA Investigation of Humana:** The Health Care Financing Administration has initiated an investigation of Humana Medical Plan, Inc., in its South Florida and Tampa markets. The investigation is focused on Humana's ability to meet statutory requirements related to quality, access, and management. The investigation is based on complaints submitted by plan members, HCFA's analysis of Peer Review Organization (PRO) data identifying problems, and the PRO's concerns about Humana's reactions to confirmed quality problems. Humana has been notified of the investigation. Problems with health maintenance organizations in South Florida have been receiving extensive media coverage recently.

- **NIH Meeting on Cooperative Research and Development Agreements:** On Thursday, July 21, the National Institutes of Health will sponsor a public meeting focusing on the Cooperative Research and Development Agreements that NIH routinely approves with private industries to speed technology transfer. These agreements contain "reasonable pricing" clauses for newly-approved drugs and technologies. Last week, the Regulation, Business Opportunities and Technology Subcommittee (chaired by Representative Ron Wyden) of the House Small Business Committee heard testimony that drugs developed with federal funds are often priced much higher than those developed with industry funds due to lack of federal oversight. This subject is likely to be revisited during the NIH public hearing.

- **AIDS Transmission through Artificial Insemination:** *People* magazine is developing an article on the transmission of the HIV virus through artificial insemination. According to the Centers for Disease Control and Prevention, there is the possibility that seven cases of HIV in the United States are attributable to the artificial insemination of contaminated semen. CDC has in place strict guidelines concerning the testing of donated semen for the HIV virus. The Department does not know when this story might run.

Housing and Urban Development

Thought I was doing it too.

- **Innovative Homeless City in Miami**: On Monday, Secretary Cisneros will participate in an event to launch the Innovative Cities Program in Miami. HUD will provide $15 million, which will be combined with local resources to provide a "continuum-of-care" system to move homeless people into permanent housing in Miami. This program is unique in that it is performance-based; Miami will have to repay the HUD funds unless it can demonstrate reductions in measurable criteria concerning homelessness. You will mention this new program in your *Miami Herald* editorial board meeting.

Veterans Affairs

- **World War II Civilian Support Crews granted veteran status:** This week, Secretary Brown announced that two World War II civilian groups that provided critical support to U.S. military efforts during World War II have been granted veterans status. Based on a recent decision by the Secretary of the Air Force, civilian flight crew and ground support employees of Northwest Airlines who served overseas under a contract with the military, and U.S. civilian employees of the U.S. Army Nurse Corps who served in the defense of Bataan and Corregidor are now potentially eligible for veterans benefits.

- **Veterans Persian Gulf War Benefits Act:** On Thursday, July 21, the House Veterans Affairs Committee will mark up the bill that would provide compensation to Persian Gulf veterans with undiagnosed illnesses.

Environmental Protection Agency

- **Common Sense Initiative:** On Wednesday, July 20, Administrator Browner will formally launch the Common Sense Initiative. This program is an effort to fundamentally change the way EPA carries out environmental protection in the country by bringing together industry, environmentalists, state and local governments and other stakeholders to redesign regulation on an industry-by-industry basis. The goal is to achieve better environmental protection at less cost to industry.

- **Superfund:** Speaker Foley made clear this week in his intention to bring the Superfund reform bill to the House floor prior to the August recess. EPA has received signals from the Senate that it intends to bring the bill to the floor shortly after the August recess.

Department of Energy

- **India Trip:** Secretary O'Leary reports that her trip to India made extraordinary progress in the areas of government-to-government relationships, job creation, competitiveness, sustainable development and environmental protection. Eleven new private sector ventures were concluded during the visit. Including an agreement between Solec International of California and Pentafour Solec Technology Limited of India that created 150 new jobs in California and will provide non-polluting power sources to India. Secretary O'Leary will forward a detailed report on the trip upon her return.

- **Energy Policy Act Controversy Regarding Foreign Firms:** The Energy Policy Act includes a provision that establishes criteria by which foreign firms can compete for DOE research and development funds. The provision sets forth employment, manufacturing and investment criteria, and the country in which the firm is incorporated must provide U.S. with firms similar opportunities. The Department has permitted a foreign-owned firm to compete in an eight-year $700 million gas turbine program -- an action which was opposed by several prominent Members of Congress. The National Economic Council and the Council of Economic Advisors have chaired two meetings with the Department and other affected agencies; all parties support the decision as consistent with Administration economic and trade policy.

Department of Agriculture

- **Pathogen Reduction Legislation:** The Department's proposed Pathogen Reduction legislation is likely to receive interagency clearance next week and will immediately be sent to Congress. The proposal contains many significant new authorities, such as mandatory recall, civil penalties and traceback that will strengthen the overall food safety efforts at the Department. There is intense Congressional, consumer and industry interest in the proposal, which will be the subject of a hearing before Senator Daschle's subcommittee next week.

- **Crop Insurance Reform:** Next week, a controversial amendment to the Crop Insurance Reform bill is expected to be offered by Congressman Tim Penny at the full House Agriculture Committee mark-up. The reform bill already passed by the subcommittee requires the Appropriations Committee to fund a portion of the program proposed in the reform bill. The Penny amendment would eliminate this requirement by imposing substantial reductions in incentives to farmers and in expense reimbursements to insurance agents. The Department is working with all parties to resolve this emerging problem.

Department of State

- **Congressional Consultations:** Secretary Christopher, accompanied by Secretary Perry, NSC Advisor Lake, Ambassador Albright, and JCS Chairman Shalikashvili met July 13 with key Senators and House Members to consult on Haiti, North Korea and Bosnia. In the House, Members urged extreme caution regarding Haiti. Members saw North Korea as the most serious of the current situations. The Members believe we will face a major battle for approval of peacekeepers in Bosnia. In the Senate, Members drew connections between Haiti, Bosnia and North Korea by raising questions of cost, troop availability, and military capacity.

- **Bosnia:** Tuesday, July 19 is the deadline for formal response to the Contact Group's proposal. Although they are far from an accord, there are a number of indications that we must give some thought to U.S. involvement in implementation of an agreement. The State Department is undertaking a review to ensure that we will be ready to respond quickly if a settlement is reached.

Department of Defense

- **Helicopter Shootdown Release:** Wednesday's news conference with Secretary Perry and General Shalikashvili was preceded by detailed briefings to the families, key Congressional leaders and representatives of the foreign governments, as well as personal phone calls to the MOD's and Chiefs of Defense. It is still early to fully evaluate the reaction, but there has been a general expression of appreciation regarding the openness of the report and the way we proceeded with the investigation.

- **Korea:** DoD has received support from Senator McCain for DoD deployment of radar equipment to the ROK. The Senator is also urging the shipment of additional MLRS Units. DoD is in agreement that deployment may be necessary if tensions escalate, but we must move carefully in view of ROK sensitivities.

- **Floods & Fires:** There are 3,096 Army National Guard soldiers currently serving on state active duty supporting the flood operation. Also, Eight C-130's and 125 personnel from the Air Force Reserve and Air National Guard have been providing fire fighting support in California and Arizona.

United Nations

- **Iraq Sanctions Rollover:** Barring a major concession by Iraq before the July 18 sanctions review, we expect a smooth rollover of sanctions. The French and Russians may again express interest in recognizing Iraqi "progress" in a Council Presidential statement, but we foresee no difficulty in blocking such an attempt.

United States Trade Representative

- **Uruguay Round Implementation:** Ambassador Kantor met with Congressional leadership on Uruguay Round funding and with Senate Finance and House Ways and Means in walk-throughs and executive session. Ambassador Kantor also held a conference call with CEOs and met with AFL-CIO Sec-Treasurer Donahue on UR implementation.

HAITI

Radio democracy will begin broadcasts to Haiti from U.S. military planes July 15. Air France has announced plans to terminate passenger service to Port-au-Prince on August 1. In preparation for the cut-off, we are looking at other means of supporting Embassy operations, refugee departures and delivery or urgent humanitarian supplies. Congressman Richardson is proceeding with plans to travel to Haiti and will meet with General Cedras this weekend. Bill Gray expects the Congressman to support our policy in his talk with Cedras. DoD has approximately 15 countries ready to contribute forces to the UN force, but they will provide only several thousand military personnel and police. The U.S. will comprise the majority of the force, which may complicate passage of a Security Council mandate.

RWANDA

The Rwandan Patriotic Front (RPF) is closing in on Gisenyi, headquarters of the interim Government forces. Their advance is producing a massive new wave of refugees. Over 100,000 Rwandans crossed into Zaire during the night of July 13-14; there are fears the numbers could reach two million. We are engaged in emergency meetings with humanitarian relief organizations and are urging the RPF to work out a cease-fire.

cc: Vice President Gore
Leon Panetta
Mack McLarty

THE WHITE HOUSE
WASHINGTON

[redacted]

DATE: 7/17/94

NOTE FOR: Harold Ickes

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

Information ☐

Action ☒

[redacted]

Thank you.

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

[redacted] cc:

THE PRESIDENT HAS SEEN
7/17/94

THE WHITE HOUSE

WASHINGTON

July 14, 1994

94 JUL 15 P1:53

MEMORANDUM FOR THE PRESIDENT
THE VICE PRESIDENT
THE FIRST LADY
LEON PANETTA

FROM: HAROLD ICKES

SUBJECT: ~~Time buy for~~ health care TV & radio ads

See me on this ASAP — B

Beginning today (14 July) health care TV spots will be up in the following states which are considered key swing Senate states:

Nebraska
North Dakota
Nevada
Wisconsin
Washington, D.C./Northern Virginia

In addition, radio spots will also begin running in the following states:

Nebraska
North Dakota
Wisconsin
Alabama
Virginia
Colorado

cc: George Stephanopoulos
Jack Quinn

THE PRESIDENT HAS SEEN
7/17/94

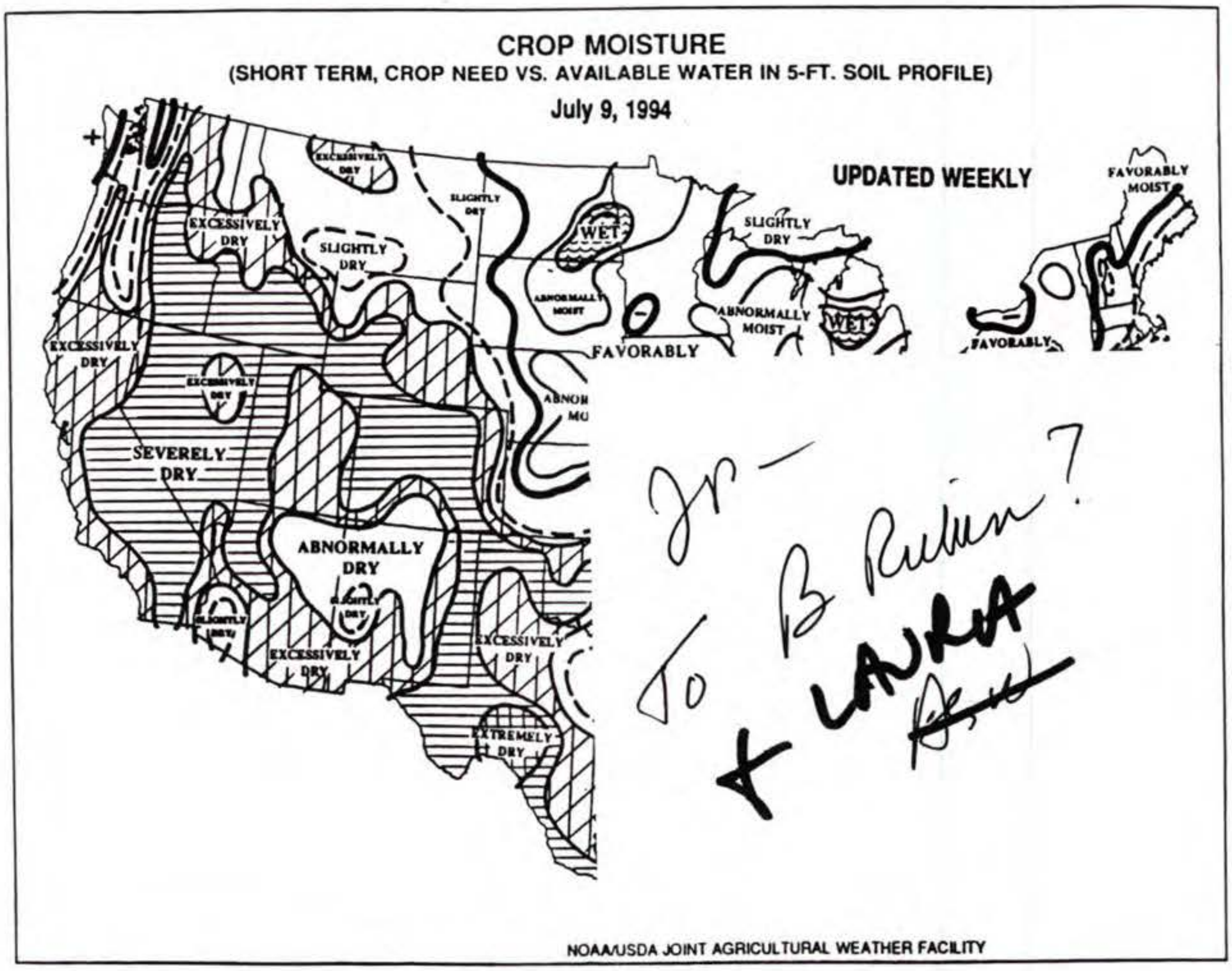
'94 JUL 14 P10:17

WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

Prepared by the Council of Economic Advisers
with the assistance of the Office of the Vice President

July 15, 1994

CHART OF THE WEEK



Jp —
To B Rubin?
+ LAURA

Crop moisture is good throughout much of the Midwest. In contrast, most of the West and Southwest is dry, in some places severely so. The main concentrations of excessive moisture are in the Southeast and some parts of the upper Midwest. USDA is predicting a good harvest this year, especially for corn and other feed grains. Production appears to be recovering nicely from the effects of last year's flooding in the Midwest.

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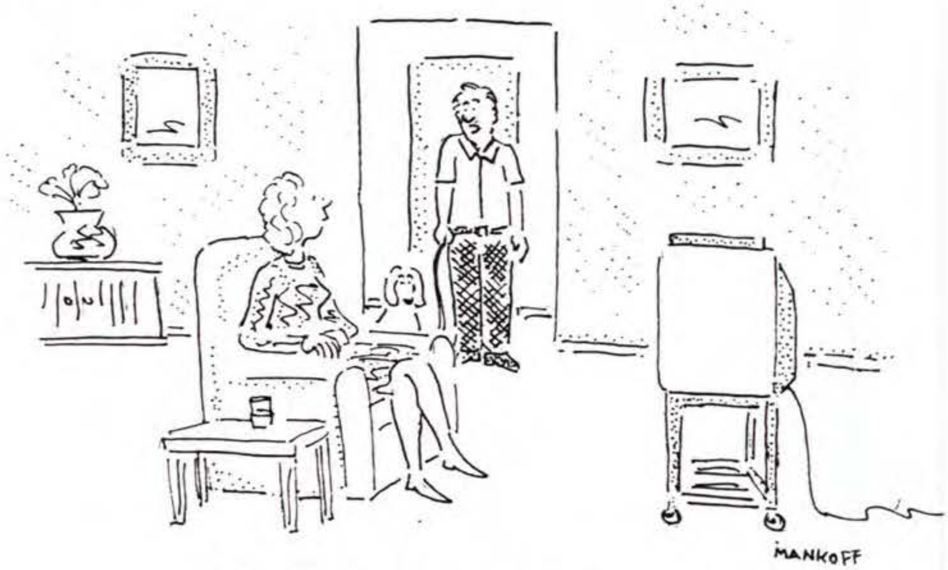


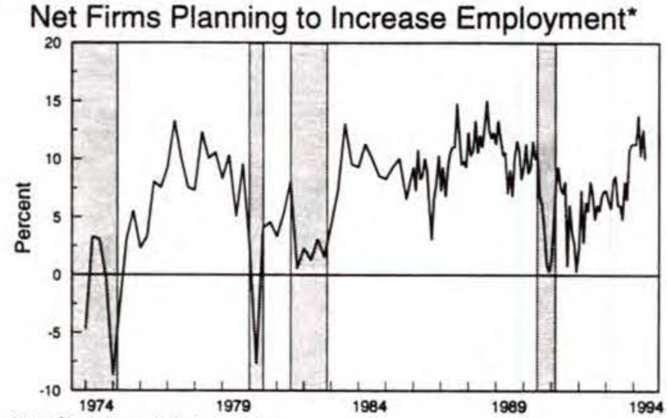
"The Fed take any recovery-fighting measures while we were out?"

CURRENT DEVELOPMENT

Small Business Hiring Plans Remain Strong

Small businesses will continue to hire workers aggressively, according to a June survey of members of the National Federation of Independent Business. Eighteen percent of the firms in the survey plan to increase employment during the next three months, while only 8 percent intend to trim employment. The net reading of 10 percent remains well within the range that prevailed during the expansion of the 1980s, and considerably above the levels recorded during the early phases of the current recovery (see chart).

Net Firms Planning to Increase Employment*



Note: Shaded areas indicate recessions.

* Firms planning an increase in employment minus firms planning a decrease, as a percent of total firms responding to survey.

Analysis. These results reinforce other recent indications of continuing strength in the labor market. For example, a recent survey by Manpower, Inc. of employers' hiring plans was similarly upbeat. More importantly, payroll employment rose more than 1 million in the second quarter.

<u>CURRENT DEVELOPMENT</u>

Job Growth Can Go Hand in Hand with Productivity Gains

Labor productivity in the manufacturing sector rose rapidly during the 1980s, while employment fell. Modern-day Luddites have used that fact, and high-visibility news accounts of corporate layoffs, to argue that productivity growth inevitably comes at the expense of employment. A recent study published by the National Bureau of Economic Research, however, refutes that argument.

Reviewing the experience of 140,000 manufacturing plants, the study finds that plants where productivity rose during the 1980s were more likely to add jobs than shed jobs (see box).

Plants with Growing Productivity
(percent of total)

Plants <u>adding</u> workers:	55 percent
Plants <u>shedding</u> workers:	45 percent

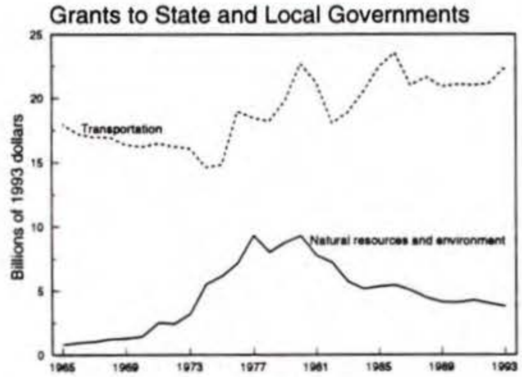
Analysis. Any well-functioning market economy continually redirects workers toward their most valuable uses. As a result, "downsizing" at some firms is to be expected. But downsizing is not the only cause of productivity gains. Technological innovation—which can yield both productivity gains and job growth—is also important.

SPECIAL ANALYSIS

How Much More Infrastructure Does One Federal Dollar Buy?

The Federal government spent more than $25 billion in 1993 on highways, mass transit systems, water treatment facilities, and other infrastructure projects undertaken by State and local governments (see chart for trends in spending for transportation projects and natural resources and environment projects).

Grants to State and Local Governments



Much of this money was funnelled to the State and local governments through grant programs that require the recipient government to match Federal dollars with money of their own. For example, the Federal highway program requires State governments to contribute 20 percent of total project costs. Typically, grant programs also cap the annual amount of Federal support a government can receive from a given program.

Does Federal spending really cause State and local governments to undertake more infrastructure investment? The answer is yes, but the short-run effects of Federal grants for State and local infrastructure investments are considerably larger than the long-run effects. In the first year of a new or expanded program, additional Federal spending increases infrastructure investment substantially. But in the long run, each additional dollar of Federal spending generates only 30-40 cents of additional infrastructure investment. Other earmarked Federal grant programs have similar long-run effects.

Why is the long-run impact so low? Once the cap on Federal grants is reached, State and local governments must bear the full cost of additional infrastructure projects. Therefore, the Federal program does not really reduce the cost of additional infrastructure to a State or local government; it simply represents a source of funding. If instead the Federal grant programs reduced the cost of additional infrastructure, they would have a greater impact on State and local infrastructure investment. Evidence from the Federal highway program is germane. Most States spend more than the amount required to receive the maximum allowable Federal highway grant.

How could we get more bang for the buck? An NEC working group is exploring issues related to Federal financing of infrastructure investment. Changes in the structure of grant programs could increase the impact of Federal outlays and boost the level of spending by State and local governments for infrastructure. One method for accomplishing this goal would be to ensure that Federal grant programs focus on reducing the cost of <u>incremental</u> infrastructure investment.

This is worth working on — Seems to have real potential

ARTICLE

The Double Dividend from Taxing "Bads"

Some individuals and businesses engage in activities that impose costs on others in society. For example:

- Each individual rush-hour driver slows the progress of everyone else wanting to use the same roadway at the same time. Congestion costs, including excess commuting time and wasted fuel, have been estimated at more than $30 billion per year nationwide.
- Smokers require additional health care that they do not always pay for themselves, and subject others to the hazards and discomforts of second-hand smoke. They also drive up group life insurance premiums, take extra sick leave, and cause property loss from fires. On net, excluding the cost to smokers themselves (which are much higher), the various costs that smokers impose on others have been estimated at roughly 33 cents per pack of cigarettes.
- Similarly, drinkers require extra medical care that they do not always pay for themselves, and drunk drivers pose a great danger to others who use the roadways. (45 percent of all traffic fatalities in 1992 were alcohol-related.) Overall, the external costs of alcohol consumption have been estimated at about 70 cents per ounce of alcohol, or about $2.20 per six-pack of beer.

Provided they are set at an appropriate level, taxes are one way to discourage private activities that impose substantial costs on others. They achieve this objective by making individuals and businesses confront the "all-inclusive" cost of such activities.

Getting the tax right. From a purely economic perspective, taxes on such activities should be calibrated to offset their social costs. For example, highway tolls should be set to recoup the monetary cost that each driver imposes on others through increased congestion and pollution. And alcohol taxes should be set to confront each drinker with the full cost of his/her behavior, including health, insurance, and property damage consequences. But it can be difficult to choose the right tax rate and to administer and ensure compliance with the tax.

The "double dividend." The revenues generated by taxing "bads" can be used in ways that yield additional benefits. For example, revenues from an increased tax on pollution could be used to fund new public investment. Or, they could be used to fund reductions in tariff rates or other taxes with no net loss of government revenues.

Recent initiatives. Taxes on "bads" have attracted considerable attention recently in the American environmental community. This week, a conference sponsored jointly by the Environmental Protection Agency and the Council of Economic Advisers focused on the possible role of "greenfees" or "ecological taxes" in reducing the "externalities" polluters impose on the rest of society.

Greenfees are also a hot topic in Europe. For example, the recent White Paper on Employment issued by the European Commission proposes to shift part of the tax burden away from payroll taxes—which the Commission views as excessively high in some countries—toward greenfees such as pollution taxes.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Bretton Woods Report Calls for Reform. The Bretton Woods Commission, chaired by Paul Volcker, issued a report last week calling for changes in the role of the International Monetary Fund (IMF) and the World Bank Group. The report encouraged the World Bank Group to focus on long-term development issues, giving special attention to areas in which the private sector has failed, such as investment in infrastructure and human resources, relief of poverty, and support of environmentally sustainable development. In contrast, the report recommended that the IMF concentrate its attention on the international monetary system and macroeconomic adjustment issues, including exchange-rate volatility and macro policy coordination.

Exports of Autos to Mexico Surge. During the first six months of the North American Free Trade Agreement, exports of automobiles and trucks from U.S. and Canadian subsidiaries of the "Big Three" to Mexico increased dramatically. In January through June of 1994, these exports totalled 23,275 vehicles—more than 6 times the number of units that were exported during the same period last year.

Employees Gain Control of United Airlines. The shareholders of UAL Corporation, the parent of United Airlines, approved a buyout that will make UAL the second largest employee-owned company in the United States. The workers received a 55 percent stake in the company in exchange for wage and work-rule concessions valued at $4.9 billion spread over 6 years. Even though the company currently is showing an operating profit, United sees the restructuring as necessary to ensuring its future ability to compete with low-cost rivals. The negotiated change in work rules will allow the creation of "an airline within an airline," called the United Shuttle (see Weekly Economic Briefing July 1, 1994), that will be able to go head-to-head against Southwest.

Heavy Truck Sales Set Record. Sales of heavy trucks set an all-time record in June of 17,247 units. Deliveries for the first half of 1994 are up more than 19 percent over the first half of 1993, and are on track to approach the record level of 173,000 units set in 1979. Major truck makers have been working near capacity to keep up with demand, and order books are filled into the first part of next year for the heaviest class of trucks. The industry sees no signs of a slowdown in demand, but the UAW walkout at Caterpillar might have some impact on supply.

RELEASES THIS WEEK

Producer Price Index

The producer price index for finished goods was unchanged in June. Excluding food and energy, the index edged down 0.1 percent.

Consumer Price Index

The consumer price index rose 0.3 percent last month. Excluding food and energy, consumer prices also rose 0.3 percent.

Retail Sales

Retail sales increased 0.6 percent in June. Excluding sales in the automotive group, retail sales were up 0.4 percent.

Industrial Production

The index of industrial production rose 0.5 percent in June. Total capacity utilization was up 0.3 percentage point to 83.9 percent.

MAJOR RELEASES NEXT WEEK

U.S. International Trade in Goods and Services (Tuesday)
Housing Starts (Wednesday)

Industrial production and capacity utilization data **embargoed until 9:15 a.m., July 15, 1994 (Friday)**.

U.S. ECONOMIC STATISTICS

	1970–1993	1993	1993:3	1993:4	1994:1
Percent growth (annual rate)					
Real GDP	2.5	3.1	2.9	7.0	3.4
GDP deflator	5.6	2.2	1.6	1.3	2.6
Productivity					
Nonfarm business	1.2	1.7	3.5	6.1	1.3
Manufacturing (1978-93)	2.3	4.8	2.6	7.9	6.9
Real compensation per hour	0.6	–0.3	1.2	–0.5	3.1
Shares of Real GDP (percent)					
Business fixed investment	11.0	11.5	11.6	12.0	12.1
Residential investment	4.7	4.2	4.1	4.3	4.4
Exports	8.0	11.6	11.5	11.9	11.7
Imports	9.2	13.1	13.2	13.5	13.7
Shares of Nominal GDP (percent)					
Personal saving	4.8	3.0	2.8	3.0	2.6
Federal surplus	–2.8	–3.5	–3.3	–3.2	–2.5

		1993	Apr. 1994	May 1994	June 1994
Unemployment Rate	6.7*	6.8*	6.4	6.0	**6.0**

*Figures beginning 1994 are not comparable with earlier data. The 1993 unemployment rate is estimated to have been 7.4 percent on a basis comparable to the 1994 data.

Payroll employment (thousands)					
increase per month			**401**	**252**	**379**
increase since Jan. 1993					**3840**
Inflation (percent per period)					
CPI	5.8	2.7	0.1	0.2	**0.3**
PPI-Finished goods	5.0	0.2	–0.1	–0.1	**0.0**

New or revised data in **boldface**.

FINANCIAL STATISTICS

	1992	1993	May 1994	June 1994	July 14, 1994
Dow-Jones Industrial Average	3284	3522	3708	3738	3739
Interest Rates					
3-month T-bill	3.43	3.00	4.14	4.14	4.30
10-year T-bond	7.01	5.87	7.18	7.10	7.25
Mortgage rate, 30-year fixed	8.40	7.33	8.60	8.43	8.72
Prime rate	6.25	6.00	6.99	7.25	7.25

INTERNATIONAL STATISTICS

Exchange Rates	**Current level July 14, 1994**	**Percent Change from Week ago**	**Percent Change from Year ago**
Deutschemark-Dollar	1.553	–1.3	–9.5
Yen-Dollar	98.2	–0.6	–8.4
Multilateral (Mar. 1973=100)	88.33	–1.3	–6.5

International Comparisons	**Real GDP growth (last 4 quarters)**	**Unemployment rate**	**CPI inflation (last 12 months)**
United States	3.8 (Q1)	6.0 (Jun)	2.5 (Jun)
Canada	3.4 (Q1)	10.7 (May)	–0.2 (May)
Japan	–0.0 (Q1)	2.8 (May)	0.8 (Apr)
France	1.0 (Q1)	12.4 (Apr)	1.7 (May)
Germany	1.6 (Q1)	6.6 (Apr)	3.0 (May)
Italy	0.3 (Q4)	11.2 (Oct)	4.0 (May)
United Kingdom	2.9 (Q1)	9.6 (May)	2.5 (May)

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On the Far Right, GOP Opportunity Knocks ...

Richard Cohen

The last time I met William Bennett was at a television studio where we were to debate some issue—I forget what. I also cannot remember exactly what I said that prompted Bennett to unfairly put me down as insensitive to African Americans. What I do remember, though, is that his rebuttal stung and, in television terms, he wiped the floor with me. 'Twas then that I realized Bennett is an opportunist.

Now opportunity knocks with conservative Christian activists. Bennett has emerged as their defender and foremost champion—although the pandering competition in the GOP has produced a tough field. Bennett, though, has exotic credentials—a doctorate and a Harvard pedigree. He is, in short, a worldly man who for some reason has become the champion of the political right. Could that reason be an interest in seeking the GOP presidential nomination?

Bennett says he's not yet sure of his plans. In the meantime, though, he has won a presidential straw poll in Texas and recently had the courage to write in defense of Rush Limbaugh—the beleaguered radio and television personality with only 648 radio and 250 television outlets and something like 6 million books in print.

Before that, he used the op-ed page of The Post to defend conservative Christians against "an extraordinary campaign of bias and prejudice." He cited the harsh words of Texas Gov. Ann Richards and Rep. Vic Fazio (D-Calif.), chairman of the Democratic Congressional Campaign Committee. Those examples, while colorful, did not constitute either bias or prejudice.

Still, Bennett has a point about some other critics. Few members of what the Brits call the chattering class hail from conservative Christian backgrounds. Thus, fundamentalists and Pentecostals are often lumped together, and the wildest sayings of any spokesman can be attributed to everyone under what, after all, is a pretty big tent. At the same time, an ugly and somewhat McCarthyesque kind of "linked to" mentality infects some writings about conservative Christians. The presence of one crackpot can be used to soil an entire event. It ain't fair.

But if Bennett, Dan Quayle, Dick Cheney and Bob Dole—all presumptive presidential candidates—really want to deal with prejudice and bigotry, they ought to say something about the sweeping and ugly homophobia that is a staple of the conservative Christian political movement. I double-dare any of them to, just once, state that there is nothing incompatible between family values and tolerance of homosexuals. As Rep. Barney Frank (D-Mass.) recently said on the floor of the House, he cannot figure out how his living with another man threatens another family. His point is well taken. I like Frank a lot, but I can't see leaving my wife for him.

At the same time, it would be refreshing for Bennett and the Boys to concede that conservative Christian political activists are not just the most incredibly moral people whom only a bigot would criticize. Well-meaning or not, they have a political agenda. In some cases, it's creationism, whose adherents, of course, are their own worst argument. But the political agenda always entails opposition to abortion and a restoration of school prayer. These are basic constitutional issues—settled ones, as it happens—that would, if they were reversed, mean the loss of rights or protections for many Americans.

Another issue that animates politically active Christian conservatives is pornography. Admittedly, it's hard to defend but it's even harder to define. It is, in fact, a byproduct of the conservative doctrine (subscribed to by all liberals) that the best government is the one that governs least—when it comes to First Amendment rights. All things considered, I'd like to make the reading choices for me and my family and not leave the decision to some crusading DA.

For some time now, the United States has been going through what might be called a Weimar period. That was the inter-war era in Germany when, among other things, an essentially conservative populace felt beset by a confusing and repugnant modernity—everything from modern art to psychoanalysis. The German response was both radical and lethal, and nothing like that is going to happen here. But neither can the clock be turned back. Gays are not going back into the closet, women into the home and sexuality into wherever it hid when I was a boy in the 1950s. Bennett, Quayle, Cheney, Dole and the rest of the GOP presidential aspirants know that.

The march of the so-called Christian right is, really, nothing more than rear-guard action against a baffling modernity. (Look, guys, some of it baffles me too.) But if conservative Christians are bitter now, they will go absolutely bonkers when, as it is bound to happen, their political champions abandon them. The call of the center is irresistible to a politician in heat.

I cannot quarrel with the religious beliefs of the Christian right, but I can with one aspect of their doctrine. If they think Republican presidential aspirants believe what the Christian right believes, then they're like me walking into that television studio. They're going to get sucker-punched.

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want the United Nations to come in and take Rwanda off their hands.

The Clinton administration, standing two centuries of the Monroe Doctrine on its head, says it will invade Haiti only if outsiders, in the form of the United Nations, will take over responsibility for that U.S. neighbor immediately after the U.S. assault.

The refugees shame us all. But they do not threaten countries or different regions equally. Their flights into neighboring areas create pressures for half-way, self-centered intervention to help reduce human misery temporarily, move the problem down the agenda and off television screens. It is a kind of yuppie interventionism.

Such limited goals made sense for the French in Rwanda, where the French are not expected to do more than apply a Band-Aid to a giant crisis and move on. Rwanda is a global problem, in scale and immediacy. It requires a global response.

Haiti is different. It is an American problem. If America is to intervene there, it should not do so in a half-hearted way expecting others to sweep up after Uncle Sam in his own neighborhood.

A military intervention triggered by political reactions to refugees can be treated no less seriously than a military intervention triggered by a threat to oil reserves or other vital interests. If Haiti is not a problem worth fixing with a sustained U.S. military presence, it is not a problem worth an invasion.

The world's refugees deserve sympathy, help and a chance at survival. They deserve an immediate, caring and effective response from the international community. But the world's governments, led by the only remaining superpower, need to craft new, consistent and coordinated policies to head off the disasters that create the human hells of Rwanda and Haiti.

If they do not, those governments must be ready to see these disasters through when they do occur. Otherwise, there will be five horsemen of the Apocalypse: War, Disease, Famine, Death and Indifference.

To UP/65/Placeholder

Interesting BC

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