

Moderation has returned to Supreme Court picks

Whatever may be said of his other governing skills, when it comes to Supreme Court nominations, President Clinton is on a roll.

The Senate Judiciary Committee, venue of many a bitter battle in the past, has given Stephen G. Breyer its unanimous approval, with every Republican member joining the majority in support. With quick Senate approval, he will have breezed through even faster than the motherly Ruth Bader Ginsburg did last August.

Two no-hitters. If he were a big-league pitcher, we'd be ballyhooing Clinton for a Cy Young award.

It may also be that the moderate nature of Clinton's court choices has restored some much needed civility in the way Supreme Court justices reach that honored estate.

The process has been pretty much downhill for more than two decades. When President Nixon picked Lewis F. Powell Jr., a courtly Virginian, for the court in 1971, a Republican senator took Powell to meet the man who then chaired the Senate Judiciary Committee, James O. Eastland of Mississippi.

Already 64, Powell was not brimming with good health. But he could hardly have expected what he was about to hear.

"I appreciate your courtesy in receiving me, Mr. Chairman," the Virginian began from the edge of his chair.

Eastland merely puffed a huge cigar. There was discomfiting silence.

"Ah think the Democrats gonna approve you," he finally drawled through the smoke.

"I'm delighted to hear that, Mr. Chairman."

"You know why they gonna approve you?" Eastland asked.

"Well, Mr. Chairman, I would hope it's because they think I am properly qualified to discharge the grave responsibilities of the court..."

"Nope." Eastland's gruffness penetrated a billowing new cloud.

Powell took the bait. "Then I have to wonder why you think your members will support me," he said.

"Mr. Powell, the Democrats think you gonna die."

Let the record show that Chairman Eastland, having passed to his eternal reward in February 1986, lies buried in Forest, Miss. Justice Powell, though retired from the court after serving 16 years, outlives the jolly lawmaker.

It would be comforting to think that the start Clinton has made in court appoint-

Lionel Van Deerlin

ments means no more of the bitter confirmation battles that marred the Nixon, Reagan and Bush administrations. (President Ford made one virtually uncontested court nomination — of John Paul Stevens. No vacancies occurred during President Carter's single term.)

Protracted hearings on court nominations have been a relatively recent development on the Washington scene. They may be said to have begun when Congress challenged Richard Nixon's "Southern strategy" selections — first of Alabama's Clement Haynsworth and then Florida's Harrold Carswell. Both were found unfit, especially in regard to civil rights issues. They were rejected in quick succession after public hearings more savage than any that had gone before.

Ronald Reagan's first court choice, Sandra Day O'Connor, ended a gender gap which had seen no woman on the high court in 200 years. Her nomination sailed through on a unanimous vote. It was a different story when Reagan sent up William Rehnquist's name for chief justice in 1986.

This move involved a double switch. Rehnquist was already on the court, and his elevation to chief also meant the nomination of Anthony Scalia to become the court's ninth member. Understandably, some Democrats balked. Rehnquist and Scalia were viewed as youthful zealots whose reactionary views could shape the court for generations to come.

Republicans had a Senate majority at the time, however, and both men were confirmed — Rehnquist in a 2-1 Senate vote which saw a dozen Democrats joining the majority in support.

When the next vacancy occurred, the president pushed his luck too far. Democrats had regained Senate control in the 1986 elections — despite which, within a year, Reagan nominated the highly disputatious Robert Bork. Although a legal scholar of unquestioned merit, Bork carried political baggage from Watergate days, when he dutifully had obeyed President Nixon's order to fire special prosecutor Archibald Cox.

If that were not enough, Bork had written a string of legal opinions placing him at the ramparts against most reforms of the Warren Court, and in opposition to abortion rights. His rejection, long foreshadowed, came after weeks of televised confrontation with Judiciary Committee members.

In his haste to fill the gap, Reagan next

appointed a Harvard law professor, Douglas Ginsburg, whose undoubted qualities were quickly clouded by revelation of campus pot parties in which he had played a part.

By all measure, however, the most grievously unpleasant confirmation hearings of all time came in 1991, when President Bush chose the black conservative Clarence Thomas, to replace Thurgood Marshall. A face-to-face exchange of harassment charges with a law professor, Anita Hill, left what must be thought a permanent scar on the confirmation process. In the end, a Democratic Senate confirmed Thomas.

The Senate has a constitutional duty "advise and consent" on presidential appointments. If the quality of Clinton's court choices restores civility to that process, the Constitution is well-served.

VAN DEERLIN represented a San Diego County district in Congress for 18 years.

To Leon P

THE PRESIDENT HAS SEEN 7/26

The San Diego
Union-Tribune.

7.22.94

Send to POTUS.

183

7.18.94

THE PRESIDENT HAS SEEN 7/25

MEMORANDUM FOR THE PRESIDENT
LEON PANETTA

FROM: GEORGE STEPHANOPOULOS
PHIL LADER
LINDA LADER
BILL GALSTON
JOEL KLEIN
MARK GEARAN
MIKE LUX

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL

of pages ▶ 1

To	Linda Lader	From	Fran Wessel
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NSN 7540-01-317-7368		5099-101 GENERAL SERVICES ADMINISTRATION	

SUBJECT: RELATIONS WITH RELIGIOUS COMMUNITY

To follow up on our last memorandum, a group of us met on July 18 to prepare further recommendations for action.

First: A White House working group on religious issues will meet weekly. This group will monitor issues of interest to religious communities and coordinate Presidential and Administration actions of special concern to these communities. This group will include representatives from major White House departments.

Second: We believe Bill Galston should be authorized to monitor day-to-day regulatory, legislative and policy decisions that affect religious communities. We need to make clear to various departments that issues must be vetted by Bill before final decisions are taken.

Third: Joel Klein will work with the Justice Department to establish a working group on the implementation of the Religious Freedom Restoration Act. A Justice Department official from the Civil Division will have responsibility for heading the group, which will include White House and other Cabinet representatives.

Fourth: Our White House working group will prepare a comprehensive strategy memo -- White Paper -- on religious issues for you to review during the August Break. This memorandum will cover three broad areas:

- 1.) Themes/Policy (Galston)
- 2.) Politics/Constituencies (Lux, Lader)
- 3.) Press/Communications (Gearan, Baer)

Let us know if you have any additional thoughts or suggestions.

*We need to ask public forum
radio, TV, press
regular briefing people in -*

Pls. push thru -

THE PRESIDENT HAS SEEN

7/25/94

THE WHITE HOUSE
WASHINGTON

To the President
FYI on
Drug Study.
[Signature]

July 21, 1994

MEMORANDUM FOR LEON PANETTA

FROM: Christine Varney *[Signature]*
Jennifer O'Connor *[Signature]*

SUBJECT: Household Drug Survey Results Release

I wanted to respond to your inquiry about the strategy around the release of the Household Drug Survey results, which Secretary Shalala and Dr. Brown announced yesterday.

The process for the release of this data mirrored a process we went through in February when the High School Drug Survey results were released. In both instances, White House Communications and policy staff who focus on the drug office were invited to meet with HHS and Office of National Drug Control Policy staff to plan the release.

Jointly, the HHS, ONDCP and White House staff wanted to downplay the February study because it demonstrated that drug use went up among young people from 1992 to 1993, while the President's FY 94 budget proposed a slight decrease in drug control spending. Thus, in February, Secretaries Shalala, Riley and Director Brown held a press conference to emphasize new drug control funds in the FY 95 budget request, and to play up the President's National Drug Control Strategy, which was about to be released.

This time, the departments reasoned that the Household Drug Survey confirmed the earlier findings and thus could be open to the same criticism -- that drug use went up while the President proposed less in funds. To again head off such a charge, the departments crafted a message that the Household Survey confirmed the President's National Strategy, and backed up his call for new funds in his FY 95 budget. It did not occur to them or White House staff to try to include the President in such a press conference, as they were strategizing about how to counter a potential charge that drug use increased on his watch.

As the *New York Times* article demonstrated, there is still a perception among the press, fueled by the President's critics, that this administration cares too little about this issue. This survey release, however, was the least useful vehicle for the President to personally show his commitment because it showed nothing new and did not measure hard core use, the type of use on which the National Drug Control Strategy and the budget are targeted. Given our conversation this morning, I will make sure that the next opportunities for the President's involvement in the release of data on this issue are fully considered among senior staff. Separately, we should discuss other opportunities for visibility for him on this issue.

But we should appropriately
all our use

- **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

- **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.
- **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.

The Debate Over Abortion Coverage: A Compromise

By Henry T. Greely
and Leigh S. Goodmark

As health care legislation struggles to the floor of Congress, every vote matters. Opposition by pro-choice or pro-life legislators on the issue of abortion coverage could sink America's chance for fundamental reform. But there is a solution that could partly satisfy both sides of the abortion debate.

Coverage for legal abortion services should be part of the basic package of benefits for everyone. This would preserve the benefits of about 100 million Americans whose private insurance covers abortion.

However, conscientious objectors with religious, ethical or moral objections to abortion could choose not to pay for such services through their health care premiums and could receive a credit from their insurers.

About 1.6 million abortions are performed each year in the United States at an average cost of \$400 and a total cost of about \$650 million.

An estimated 100 million families would be covered by benefits packages under comprehensive health care reform. The difference in premium prices paid by conscientious objectors and others would vary, depending on the number of objectors,

Henry T. Greely is professor of law at Stanford Law School. Leigh S. Goodmark is a 1994 graduate of that school.

but would never be large. Even if a third of the families covered registered their objections, the remaining 66 million families would pay on average only about \$10 more a year.

Comparable elective procedures have been used in other situations involving deeply held beliefs. The draft laws long permitted men with religious objections to avoid military service. Similarly, courts have held that the First Amendment limits the power of labor unions and some pro-

Give a rebate to those who object.

Professional associations to use members' dues for political causes with which their members may disagree. Those organizations now allow objecting members to deduct the portion of their dues used for political purposes.

While generally prohibiting insurance coverage of elective abortions, Kentucky allows insurance companies to cover abortions paid for by an additional premium. Many object to the Kentucky law because it requires separate, private insurance for constitutionally protected medical treatment, but it shows that there is middle ground.

Clearly, a conscientious objector approach raises questions of fairness and administration. Which family member's choices will determine coverage for the entire family? Why

HEALTH CARE SECOND OPINIONS

An occasional series.

should women choosing abortion pay slightly higher premiums than women choosing the more expensive procedure of labor and delivery?

It also raises broader policy problems. Federal programs are usually mandatory: pacifists cannot refuse to deduct the portion of their taxes that goes to the Defense Department; libertarians cannot avoid Social Security taxes.

Critics of compromise could argue that other groups might be equally entitled to special consideration. Jehovah's Witnesses, for example, could object to paying for insurance that covers blood transfusions.

Why should foes of abortion be treated differently from everyone else? Because abortion is different. No other medical procedure evokes the intense feelings and angry debates that abortion does. No other procedure has one entire lobby devoted to its eradication and another to its protection. And abortion is the only medical procedure threatening the future of health reform.

Neither pro-choice nor pro-life advocates would be completely satisfied by this solution. But it is one Congress can justify: people who object to abortion will not have to pay for it; people who want insurance for abortion will receive it. And it's a compromise that just may allow the nation to get on with the task of reforming its health care financing system. □

THE PRESIDENT HAS SEEN
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Brooks' position
(don't see how
we can live w/ that)

BR

Texas Legislator Seeking to Soften Assault-Arms Ban

By KATHARINE Q. SEELYE
Special to The New York Times

WASHINGTON, July 21 — Yet another hurdle to the anti-crime bill arose today when a combative Jack Brooks, the Texas Democrat who heads the House Judiciary Committee, said he would hold up the bill until other members agreed to weaken the proposed ban on assault weapons.

Both the House and the Senate have passed measures that would ban 19 assault weapons and copycat models. Mr. Brooks wants to protect the copycat models, meaning the assault weapons that would be banned could undergo cosmetic modifications and still be allowed.

"They need to be out of there," Mr. Brooks said of the provisions on the copycat models, which he called "miscellaneous, nitpicking junk" that was jeopardizing the crime bill. "If they cut back to just the ban, we will pass the bill."

Advocates of gun control said Mr. Brooks's amendment would gut the proposed ban by giving manufacturers a green light to modify the weapons in minor ways and continue selling them.

Mr. Brooks's stance comes as the \$30 billion anti-crime bill has already been delayed for more than a month by a dispute over a provision about death sentences. Administration officials and Congressional leaders who are trying to reconcile the two crime bills passed by their chambers broke up tonight after meeting for three hours without resolving differences about a provision that would allow

figures about the racial distribution of death sentences to challenge them as racially discriminatory.

At the meeting at the Capitol, after a fruitless discussion on Wednesday, were Attorney General Janet Reno, the White House chief of staff, Leon E. Panetta, House leaders and most of the members of the Congressional Black Caucus. Little progress was reported as many caucus members insisted on keeping the provision in some form while the Administration

also criticized the Senate for not participating in the negotiations.

An Administration official said the effort to settle impasse over the racial provision is not unrelated to effort on the ban on assault weapons, an Administration official said. The official added that negotiators were seeking not to alienate the black caucus and not to alienate about a dozen conservative Southern Democrats on the assault weapons ban for fear that they would join forces and kill the crime bill.

At the same time, the negotiators are trying to be mindful that others, particularly Senate Republicans, have promised to kill the bill if it contains any language that hints of the racial provision. The Republicans say the provision would allow inmates to appeal their sentences to such an extent that they would effectively do away with the death penalty.

House Speaker Thomas S. Foley said it was "very difficult to see how a possible filibuster could be defeated" if the provision stays in the bill.

No Amicable Compromise

A amicable compromise seemed unlikely, as Representative Don Edwards, the California Democrat who has been seeking modifications of the provision to win passage, said he and other liberals were skeptical of alternatives offered by the Administration. "I want a shootout," he said.

President Clinton has shifted his position, with Administration officials saying now that no single provision should hold up the crime bill, which would put 100,000 more police

officers on the streets and spend about \$8 billion for prevention programs. But the President has come out strongly in favor of banning assault weapons and their copycat models. At one point, he called the ban "a no-brainer."

It is unclear how much support Mr. Brooks has in the conference for his position to strip the assault-weapons measure of everything but the actual ban of specific weapons. As chairman of the central committee overseeing the legislation, Mr. Brooks can bottle up the measure and hold up the crime bill, which he said he would do. "Justice delayed is justice denied," he said. "This bill delayed is this bill jeopardized."

In the interview, he accused Representative Charles E. Schumer, the Brooklyn Democrat who pushed the assault-weapon ban through the House in May on a vote of 216 to 214, of "lollygagging" around and delaying the bill.

Mr. Schumer said he was just as adamant that he would not accept what he said was Mr. Brooks's watered-down version of the ban. "He would decimate the bill," Mr. Schumer said. "Under his proposal, if you took one-eighth of an inch off the barrel of a Uzi and otherwise had the exact same weapon with the exact same firepower, it would be perfectly allowed."

Richard M. Aborn, the president of Handgun Control Inc., agreed that Mr. Brooks' proposal would gut the ban.

"It is absurd, after winning on the floor, for him to now go in and try to negotiate this," Mr. Aborn said.

Already delayed, the crime bill encounters another obstacle in Congress.

tried to find a compromise that would allow the the bill to move ahead. Members of both parties are clamoring for the bill as their fall campaigns approach.

After the meeting, Representative Kweisi Mfume, the Maryland Democrat who is the chairman of the caucus, told reporters that it was not the provision his group backs that was holding up the crime bill. He said that others who wanted to weaken the ban on assault weapons had hidden behind the impasse. Nonetheless, he said he was optimistic that the impasse would be broken. Mr. Mfume

Bible Belt's Signs Woo a Drive-By Congregation

By PETER APPLEBOME
Special to The New York Times

LITTLE ROCK, Ark. — Consider the church sign — highway haiku for the Bible Belt.

The message may be hard shell, "In Order to Get to Hell You Have to Step Over Jesus," welcoming "Free Faith Lifts Every Sunday" or the Gospel According to Nashville "Let Jesus Fix Your Achy Breaky Heart").

It can be inspirational ("No Jesus No Love, Know Jesus Know Love"), folksy ("Don't Be a Boo-Bird in God's Flock of Team Players") or informative ("Heaven's Directions — Turn Right, Go Straight").

But in a region where public displays of faith are as much a part of the landscape as anti-Clinton bumper stickers and barbecue joints, road-

side religion is as Southern as Alabama-Auburn football or hot cornbread.

"They're sort of like urban rumors or something," said David Ward, pastor and church sign tender at the Unity Missionary Baptist Church here. "They just sort of pass around."

Crosses and Arrows

The church sign can be an internally lit sign with a big yellow cross like the one at Mr. Ward's church. It can be a mobile highway road sign with an arrow pointing to the church like the one Betty Yon, the church secretary, changes every week at the Pineview Baptist Church in West Columbia, S.C. Or it can even be an electronic message board like the one at Peachtree Baptist Church in Atlanta, which recently read, "Being Born Again Means Being Plugged Into a New Power Source." It can sit in front of a cinder-block Baptist church on a rural dirt road or a tidy suburban church at the edge of a shiny new subdivision.

All that matters is that the letters can be rearranged as often as needed to spread the Good Word in the competition to recruit bodies and save souls that is religion in the South.

"We use it as a sort of wayside pulpit," said Dr. Perry Ginn, pastor of Peachtree Baptist Church in Atlanta. "We look upon it as an opportunity 24 hours a day, seven days a week to have the truth of the Christian faith flashed up for all of the passers-by."

A Religious Region

Southern churches are hardly the only ones that use signs to do more than give the time for Sunday services, the preacher's name and the sermon topic. Rodger Loveing, vice president of the J. M. Stewart Corporation, the nation's largest purveyor of church signs, says he has customers from Hawaii to Iceland catering to "drive-by congregations."

But just as an English visitor, Sir William Archer, opined at the beginning of the century: "The South is by a long way the most simply and sincerely religious country that I ever was in," religion has always helped define what is distinctive about the South.

Even now, religion is far more conspicuous a part of life in the South than it is anywhere else in the United States. According to a poll of 1,839 adults this year conducted by the Institute for Research in Social Science at the University of North Carolina for The Atlanta Journal-Constitution, almost half of Southerners say this is a Christian country and the Government should make laws to keep it that way. Only a third of those outside the South say so. Asked if there's a devil, 4 of 5 Southerners and 3 of 4 non-Southerners said yes. Asked if they read the Bible at home in the past week, half of the Southerners and a third of the non-Southerners said yes.

In addition, the fundamentalist and evangelical Christian congregations

A conspicuous example of the role of religion in the South.

that dominate the South are far more likely to spread the Word on a sign that could just as well advertise "Shorty's Bait and Tackle" than are the mainline Protestant or Catholic churches that are more common in other parts of the country.

Your basic church sign message hews pretty closely to what the pastor might say in his sermon. There are Ten Commandments church signs like "God Gave Ten Commandments Not Ten Suggestions." There are snippets of song or verse like "What a Friend We Have in Jesus." Some are church signs to ponder like "Is Jesus Your Hope or Your Excuse?" Others could be country music songs like "You Can't Walk With God if You Run With the Devil."

Sometimes they have the stern, "Onward Christian Soldiers" sound of Pat Buchanan at the 1992 Republican Convention ("One on God's Side

Is a Majority") or an unyielding sense of fundamentalist probity ("Partial Obedience is Disobedience"). More often they strive for an awe-struck sense of roadside rapture ("Jesus Asked the Impossible, Did the Incredible and Loved the Unlovable") or are supposed to prod the wayward back to the path ("Seven Days Without Prayer Makes One Weak").

Signs for All Occasions

There are Christmas signs ("From His First Manger Cry to His Last Cry on the Cross, He Loves Us Still"), Mother's Day signs ("An Ounce of Mother Is Worth a Pound of Preacher") and riddle signs ("CH CH — What's Missing? UR").

Some purvey folk wisdom rather than biblical truth, like the pithy one recently displayed at the Greater Highway Church of Christ in Marion, S.C.: "Some People's Minds Are Like Concrete — Mixed Up and Set One Way." For these nervous times, Midway Baptist Church in Midway, Fla., offers a simple, plaintive "Pray For the Nation."

Church sign connoisseurs say there is an art to them.

"You're putting up something in 15 words, or in a few words, and to say something in those few words is pretty difficult," said Mr. Ward of Unity Missionary Baptist Church here. "Like General Eisenhower said one time, 'If an order can be misunderstood, it will be misunderstood.' So if a slogan can be taken more than one way, it will be."

A good church sign ("A Christian Who Rests, Rusts") is a model of clarity and compression, but sometimes the highway preaching does get confusing. A drive-by congregant looking for spiritual sustenance on the Florida Panhandle recently had to look twice to get the message ("Your Choice Hoover Eureka Uprights") outside the Macedonia Baptist Church in Pensacola. It was only the notation at the bottom — \$49 — that made it clear the sign was not offering comfort for the soul, but instead was hawking vacuum cleaners at the strip shopping center next door.

Oh, well. As Mrs. Yon's sign has said, "God doesn't call the qualified. He qualifies the called."

There's Hope For Rwanda

By Nelson Kasfir

THANOVER, N.H. The Rwandan Patriotic Front's decisive victory in the civil war should be welcomed by friends of peace in Rwanda. The appointment of Pasteur Bizimungu and Faustin Twagiramungu, two moderate Hutus, as President and Prime Minister is a positive step toward bringing stability to a country wracked by four years of war and three months of genocide.

How will the new leadership govern? Despite the massacres and the intense emotions that will be their long-term inheritance, there is a surprisingly good chance that the new Government the Patriotic Front is forming will end the slaughter of civilians and restore order.

The scale of the tragedies impedes our understanding of what the front is likely to do now because it obscures the differences between the Patriotic Front and the Government it defeated. The staggering number of victims should not blind us to the fact that the ousted Government was directly responsible for most of the deaths of civilians. Its radio broadcasts, which intensified fear of retribution, helped create more than a million refugees in less than a week.

Nor should we see this civil war simply as an ethnic conflict between Hutus and Tutsis. They lived peaceably together and intermarried in villages throughout Rwanda for a quarter of a century until 1990, when the Patriotic Front invaded from Uganda. Last April, after extremist Hutus seized the Government, moderate Hutus willing to share power with Tutsis were massacred alongside Tutsis.

The senior officers and soldiers who formed the original core of the front have a guide for the creation of their Government after winning the civil war. They learned this by fighting in the guerrilla army of President Yoweri Museveni of Uganda, which they continued to serve after it took power in 1986.

These soldiers saw Mr. Museveni form a broad-based Government by offering positions in the Cabinet and the civil service to his rivals, expanding participation through democratic village councils created throughout the country and absorbing rival military groups and even soldiers from the defeated Ugandan Government army into his own military.

The success of those measures is apparent, even though Uganda suffered further civil wars in two of its regions after President Museveni's victory and before Ugandans gained the security they enjoy today.

Because Mr. Museveni advises the senior officers in the front and because the senior personnel in the Patriotic Front experienced this successful transition, the new Rwandan Government is likely to try to build a political order in which Hutus and

Tutsis can live together peaceably. The horrific experiences of the war, particularly the strains placed on Patriotic Front soldiers — many of whom have lost their entire families — poses a greater but not a qualitatively different challenge than Ugandans confronted.

The front's first steps have adapted the Museveni approach to Rwandan circumstances. The new Government has explicitly endorsed the power-sharing agreement that the Patriotic Front and the former Rwandan Government negotiated in August 1993. Instead of appointing the top front officials as the transitional President and Prime Minister, they have chosen Mr. Bizimungu and Mr. Twagiramungu, who were originally selected in the power-sharing arrangements a year ago.

This is likely to be the start of a broad-based government similar to that of Uganda. President Bizimungu seemed to understand the importance of inclusion when he said at a news conference this week: "Over 50 percent of the posts are in the hands of parties other than the R.P.F. I think there can be no more proof of generosity than that."

However, the appointment of Maj. Gen. Paul Kagame, the front's chief military commander, as Vice President and Minister of Defense, also follows a pattern that President Museveni established in Uganda — the iron fist in the velvet glove. Mr. Museveni has allowed much Government participation as well as personal freedom in Uganda, but he has also kept careful control over the army.

The Patriotic Front is likely to do the same. The new Government's chance to restore security, rebuild the economy and reintegrate both

The new rulers learned about sharing power during their exile in Uganda.

new and old refugees will depend on the wise decisions of a few senior military officers.

Though when he took power Mr. Museveni promised to punish the "criminals" who caused the outrages in the regime he overthrew, he soon adopted a policy of forgiving his opponents and inviting them back to live in Uganda. The same issue faces the leaders of the Patriotic Front, who have vowed to punish the former Government officials who organized the militias that killed most of the civilians.

But for real peace in Rwanda, these leaders ought to remember Uganda's change of heart, and pursue a policy of reconciliation — first with the refugees and later even with officials in the former Government.

The difference between the two sides in the conduct of the Rwandan civil war is a good indicator that the new Government will not behave as the old one did. The former Govern-

ment considered massacring its citizens its central mission, while the Patriotic Front has tried — not always successfully — to insure that its soldiers protect civilians.

Human rights abuses by the front have also been documented, including the execution of civilians. But these abuses occurred despite the code of conduct issued to soldiers, especially when inadequately trained soldiers were recruited as the front rapidly expanded its territory during the last three months.

While the fears of the Hutu refugees flooding Zaire are understandable, there have not been any reports yet of Patriotic Front massacres approaching those perpetrated by the former Government militia.

In its eight-point program, written in Uganda before the 1990 invasion, the front called for the removal of "the system which generates refugees." It meant the Rwandan Government it has just overthrown. It now faces a refugee problem of far greater magnitude, without sufficient economic resources.

The Government must demonstrate that it welcomes home all refugees, whether Hutu or Tutsi. The most important gesture to induce the refugees to return would be the quick and public punishment of all soldiers who harm civilians.

The eight-point program also called for "democracy and national unity." The new Government should implement this goal by setting up democratic elections in each village and declaring that it will work with all elected officials regardless of ethnic identity.

How should the United States Government help? It correctly stripped the former Government of recognition, and should now recognize the Bizimungu Government. The U.S. should also press France, a close ally of the ousted Government, to make good on its promise to withdraw from the zone it occupies in southwestern Rwanda.

The U.S. and other Western countries should actively discourage efforts to regroup the military units of the former Government's army that escaped to Zaire. In addition to the overwhelming humanitarian imperative, increasing international aid to the refugees will hasten their eventual reintegration into Rwanda.

With the front's approval, the U.S. should also seek a United Nations force of monitors placed throughout Rwanda to reassure refugees that they will be safe when they return home.

If the new leaders incorporate the lessons of democracy and inclusion they learned in Uganda, the arduous process of rebuilding Rwanda will begin. □

Nelson Kasfir is chairman of the department of government at Dartmouth College.

Don't
This is very encouraging & accurate
THE PRESIDENT HAS SEEN
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Bob Rubin

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— It's very interesting
Pls talk to me
about it —

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Panetta

July 18, 1994

CLINTONOMICS IN 1995-96
Talking Points

THE PRESIDENT HAS SEEN
7/25/94

BASIC THESIS: The Clinton Administration should adopt a proactive economic policy as the centerpiece of its FY 1996 budget.

- The economy may not, as earlier assumed, be on an "automatic pilot" that will assure solid growth through the politically critical 18 months or so preceding the 1996 Presidential election. Remember George Bush's fundamental and fatal error.
- Murphy's Law has not been repealed.
- Practical, prudent politicians take no unnecessary chances.

If a proactive policy is adopted, what are the options?

- Increases in Federal spending to give the economy a boost? Not at all likely in the next Congress.
- An expansive monetary policy? Can be expected if the economy nose-dives, but could well be too little, too late, and insufficient to the task. If Fed were to move too early, politically damaging inflation could re-emerge at precisely the wrong time.
- A sharp boost to exports through Federal policies? The only effective approach would appear to be further depreciation of the dollar in foreign exchange markets. As recent events show, this could cause political harm in itself, not to mention long-run economic damage.
- Revenue-neutral tax restructuring? This appears to be the only realistic option. A carefully constructed plan could boost effective demand in the politically critical period and also reinvigorate the productive investment that is essential to long-term jobs, growth and competitiveness.

What restructuring plans are available?

- Three major plans have been announced: (1) Rep. Sam Gibbons' proposal to substitute a Business Transfer Tax ("subtraction VAT") for existing income and payroll taxes; (2) Senators Danforth and Boren's "Comprehensive Tax Restructuring and Simplification Act"; and (3) Senators Nunn and Domenici's "Savings-Exempt Income Tax." (See Tab A.)

- Each of these plans is "revenue-neutral." Each has its strengths and weaknesses. Each would introduce a high-yielding, broad-based consumption tax (BBCT) to pay for the contemplated cuts in income and payroll taxes.

(The growing interest of a wide range of policymakers in a BBCT is indicated in Tab B.)

Would any of these plans be acceptable to the Administration? The "Altman principles."

- Deputy Secretary of the Treasury, presumably speaking for the Administration, said recently that to be acceptable, any new BBCT would have to ensure adequate progressivity; produce increased savings; be easy to administer; not be economically destabilizing; and possess broad-based appeal.
- Each of the three plans would probably meet the first three criteria. But they might fall short on the last two, i.e., they might be economically destabilizing in the short run (phase-in details are not known) and/or lack sufficient political appeal to be acceptable.

Attention is therefore drawn to "Plan X," which is set forth simply to illustrate that Altman's principles can indeed be met. Since it is illustrative, the revenue estimates in Plan X are "ballpark" and subject to finer tuning.

Plan X would:

- Eliminate all Federal income taxes for families with incomes of less than \$25,000 per year (plus single filers with somewhat lower incomes). Annual revenue cost: \$22 billion.

By removing almost 40 percent of all taxpayers from the rolls, this provision would increase progressivity, boost overall consumer demand, simplify taxpaying and administration, and be very popular politically.

- Cut the annual Federal income tax bills of all other families by 10 percent. ARC: \$49 billion.

This would also boost consumer demand, enhance saving, and be very popular politically.

- Reduce payroll taxes on low-income workers and small businesses by approximately one-third. ARC: \$30 billion.

This would increase jobs by reducing the "tax wedge" between what employers pay and employees receive, boost consumer demand, and be very popular politically.

- Restore Individual Retirement Accounts to their 1981-86 status. ARC: \$10 billion.

This would increase the savings available for investment and would please taxpayers who believe that their saving is unfairly taxed now. The step would be very popular politically, particularly among middle-class taxpayers.

- Cut in half the tax rates on capital gains. ARC: Less than \$5 billion.

This would boost investment in new and risky enterprises; enhance other business investment by reducing capital costs; immediately raise the prices of capitalized assets, such as stocks and real estate; and be very popular with many taxpayers, important interest groups, and Republicans in Congress.

- Restore a 10-percent investment tax credit, targeted to productive and environmental equipment. ARC: \$26 billion.

The ITC is a tested and Congressionally popular device for promoting the investment in equipment which Larry Summers says is the strongest single factor enhancing economic growth. If retroactive to the budget submission date, a new ITC could help significantly to extend the uptrend in equipment spending that has helped sustain economic recovery. The step would be hailed by capital-intensive industries, including farmers. It would enhance U.S. competitiveness in world markets.

- Other business items: (1) restore a permanent, nonincremental R&D credit to help foster sustained technological progress; (2) repeal the pernicious, anti-growth corporate alternative minimum income tax; and (3) make the corporate income tax "territorial," that is, applicable only to income earned in this country -- a trend already under way abroad. Combined ARC: \$15 billion.

(Total ARC of all tax cuts: \$157 billion.)

Plan X could be shaped so as to be economically stimulating in both the short- and long-run.

- If initiated immediately, or if all provisions were phased in together, Plan X would dampen overall demand. But if the budget rules were to be amended so

as to allow, say, a five-year reconciliation period which required revenue-neutrality only for the period as a whole, those tax cuts which would tend to boost final consumer and investment demand could be phased-in early (some retroactively, to January 1, 1995). The new tax could be phased in later.

- Phasing-in of the various provisions for maximum economic benefit would require careful thought, but should not be difficult.

Plan X would be paid for with a 6-percent Business Transfer Tax.

- A Business Transfer Tax would yield in excess of \$35 billion per point. Thus a 6-percent BTT, yielding upwards of \$200 billion in new revenue per year, would more than offset the tax cuts in Plan X, thus providing funds to cover the early deficits resulting from front-end loading of the plan toward economic expansion. (The plan would, however, still be revenue-neutral for the entire five-year reconciliation period.)
- The advantages of the BTT (set forth in more detail in Tab C) are impressive. The tax could be set up quickly and is easy for taxpayers to pay and IRS officials to administer. Individuals prefer taxes, such as the BTT, that are paid on daily purchases as opposed to income and payroll taxes. However, based on foreign experience, only about half of the tax (3 percent) would probably be passed to consumers in higher prices, over a multi-year period. The BTT can be subtracted from exports and added to imports. It would not intrude on the "tax turf" of State and local governments or increase the administrative tasks of the retailers who already collect and remit state sales taxes.

The new tax plan would not sell itself.

- Any president who launched so ambitious a plan should be prepared to place it at the very top of his agenda and work tirelessly on it for an extended period.
- As with any new tax, the plan would have to be sold primarily on the basis of the uses of the new revenues -- cuts in income and payroll taxes that should be very appealing to voters in general and important interest groups alike. The message to the typical voter would be: "Would you be willing to pay a few cents more per dollar for the things you buy if in return you could get some substantial reductions in your income and payroll taxes?"

A New Revenue System for the United States Incorporating a Value Added Tax

Acting Chairman of the Ways and Means Committee, Congressman Sam Gibbons (D-FL) proposes to replace the current individual and corporate federal income tax, and the social security payroll tax with a simplified value added tax (VAT). A new personal income tax would be used to address the regressivity of the VAT. The proposal has not yet been introduced as legislation. Key provisions are described below.

Business Tax

The VAT would be computed by the subtraction method and apply a uniform tax rate for all goods and services according to the destination principle. The destination principle means that the tax would not be levied on exports but that it would be levied on imports as allowed by the General Agreement on Tariffs and Trade (GATT). Gross receipts from sales of goods and services would be the tentative taxable amount. Gross costs for purchases of goods and services (including plant and equipment) would be deducted from that amount. The balance would be the business' value-added base, which would be multiplied by the tax rate to determine the tax liability.

The tax rate is not specified in Chairman Gibbons' proposal; he states that the rate would be that needed to offset the revenue loss stemming from the repeal of the individual and corporate income tax and payroll taxes.

The financial intermediation services of businesses such as banks and insurance companies would be included in the system, just like all other services. In general, their gross sales of services would be limited to the "spread" between the sum of interest, premiums and investment income received (from borrowers, insured and investments) and the sum of interest and claims paid (to depositors and insureds), plus identifiable fees for specific services and other sales receipts.

Chairman Gibbons proposal contains no transition rule provisions. He notes, however, that substantive transition issues would need as much attention as the administrative ones. Treatment of sales and purchases which straddle the effective date of the value-added tax involve both equity and revenue issues. Also important are the economic consequences of wide swings in business purchases (particularly purchases of capital assets) before and after implementation. Coordination of the income

tax year and the beginning of the value-added tax for each company might lessen the incentives to plan such purchases for tax purposes.

Individual Tax

Chairman Gibbons' proposal includes a new, simplified individual income tax for anti-regressivity purposes. This tax would only be applied to those in the upper income brackets. It would apply to gross income from all sources minus a deduction for state and local income taxes, charitable contributions and some mortgage deduction with an interest limit. Accordingly, the new high income tax form would be extremely simple—probably no more than a page or two.

The Comprehensive Tax Restructuring and Simplification Act

The Comprehensive Tax Restructuring and Simplification Act was introduced by Senator John Danforth (R-MO) and David Boren (D-OK) on May 26, 1994. The bill eliminates over \$400 billion of business and individual income taxes and payroll taxes. The corporate income tax is repealed but the individual income tax is retained. To replace the lost revenue, the package enacts a Business Activities Tax (BAT). Key provisions are described below.

Business Tax

The BAT is a tax on all businesses that sell goods or services in the U.S. Generally, a company will determine its gross receipts from the sale of goods and services and its gross purchases—including plant and equipment—of goods and services that it uses in its business. By subtracting purchases from sales, the company computes the value of its business activity. A single rate of 14.5 percent will be applied to that value to determine the tax due. The social security payroll tax rate for employers is also reduced from 6.2 percent to 3.1 percent.

The BAT base will equal the sum of the company's payments for the labor services (wages, salaries, fringe benefits, etc.) and the capital services (interest to creditors and profits to owners) that allow the company to convert its purchased inputs into the more valuable outputs that it sells. Moreover, the BAT operates according to the destination principle, that is, the tax applies only to goods and services that are used or consumed in the United States. Under the provisions of GATT, the BAT is a border-adjustable, indirect tax that can be removed from U.S. exports before they enter the stream of world commerce and that can be levied on imports that come into our domestic market. The bill would impose the BAT on the provision of financial intermediation services.

Special rules would apply to determine the taxable amount derived from financial intermediation services. The legislation assumes that the BAT is fully phased in. The drafters have not attempted to address the difficult transition questions that such extensive reform necessarily entails.

Individual Tax

The bill modifies the current individual income tax by providing three types of tax relief:

- The bill will reduce the social security payroll tax rate from 6.2 percent to 3.1 percent for employees (same as for employers).

- The bill would allow an extra standard deduction for individuals who do not itemize their deductions. The extra standard deduction would be \$8,650 for married individuals filing joint returns, \$7,600 for heads of household, \$5,200 for single individuals, and \$4,325 for married individuals filing separate returns.
- The bill would allow individuals a refundable credit against the income tax equal to the rate of the BAT times the individual's AGI (up to certain limits). With a BAT rate of 14.5 percent, the maximum credit would be \$15,000 for married individuals filing joint returns, \$13,200 for heads of household, \$9,000 for single individuals, and \$7,500 for married individuals filing separate returns. The credit would be phased out as income rises.

The Savings-Exempt Income Tax

Senators Sam Nunn (D-GA) and Pete Domenici (R-NM) propose to replace the individual corporate federal income tax and a portion of the Social Security Tax with the Savings-Exempt Income Tax (SEIT). Total revenues from the SEIT would equal total revenues from individual and corporate income taxes, plus the revenues needed to pay for the Social Security payroll tax credits. The SEIT plan has not yet been introduced as legislation. Key provisions of the SEIT are described below.

Business Tax

To compute its tax base under a SEIT, a business would take the total value of its business receipts from domestic sales (which, by definition, exclude exports sales, income from overseas operations, and financial income) and subtract its purchases from other businesses. Purchases of imported goods also would be subtracted, assuming that the imports had been taxed at the border.

To compute its tax liability, a business would multiply its tax base by the business tax rate (7.1 percent). The business would then take a tax credit equal to the employer's portion of the payroll tax payments for its employees. (For the self-employed, the business tax credit would equal half of their self-employment payroll taxes.) If the business's tax liability was negative, it would receive a refund.

The SEIT's business-level tax would not allow businesses to deduct employee compensation (including purchases of health insurance for employees and their families), state and local tax payments, interest and dividend payments, or the depreciation of plant and equipment. Although financial institutions would pay tax, their tax base would be computed differently than for other businesses in order to include all financial income.

The SEIT's transition rules would probably allow businesses to deduct a portion of the remaining tax basis of most business assets each year until the basis was fully recovered. New investments in plant and equipment, of course, would be fully deducted as "business purchases" at the time of purchase, making subsequent deductions for depreciation unnecessary.

Individual Tax

The individual-level tax under the SEIT has most of the characteristics of current individual income tax. It differs, however, in five important ways. First, saving would be fully deducted from

income, and money withdrawn from savings and spent would be fully included in income. Second, interest payments on loans generally would be deductible, regardless of whether the taxpayer itemized deductions or not, and regardless of whether a loan was a mortgage or not. Third, income received from business activities would be recognized and measured on a cash basis. Fourth, capital gains and losses would not be explicitly recognized as income. Fifth, a tax credit would be available to lower-income taxpayers for the employee's portion of the payroll tax. Individual tax rates range from 15 to 55 percent.

Most of the other features of the individual-level SEIT resemble those of the current individual income tax. The SEIT retains personal exemptions, the standard deduction, some itemized deductions, and graduated tax rate schedules similar to those under the income tax. It also has an earned income tax credit (EITC) for low-income taxpayers.

Because the SEIT would not tax income that taxpayers save and businesses invest, it would not lower the return on saving, as an income tax does. As a result, taxpayers would have an incentive to save more than they do under the current income tax.

A Consumption Tax in Our Nation's Future?

What Policymakers and Opinion Shapers are Saying . . .

Honorable Laura Tyson
Chairman, Council of Economic Advisers

...some serious talk of levying a VAT most likely will take place among policymakers "at some point during this decade. I think it's quite likely that you may see a serious conversation in the United States about shifting the composition of taxes," rather than a discussion of changing the level of taxes...

Daily Tax Report
April 25, 1994

Honorable Bill Clinton
President of the United States

(After health care) the question for America becomes—and I think we ought to have a debate on it; you know, there's a lot of support already in Congress—whether we should lower either the income or payroll taxes and substitute a progressive VAT.

Fortune
August 23, 1993

Honorable Sam Nunn (D-GA)
Honorable Pete Domenici (R-NM)

...the time is right for tax reform resulting in a fair, simple code designed to spur long-term economic growth through greater saving and investment.

Comment on consumed income tax proposals by Sens. Nunn and Domenici
August 6, 1993

Honorable David Bonior (D-MI)
House Majority Whip

Adoption of a value-added tax is "inevitable" in the "not-too-distant future," perhaps to offset payroll tax increases possible as part of a health care reform package....

Daily Tax Report
March 16, 1993

Honorable Leon Panetta
Director, Office of Management and Budget

Panetta predicted, "a lot of debate" over the next few years on whether the federal government should move to a value-added tax or national sales tax. "If it happens, it's going to be done in a way that obviously replaces other taxes," he said.

Daily Tax Report
February 24, 1993

Honorable Lloyd Bentsen
Secretary of the Treasury

Treasury Secretary Lloyd Bentsen acknowledged last week in an interview that "there seems to be growing support for" a value-added tax or some other broad-based consumption tax among prominent lawmakers and economists.

Wall Street Journal
February 22, 1993

Honorable Fritz Hollings (D-SC)
Chairman, Senate Committee on
Commerce, Science, and Transportation

It will take real money to get rid of the deficit and debt, yet we must act with caution to avoid killing the recovery. A value-added tax, which is much like a national sales tax, is just what the doctor ordered.

New York Times
February 15, 1993

Honorable Byron Dorgan (D-ND)
United States Senate

"A consumption tax, similar to a value-added tax, is inevitable," Dorgan told the (Small Business Legislative Council). "This country will have to deal with that." Dorgan said that such a tax also would help U.S. industries become more competitive in world markets.

"We will have to take a look at it," he said. "The sooner the better."

Daily Tax Report
February 2, 1993

Honorable David Boren (D-OK)
Honorable John Danforth (R-MO)
Honorable Pete Domenici (R-NM)
Honorable Sam Nunn (D-GA)

We believe that it is time to act on a tax policy that rewards savings and investment as opposed to consumption. We urge the Administration to be bold, and propose a broad and progressive consumption-based tax policy.

Each of us has been involved in efforts to develop new economic policies that foster savings, investment, and economic growth. We believe that there is widespread bipartisan support in Congress for such a chance in direction.

Excerpt from a letter from
Sens. Domenici, Danforth, Nunn & Boren
to Treasury Secretary Lloyd Bentsen
January 25, 1993

Honorable Bill Bradley (D-NJ)
Member, Senate Committee on Finance

Mr. Bradley, a member of the tax-writing Finance Committee, said he still favors a tax cut for middle class families, but said it shouldn't be pushed now in view of the deficit. To raise money, the New Jersey Democrat suggested increasing the gasoline tax, imposing a broader tax on energy, creating a new value-added or consumption tax, or limiting tax deductions.

Wall Street Journal
January 12, 1993

July 1994

THE BUSINESS TRANSFER TAX

In recent years, policymakers have increasingly considered the adoption of a new Federal tax based on the national output of goods and services produced for consumption, plus the value of all imports. With personal consumption expenditures (plus imports) now exceeding \$4-1/2 trillion per year, the tax would yield large revenues even at a relatively low rate (upwards of \$35 billion per percentage point per year). Such action would emulate most other major industrial countries, which already have such taxes in place. A sturdy third leg would be added to a fiscal system which has proved inadequate in providing the revenues necessary to cover the spending voted through democratic processes. With purchases of business capital goods exempt from the tax, much of the multiple taxation of saving and investment that characterizes the income tax would be avoided -- a most important goal for a nation that needs to stimulate productive capital formation.

The precise type of tax to establish is a matter of debate. A European-style VAT (now in vogue throughout the world, except in Japan) would fit the broad requirements but can be criticized because its complexity requires a long start-up and high administrative costs. Moreover, the European VAT is unacceptable to U.S. state and local governments and retailers already involved in administering 44 sets of retail sales taxes.

Recognizing these concerns, Senator William Roth (R-DE) in 1985 introduced what he called a Business Transfer Tax (BTT), which possesses the advantages of the European "invoice-credit" VAT but avoids many of its disadvantages. In particular, the BTT would be simple to set up and administer and would not conflict in any way with existing state sales taxes. It would qualify as a "border tax" -- addable to imports and subtractable from exports.

The following set of questions and answers spells out in greater detail the case for the BTT.

THE BUSINESS TRANSFER TAX: Q's and A's

- Q. What is a Business Transfer Tax (BTT)?
- A. A tax paid directly by for-profit business and professional concerns, on the difference between total sales and purchased inputs of materials, equipment and structures. The difference between such purchases and total sales is value added. The tax rate is applied to that figure to determine tax liability.
- Q. Is the BTT therefore a value added tax?
- A. Yes and no. Although the BTT resembles the typical VAT because it is based on the value of a nation's output of goods and services produced for consumption (plus imports), it is so different in form that it can be viewed as a business tax (like the corporate income tax) rather than a European-style VAT.
- Q. Since the tax is based on value added, won't it be fully passed on to consumers? If so, won't it be regressive?
- A. Logic and arithmetic combine to suggest that, absent an accommodating monetary policy, a full passing on of a BTT (or any other consumption tax) is all but impossible. Fully passed on, a six-percent BTT would raise consumer prices in excess of \$200 billion, which exceeds the current level of annual personal saving. This means that a full pass-through could be effected only if consumers decimate their saving, which they are highly unlikely to do. Instead, consumers would tend to economize in various ways. (Note: Some companies might not even try to pass on all of the tax, electing instead to increase market share.)

Some analysts argue that Federal Reserve authorities would step in and increase the money supply sufficiently to take the nation's output of consumer goods off the market at the higher price level. However, the degree of Fed accommodation would depend greatly on price level behavior (and other macro factors) at the time. The Fed might or might not be accommodating.

Fortunately, there is ample foreign experience to suggest what is likely to happen in practice. The evidence indicates that perhaps half of the tax might ultimately be passed forward. The remainder would be absorbed through lower returns by the factors of production (which ultimately foot the bill for all taxes).

For a six-percent BTT, phased in over (say) five years, this implies a one-time increase of about three percent in prices of consumption goods over the period. So small an increase would hardly be noticed.

Q. Still, the perception is strong that a consumption tax is highly regressive and unfair. Cannot the tax itself be shaped so that it is actually progressive, or at least neutral?

A. Yes, but at very high costs in terms of complexity.

For example, necessities such as food and medicine can be exempt (as in many countries and states) or taxed at lower rates than so-called luxury items (as in France). Paperwork expands greatly and administrative and compliance costs shoot up. The revenue-generating power of the tax is reduced. Exemptions help rich people as well as those with lower incomes.

In addition, arguments about "definition" arise. In France, for example, bread and medicine are taxed at the basic rate, pastry and cosmetics at a higher rate. It is reported that vigorous arguments have occurred between tax officials and taxpayers. E.g., is a croissant bread or pastry? "Head and Shoulders" shampoo: the company argued that it is a medicine to cure dandruff; the tax authorities argued otherwise -- and won.

If a relatively small increase in price level is a matter of political concern, the best way to offset (or more than offset) the regressivity of a consumption tax would be to use part of the proceeds in a "progressive" manner (e.g., to cut payroll taxes on low- and middle-income workers) and/or adjust the existing individual income tax system to offset the regressivity. Refundable income tax credits (e.g., the earned income credit) might be especially useful to help low-income Americans who have no income tax liabilities. This approach has been successfully utilized in some states to offset the regressivity of state retail sales taxes.

Q. Won't this tax be very complex and expensive to administer? Treasury estimated in 1984 that a VAT would require 21,000 additional IRS agents at an additional annual cost of \$700 million per year. Treasury also said that it would take eighteen months to set up the tax.

A. All of this may be true of a European-style VAT (known as the invoice-credit approach), but it does not apply to the BTT. Academic tax experts believe that the BTT could be set up quickly, be simple to administer, and in fact require only a relatively small increase in IRS staff and budget. A major reason is that the tax information for compliance comes from books of account, not from a new record-keeping system for invoices.

Japan set up its version of the BTT in a few months and it is working well, according to reports.

(Note: Banks and some other financial service institutions would have to receive special and somewhat more complicated treatment. This is not an insoluble problem.)

Q. Aren't retailers and state and local officials unalterably opposed to this type of tax, believing that it will conflict with state retail sales taxes, greatly increase retailers' paperwork, and intrude on the "tax turf" of state and local governments?

A. Yes, but their fears relate to an invoice credit VAT; they should have no fear of a BTT. It is not a tax associated with a six-pack of beer, a pound of beef, a new wardrobe, and the like. It is a tax directly on business, just like the existing corporate profits tax -- except that it is computed on a much simpler, broader, and more defensible base.

If retailers and state and local officials do not now view the Federal business income tax as in conflict with state retail sales taxes, then they should hold no fear relative to the BTT.

Q. Is this tax a border tax? That is, can it be added to imports and subtracted from exports?

A. Yes -- it is "GATTable" in this sense. This means that, to the extent the BTT is substituted for business income and payroll taxes (which are not "GATTable"), some of the competitive disadvantages we now experience with other industrial countries may be reduced.

Q. But isn't it true that the BTT will indeed be "GATTable" only if it is applied at a single rate? And isn't it likely that special interest lobbying will result in a whole series of exemptions and perhaps variable rates in the finally enacted product?

A. Given "business as usual" in Congress, yes -- and it is true that the single rate must be achieved for the BTT to work well. But here's where the President of the United States comes in. Treasury Secretary Bentsen has appropriately said that it will take presidential leadership to enact this sort of tax, and that's what we must have.

A big part of that leadership should be a "nonnegotiable demand" on the President's part -- that unless the tax is at a single rate, applicable to all goods and services produced for profit in the U.S., he will veto the bill. In other words, if we are to deal with our economic problems, Congressional "business as usual" must be suspended.

Q. Some conservatives oppose a tax based on value added because the base is so huge. They fear it will result in a "money machine" -- the tax will, as in Western Europe, be upped a penny or two at a time, swelling the Federal government to huge proportions. Do you agree?

- A. It is a danger. In order to minimize it, the President should assert a second "nonnegotiable demand" -- namely, an amendment to the Constitution which will prevent any increase in the BTT rate except on the vote of a Congressional supermajority, perhaps two-thirds of the constitutional membership of each House.

Also, the BTT will be perceived by business as a business tax, rather than a sales tax, and businessmen would surely fight hard against rate escalation.

* * * * *

THE WHITE HOUSE
WASHINGTON

DATE: 7/25/94

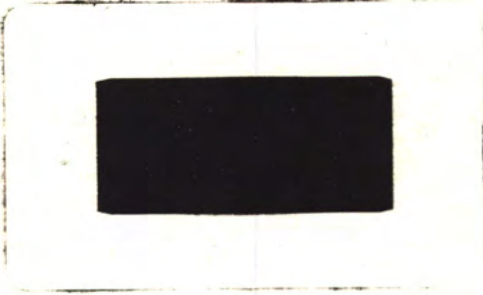


TO: NSC

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

Please provide a draft Presidential
response to the attached and
return to this office.

Thank you.



Sharing the Journey

FIRST BAPTIST CHURCH

July 10, 1994

DAN IVINS
PASTOR*Letter for
Pres to sign*

Dear Mr. President:

I have just returned from a week's mission tour of Cuba. We went from Havana eastward, stopping in towns along the way to Bayamo, where I preached in several Baptist congregations. It was a very difficult trip, but one of the most meaningful of my 51 years. Difficult, because of what I saw. Meaningful, because of how I was treated and what I experienced. I carried 22 pounds of medicine with me; gave up 2 pair of shoes; several shirts, pairs of glasses and cash from caring members of our congregation at First Baptist Silver Spring. I saw a 10 year old boy get a pair of prescription glasses and it was like Jesus healing the blind!

It is hard to describe the suffering and conditions these fine people are enduring. Unless you've seen the crumbling infrastructure, met with the communal determination of the people to cope with the problems it causes, it's hard to feel the compassion I feel. I was especially hurt because my government's embargo is the primary cause of this condition. I was further dismayed because the way they phrase it: "After 30 years of economic blockade from every U. S. President..."

From the empathy I have felt in you from a distance, I do not believe it is your wish to continue such a hurtful policy you inherited any longer than necessary. For the life of me I cannot see what it is accomplishing or how it would benefit our country to keep these people suffering. I realize our President is not a dictator and there are harsh realities like the State Department, Pentagon, and the fat cat militant power brokers in Congress and perhaps other factors to deal with of which I am not aware. But on behalf of our friends to the south, I am pleading their case with you because I believe you hope to make a difference in the world, not just in the United States.

I cannot imagine what it's like to struggle with all the loose ends of things that "need" to be done by an American President, especially after twelve years of Republican neglect, but please consider this request in the name of decency and justice—our boycott has caused enough suffering in Cuba.

I am hopeful, that if not in this term, perhaps the next term something can be done about this policy. I continue to be a strong supporter of you and Hillary. I believe in what you are trying to accomplish and that means you are in our prayers daily.

Sincerely,

Dan Ivins

Dr. Dan Ivins, pastor

THE PRESIDENT HAS SEEN
7/25

T6 VP

This is from my
friend Train Patient PBS
Do you think
the idea has merit?

Boz

This could be such a
great idea for you & the
nation. Do you really
want to just blow it
off?

Diane

JUL-12-94 TUE 08:48
JUL 11 '94

FULBRIGHT COLLEGE
06:10PM PBS PRESIDENT'S OFC.

FAX NO. 15015752642

P.02
P.2

THE PRESIDENT HAS SEEN 7/25

THE WHITE HOUSE
WASHINGTON

July 5, 1994

Ms. Diane D. Blair
Mr. Ervin S. Duggan
1320 Braddock Place
Alexandria, Virginia 22314

Dear Diane and Ervin:

Thank you for your suggestions regarding the use of funds gained from the auctioning of radio spectrum. I am committed to using new technologies to revitalize our nation's educational system, and I appreciate your support and ideas in this endeavor. Innovations in educational technology will help to educate the next generation of leaders and prepare them for the challenges that the future holds.

I have shared your letter with my staff, and I will certainly keep your ideas in mind.

Sincerely,

Bill Clinton

Memorandum for the President

From: Diane D. Blair, Member of the Board, CPB
Ervin S. Duggan, President and CEO, PBS

Date: May 6, 1994

The face of Union Station in Washington is inscribed with the words of its architect, Daniel H. Burnham: "Make no little plans; they have no magic to stir men's blood." You are a President who has already demonstrated a capacity for bold plans that will "stir our blood" for decades to come. We are writing to you therefore, with an idea that could create an intellectual monument to you and to your Presidency.

The idea is this: Put aside some of the billions of dollars that soon will be generated by auctions of radio spectrum, and invest that money in the education, culture and citizenship of the American people. Specifically, we propose that you invest the proceeds of spectrum auctions in a trust fund dedicated to educational and cultural materials that can be broadly disseminated through technology—video materials and software that will elevate our people and provide a legacy for decades to come.

As you know, the Federal Communications Commission will begin auctioning spectrum later this year. The first auctions could raise as much as \$10 billion. Under current law, the auction proceeds will simply spill directly into the federal Treasury. While the money will be earmarked for deficit reduction—a goal that we know you care deeply about—these valuable revenues will simply disappear into the Treasury: When history looks back, your Administration is likely to receive little or no credit for raising these revenues.

Mr. President
May 6, 1996
Page 2

Why not create a bold stroke—a vision with magic, to stir our blood? Why not ensure that these funds create an enduring legacy for the Clinton Presidency? Imagine if, as part of the current budget process, you set the goal of putting aside some of the auction money to fund a new generation of public broadcasting, software and educational services—services to create pioneering educational projects, that preserve cultural treasures and help us become better citizens. This legacy could be remembered as fondly as Thomas Jefferson's act establishing a Library of Congress is remembered today.

We are in positions to assure you that public television and radio are already the leaders in creating such partnerships and services. Public broadcasting has some of the best minds and the most imaginative technologies in the world. What they need to make the great leap forward to the 21st Century is a stable, generous source of funding. Such an endowment was dreamed of when President Johnson created public broadcasting in 1967, but never achieved. You could make it happen, and do more by that act to create a real information highway—an education highway—than by any other imaginable step.

As a governor and now as President you have demonstrated your faith in harnessing new technologies for education, culture and citizenship. You sought the Presidency in order to confront and solve crises ranging from family dissolution and economic dislocation to youth violence and public cynicism. You are searching for bold ideas to solve those problems. Public broadcasting stands for the principle that technology and high-minded programming can help achieve those solutions. It can contribute enormously to that important work broadly and more effectively than any other mass medium. As a 90-

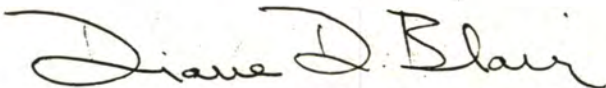
Mr. President
May 6, 1996
Page 3

year old pioneer of public television put it not long ago: "There are only three truly public institutions—the public school, the public library and public television. Which of these can reach the most people in an hour?"

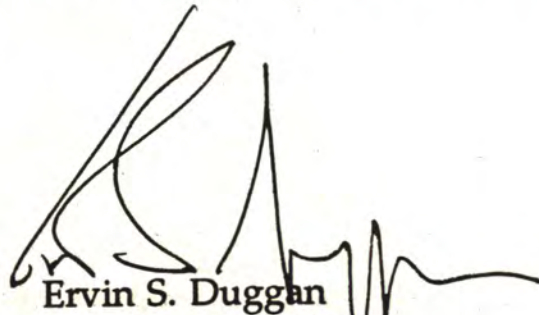
Senator J. W. Fulbright will be remembered for many accomplishments. His most enduring and productive legacy, however, may well be the Fulbright International Exchange Program, which used funds that might otherwise have been put to beneficial, but scattered, use. Instead, Senator Fulbright created a lasting memorial to his vision of the good that should flow from the international exchange of scholars and their ideas.

You have the same opportunity for a bold vision and an enduring monument, Mr. President. By wisely investing some or all of tomorrow's spectrum auction revenues in an educational technology endowment, you can create a permanent institution of culture, education and democracy. Public broadcasting can help you create that legacy. We pledge our assistance in ensuring good stewardship of the investment you make in it. We stand ready to discuss this idea in more detail with you or your staff, and would be happy to perform any task you assign to us in exploring this proposal further.

Sincerely yours,



Diane D. Blair
Member of the Board
Corporation for
Public Broadcasting



Ervin S. Duggan
President and CEO
Public Broadcasting Service

John P., Jim D -

How did a letter
to her go out like this
or not not

THE PRESIDENT HAS SEEN
7/25

T6VP

This is from my
friend Train Patient PBS
Do you think
the idea has merit?

Bob

This could be such a
great idea for you & the
nation. Do you really
want to just blow it
off?

Diana

JUL-12-94 TUE 08:48
JUL 11 '94

FULBRIGHT COLLEGE
06:10PM PBS PRESIDENT'S OFC.

FAX NO. 15015752642

P.02
P.2

THE PRESIDENT HAS SEEN 7/25

THE WHITE HOUSE
WASHINGTON

July 5, 1994

Ms. Diane D. Blair
Mr. Ervin S. Duggan
1320 Braddock Place
Alexandria, Virginia 22314

Dear Diane and Ervin:

Thank you for your suggestions regarding the use of funds gained from the auctioning of radio spectrum. I am committed to using new technologies to revitalize our nation's educational system, and I appreciate your support and ideas in this endeavor. Innovations in educational technology will help to educate the next generation of leaders and prepare them for the challenges that the future holds.

I have shared your letter with my staff, and I will certainly keep your ideas in mind.

Sincerely,

Bill Clinton

Memorandum for the President

From: Diane D. Blair, Member of the Board, CPB
Ervin S. Duggan, President and CEO, PBS

Date: May 6, 1994

The face of Union Station in Washington is inscribed with the words of its architect, Daniel H. Burnham: "Make no little plans; they have no magic to stir men's blood." You are a President who has already demonstrated a capacity for bold plans that will "stir our blood" for decades to come. We are writing to you therefore, with an idea that could create an intellectual monument to you and to your Presidency.

The idea is this: Put aside some of the billions of dollars that soon will be generated by auctions of radio spectrum, and invest that money in the education, culture and citizenship of the American people. Specifically, we propose that you invest the proceeds of spectrum auctions in a trust fund dedicated to educational and cultural materials that can be broadly disseminated through technology—video materials and software that will elevate our people and provide a legacy for decades to come.

As you know, the Federal Communications Commission will begin auctioning spectrum later this year. The first auctions could raise as much as \$10 billion. Under current law, the auction proceeds will simply spill directly into the federal Treasury. While the money will be earmarked for deficit reduction—a goal that we know you care deeply about—these valuable revenues will simply disappear into the Treasury: When history looks back, your Administration is likely to receive little or no credit for raising these revenues.

Mr. President
May 6, 1996
Page 2

Why not create a bold stroke—a vision with magic, to stir our blood? Why not ensure that these funds create an enduring legacy for the Clinton Presidency? Imagine if, as part of the current budget process, you set the goal of putting aside some of the auction money to fund a new generation of public broadcasting, software and educational services—services to create pioneering educational projects, that preserve cultural treasures and help us become better citizens. This legacy could be remembered as fondly as Thomas Jefferson's act establishing a Library of Congress is remembered today.

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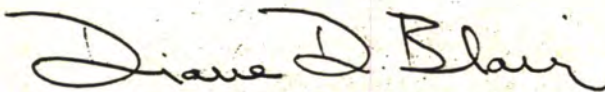
Mr. President
May 6, 1996
Page 3

year old pioneer of public television put it not long ago: "There are only three truly public institutions—the public school, the public library and public television. Which of these can reach the most people in an hour?"

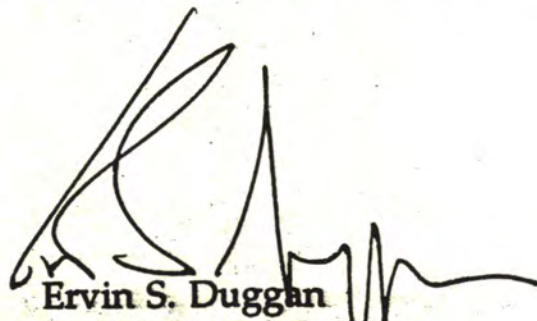
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Sincerely yours,



Diane D. Blair
Member of the Board
Corporation for
Public Broadcasting



Ervin S. Duggan
President and CEO
Public Broadcasting Service

7/25
THE PRESIDENT HAS SEEN
UNITED BANK
OF PHILADELPHIA

DR. EMMA C. CHAPPELL
Chairman, President and
Chief Executive Officer

714 Market Street
Philadelphia, PA 19106-2397
215 829 2265 Fax 215 829 2269

*Adella
see on call
num mi.
her*

BC

THE WHITE HOUSE
WASHINGTON

July 24, 1945 P5:58

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ANTHONY LAKE *RL*
SUBJECT: Brandenburg Gate

Purpose

The press has asked for information on your thoughts as you passed through the Brandenburg Gate.

Background

Bob Boorstin has drafted the attached suggested quotes which we recommend giving selectively to reporters.

RECOMMENDATION

That you approve the release of the attached quotes.

Approve ☒ Disapprove ☐

Attachment

Tab A Quotes from Bob Boorstin

— This is what
I was thinking about —
— Pls. ~~type~~ have it typed
and send me a copy
back.

cc: Vice President
Chief of Staff

Quotes

"Almost every important event you take part in as President leaves a strong impression, but there are a few moments -- the Israeli-Palestinian handshake on the White House lawn, for example -- that I'll always remember. Walking through the Brandenburg Gate was one of those moments, when you marvel at how far and how fast history moves."

"Every American associates the Brandenburg Gate with those November nights five years ago, when the Wall came down and Berliners danced on top. Those nights were on my mind as I walked the streets of Berlin. We couldn't see the crowd when we left the Reichstag, but they could see us on the large screens and -- as we turned the corner and walked between the columns -- you could hear a roar go up. In spite of the difficulties they're facing, you knew that the Germans had great hope and confidence about the future."

"Sitting on stage, I was very much aware of how many of the most memorable events of the Cold War has taken place nearby. Truman, Kennedy, Reagan -- they had all spoken on the Western side. We've been saying that the Cold War is over for a long time now but going through that gate, standing in front of that crowd looking east, it really hit home."

from the Reichstag
When I walked through the Brandenburg Gate, ~~I felt the weight of~~ to the people to address the crowd, I felt the weight of 80 years of history giving way to the future of a new future. From the 1st World War, to the aftermath of Versailles and the rise of Nazism; from the 2nd World War and the aftermath of ~~the~~ Germany and Berlin divided by the Cold War, ~~Germany~~ was at the center of aggression, the symbol of our inability to live together. Now ~~Germany~~ Berlin is free, united, the symbol of our hopes for a Europe united in democracy, commerce, and mutual respect for national borders. I was filled with the hope that all the Americas, the continents, the countries of the world might at last be rewarded.

7.18.94

THE PRESIDENT HAS SEEN 7/25

MEMORANDUM FOR THE PRESIDENT
LEON PANETTA

FROM: GEORGE STEPHANOPOULOS
PHIL LADER
LINDA LADER
BILL GALSTON
JOEL KLEIN
MARK GEARAN
MIKE LUX

SUBJECT: RELATIONS WITH RELIGIOUS COMMUNITY

To follow up on our last memorandum, a group of us met on July 18 to prepare further recommendations for action.

First: A White House working group on religious issues will meet weekly. This group will monitor issues of interest to religious communities and coordinate Presidential and Administration actions of special concern to these communities. This group will include representatives from major White House departments.

Second: We believe Bill Galston should be authorized to monitor day-to-day regulatory, legislative and policy decisions that affect religious communities. We need to make clear to various departments that issues must be vetted by Bill before final decisions are taken.

Third: Joel Klein will work with the Justice Department to establish a working group on the implementation of the Religious Freedom Restoration Act. A Justice Department official from the Civil Division will have responsibility for heading the group, which will include White House and other Cabinet representatives.

Fourth: Our White House working group will prepare a comprehensive strategy memo -- White Paper -- on religious issues for you to review during the August Break. This memorandum will cover three broad areas:

- 1.) Themes/Policy (Galston)
- 2.) Politics/Constituencies (Lux, Lader)
- 3.) Press/Communications (Gearan, Baer)

Let us know if you have any additional thoughts or suggestions.

*We need to keep public forum
radio, TV, press
regular briefing people in -*

Pls. push thru -

From Mack

THE PRESIDENT HAS SEEN 7/25

94 JUL 21 P12:58

News wrap-up

ATV operator, 13,
dies after accident

Democrat-Gazette Benton Bureau

BENTON — Shane Howard, 13, of Benton died Tuesday from injuries suffered Saturday when he ran an all-terrain vehicle off a county road south of Haskett.

The Saline County sheriff's office said Howard lost control of the vehicle, veered off the road and struck an embankment.

Shane's twin sister, Julie, suffered minor injuries in the accident.

NLR library to hold
reading programs

The Children's Department of William F. Laman Public Library will present a program for grade school children at 2 p.m. Tuesday.

Lynn Cole of the Arkansas Museum of Science and history will present a program about animals and will bring an animal guest.

Summer Storytime is 10 a.m. Wednesday and will feature guest storyteller Esther Crawford, director of Elementary Education for the North Little Rock School District.

The 1994 Summer Reading Program ends July 23 and all books read must be reported by closing on that day.

An award ceremony honoring all who participated in the program will be held at 7 p.m. July 28 at the gazebo in front of the library.

Everyone who has reported at least one book read will receive a certificate and a medal. Refreshments will be served.

Anyone who can not attend the ceremony may stop by the Children's Department to pick

up certificates anytime during library hours beginning July 29.

All events are free and open to the public. The library is at 2801 Orange St. in North Little Rock.

UA gets \$1 million
to continue study

The Associated Press

The federal Transportation Department has awarded a \$1 million grant to the University of Arkansas at Fayetteville for continued operation of a center to study rural transportation.

Sen. David Pryor, D-Ark., said Thursday that the grant will fund the Mack-Blackwell Transportation Center, one of three national university centers established by Congress to conduct transportation research.

The center concentrates its research on rural transportation.

ASU studies tenure
of fired president

Democrat-Gazette Jonesboro Bureau

JONESBORO — Dr. Mossie Richmond, Arkansas State University interim president, said Wednesday that he should decide within 10 days whether to remove tenure for Dr. John Mangieri, a former president.

Richmond said he has reviewed notes of an investigation by Dr. Suzanne Williams, vice president for academic affairs.

If he finds grounds for dismissing Mangieri, a university hearing committee of faculty members will be held. A final recommendation would then be submitted to the board of trustees.

The board fired Mangieri, a tenured professor, as president, April 7. It cited allegations of sexual misconduct and insubordination. Mangieri denied the al-

legations and filed a lawsuit against the university.

Fort Smith sweep
nets 15 illegal aliens

Democrat-Gazette Fort Smith Bureau

FORT SMITH — State and federal authorities found 15 illegal aliens Wednesday afternoon during a sweep of several downtown apartment complexes.

All 15 were men employed by local poultry plants or by temporary employment agencies, Fort Smith police said. They did not find any weapons or drugs during the sweep.

Two raids in late 1993 and early 1994 netted about 100 illegal aliens.

They were immediately deported to the U.S.-Mexico border.

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swimming
pool algae
with
Bioguard®.**

BioGuard® has the weapons you need to attack any algae problem.

Relax, Bring your pool to
BioGuard®



6823 Cantrell 501-666-0716

TOWNLEY
POOL AND SPA SUPPLIES.

THE WHITE HOUSE
WASHINGTON

94 JUL 21 P4:37

July 20, 1994

MEMORANDUM FOR SANDY BERGER

FROM: MACK McLARTY

SUBJECT: CONVERSATION WITH CONGRESSMAN BILL JEFFERSON

As I reported, I called Bill Jefferson and discussed Jesse Jackson's trip to Nigeria with him. Bill was not pleased, but was grudgingly acceptant of the fact that Jesse was going and might be of some benefit in delivering a strong message to General Abacha. I tried to both reassure and soothe Bill as best I could. Given our long-standing friendship, I achieved modest success. However, I think we need to be very sensitive and supportive to Bill's upcoming trip to Nigeria on July 30th.

Please keep me apprised of any developments regarding the Nigerian situation and let me know if you want me to do anything else regarding Congressman Jefferson.

cc: The President
Leon Panetta

Wcl
*I wish they could
go together then go on
to Rwanda -
Bony is trying to
organize it, I think*

Handy
an need to
check this out.
VB

7/25

THE PRESIDENT HAS SEEN

The Honorable Bill Clinton
President of the United States
The White House
Washington, D. C. 20500-2000

T. J. MILTON
123 VALLEY CLUB CIRCLE
LITTLE ROCK, ARKANSAS 72212

July 22, 1994

Dear President Clinton,

My purpose in writing is to offer a suggestion that could substantially improve and positively impact your appeal to the military.

In the past I've written that it's my strong opinion that better relations with the military could be achieved through the reserve and guard members *and their families* because they're citizens first (28 days a month for most) and military members one week-end a month.

Before now but especially in these last two weeks, it has become readily apparent to me that the military rank-and-file don't enthusiastically embrace something their leaders don't support. Since the military leadership hasn't been very receptive, in this time of reductions in budgets, etc. it is critical to go *directly* to the majority of reserve and guard members with an soft appeal approach (conforming to all federal laws), but to take the message of concern you, as their commander-in-chief, have for each of them.

To accomplish this goal, I recommend the establishment of a White House Liaison Office for the Reserve and Guard. The costs would be minimal and the mechanics (except for your decision) are already in place. A leader should be selected who would find qualified persons who would be "ordered" to active duty for service with the White House. Once recruited and trained properly, the professional staff would continue, however, to reside in their areas of the country where they have the most influence. A small office in Washington would be set up to take care of coordination, schedules, etc. and the funds are already budgeted [somewhere] in the Defense budget. This type of active duty tour would be a highly prized find for a few good people who would take their President's concerns to their "customers" and feedback to their Commander-in-Chief the needs and concerns of the people. This "sales" staff for the President would provide invaluable service for the military reservists, their families and the country.

By bypassing unreceptive leaders, I believe substantial improvement could be made over a period of 1-2 years because these liaison people would attempt to interact with the members and their families and the local unit's annual Family Picnic, thereby assuring good quality control. This office would operate quietly and not attract a lot of attention in the media.

If this idea appeals to you, I'd be happy do everything I can to make it happen!

①

Mark Gearan

It's good to
could possibly
congratulate

* (2) I have
travelling
concluded
once
his good
ways
help in
make
B

WHITE HOUSE
WASHINGTON

July 22, 1994

Joseph P. Lynch
Apartment 14
1018 Cumberland Street
Little Rock, Arkansas 72202

Dear Pat:

Thanks for your letter. I apologize for the delay in responding, but I just received it.

I appreciate the update on all that's going on in your life and am sorry to hear about your divorce. I know it must be tough. Hang in there.

Thanks, too, for the invitation to join you on the Pat Lynch show. I've shared your note with Mark Gearan, my Communications Director, for his consideration.

Finally, thanks for what you said about my remarks at President Nixon's funeral. I was honored that his family asked me to speak.

See you soon.

Sincerely,

Bill

I'm intrigued by
your idea & keep
you in touch —

cc M Gearan

DAWN ALEXANDER

THE WHITE HOUSE
WASHINGTON

NANCY - Received
Is this draft
appropriate?

Very
Please
redo -
bce Dawn
Alexander

DAWN
6-5759

DRAFT

Dear Pat:

Thank you for your thoughtful -- even inspirational -- letter. It was very good to hear from you. Pat, I'm learning by the day just how public, public office can be at times, but Hillary and I are doing just fine. Thank you for your concern.

^{much more}
You know, the press and scheduling offices together handle setting up the radio talk shows, and I'll let them know about your show. Look forward to hearing from them.

I'm sorry to hear about your divorce. It sounds as if all else is going well. Good luck on the show's syndication.

Sincerely,

BC

They rec'd 7/20

Interview Request

Joseph P. Lynch

1018 Cumberland Apt. 14
Little Rock, Arkansas 72202

Monday, May 2, 1994

9-5 Personal

D.A. [Signature]
President Bill Clinton
Executive Mansion
Washington, D. C.

MAY 23

Dear Mr. President,

Although I am very late in saying so, I do deeply appreciate you taking a few minutes for me at last year's conference on health care which you hosted for radio hosts. I will always remember my short walk with the President of the United States. Thank you.

I have been meaning to fire off several pages of good advice, but I have decided to substitute an update from back home instead. I am now among the ranks of the divorced. I guess it's all my fault. You certainly are right, it does take a lot of work to keep a marriage together. I am really embarrassed about the situation, so I must not be very "hip." I don't know how you and Mrs. Clinton keep a relationship going in the face of such incredible personal attacks, but I am full of admiration.

My fifteen minutes of fame has come and gone. As you probably know, I was part of the Geraldo Show and CBS This Morning - along with numerous local radio shows. I try to always be fair and honest when I am asked about you and Hillary. The country urgently needs what you are trying to do, so don't lose heart.

You're always on the Iums Show. What the heck is wrong with me? Here's your standing invitation to do an occasional quick phone interview on my morning show on KARN. I promise to be fair - as always.

cc Mark G.

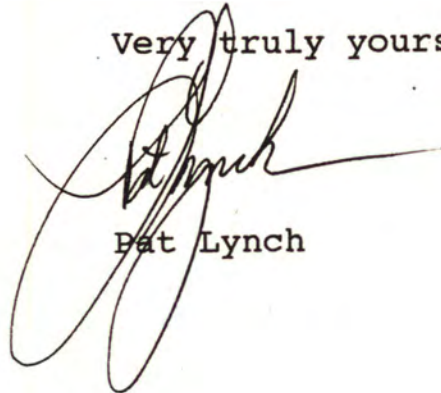
Rush Limbaugh needs to be taken down. Don't you agree?

I am working on something which might get that accomplished. I will be discussing it with Skip Rutherford and David Pryor. Wouldn't you love to hear the Pat Lynch Show in national syndication? Snider does not know about this, so let's keep it that way. Rush can be - must be - contained.

You were impressive at President Nixon's funeral. In fact, you have "on a roll" lately. That's what the special interests just hate. Keep it up.

Take care of yourself, we are counting on you.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Pat Lynch', with a large, looping flourish extending from the bottom left.

Pat Lynch

*Let's write this Friday
down on radio
weekend*

TE HOUSE
INGTON

July 21, 1994

Umberto Baron, Sr.
14 Ledgewood Avenue
Netcong, New Jersey 07857

Dear Mr. Baron:

I cannot tell you how much your wonderful letter about my father means to me. I appreciate your sharing with me your memories of him and of the time you spent together.

My father's tragic death left a great void in my life. That loss has been eased somewhat over time by the stories my mother told me, and I am now fortunate to have learned something of his life during the war from you. Your letter really means a lot to me. If you're ever near Washington, I hope you'll call my office at (202) 456-6610. I'd love to meet you.

Thank you for your kindness in sharing the memories you have of my father.

Sincerely,

Bill Clinton

Executive Of
1600 Pennsylv
Washington, D

Trey thought
Potus might
like to see
himself &
draft his own reply.

Umberto Baron
14 Ledgewood Ave.
Netcong, N.J. 07857
(201)-347-9256

Dear Mr. President,

I am writing to you at this time to share my recollections of your late father, William Jefferson Blythe II. I was shocked and amazed to learn that you had never known your father, and a recent newspaper article and photograph triggered memories of times I had spent with him during WWII in Italy. I would like to share these memories with you.

I was born on Nov. 18, 1931, in the Italian village of Tuoro, about one mile from the city of Caserta. As a teenager, I enjoyed spending my after-school hours at an ordnance base set up in Caserta by the U.S. Military. I was given a variety of tasks by Staff Sgt. James Darnell, including preparing and serving coffee,

Doc 1 Pg 1 Ln 1" Pos 1"

Field: 1

1. Do very nice note to him
2. Ce C. Huber for file
3. Send ce to Ann Douglas
4. Aug. to Personal file

MR. PRESIDENT
GREAT LETTER
FROM A MAN WHO
KNEW YOUR FATHER
IN THE WAR

fetching tools, and cleaning the base. I had befriended one of the mechanics, whom I had known only as "Bill". Bill was a good friend as well as an excellent mechanic. Bill, who called me "The Little G.I. Joe", spent countless days at my house, having dinner with my family and spending time with me. The knowledge I had acquired from Bill encouraged me to want to pursue my own career in the auto mechanics field. When Bill left in 1945, I did not have the opportunity to say good-bye. I thought I had seen the last of him.

I emigrated to the United States in 1954 to seek happiness in the Land of Opportunity. I carried with me my love of auto mechanics, and did pursue a career in that field. I was fortunate to realize all of my goals in this country. I married four years after my arriving in America and fathered three children from 1959 to 1968.

During your campaign for Governor of Arkansas, your appearance was strikingly familiar to me. I asked my wife, Grace, if she, too, recognized you, to which she replied, "No. We don't know anyone in Arkansas". But I maintained that you were someone that I had previously known.

On Memorial Day of this year, (May 30), I was thumbing through a

Doc 1 Pg 1 Ln 8.83" Pos 1"

Field: 1

copy of the New York Daily News with my morning coffee when suddenly, I felt as if I were struck by lightning. There, in the lower left-hand corner of the paper was a photo of Bill. Upon reading the accompanying article, I felt chills to learn that Bill was none other than the father of the President of the United States! I was stunned to discover that Bill had died in a car crash just six months after returning to America. I'm sure if Bill were alive today, he would be very proud of his son's accomplishments, and would remember me as a boy he had befriended during his time stationed in Italy.

I have enclosed a copy of the article for your reference. Thank you for your time and attention.

Very truly yours,

Umberto Baron

Umberto Baron Sr

ub jr

Bill never knew still 'mythic figure'

THE ASSOCIATED PRESS

WASHINGTON — President Clinton speaks of the father he never knew as a "mythic figure" who survived a world war only to perish on a lonely stretch of highway.

As Clinton pays tribute to the soldiers of World War II this week, he will stand less than 100 miles from where his father served in Italy.

Army Technician Fourth Grade William Jefferson Blythe 2d spent two years, one month and 19 days in North Africa and Italy, rebuilding trucks and jeeps to equip troops at the front.

His military photo shows the broad

grin and tilt of hat that befit the engaging Texan who wooed and won Virginia Cassidy. They were married before he shipped out in October 1943.

"We talked fast, played fast, fell in love fast," the late Virginia Kelley wrote in her autobiography. Then Blythe was gone to war.

He spent most of his time in Caserta, Italy, in the 3030th Company, 125th Ordnance Base Auto Maintenance Battalion.

Clinton will come within 100 miles of Caserta on Friday when he visits Nettuno cemetery to pay homage to the men killed in the Allied campaign in Italy.

Once Blythe returned home on Dec. 7, 1945, he "never talked much about what he had done in the war, and I didn't ask," Virginia recalled. "He just couldn't wait to get on with his life." There was little time left.

Just six months later, Blythe died in a car accident on a deserted stretch of Missouri highway as he drove from Chicago to Hope, Ark., to pick up his pregnant wife and bring her back to Illinois. He was 29.

William Jefferson Blythe 3d, the future President, was born three months later.

The President, who changed his name to conform with his stepfather's at age 15, rarely speaks about his natural father. But he once said Blythe was "almost a mythic figure" to him.

"I never got over. . . never meeting my father," he said. "It was always sort of a hole in my life. And I lived with that wistful memory."



BILL'S DAD: William Jefferson Blythe 2d

Monday, May 30, 1994 • DAILY NEWS

UMBERTO BAR
14 LEDGEWOOD /
NETCONG, NJ 078



cc: Kain
is being
for web

WHITE HOUSE
WASHINGTON

July 22, 1994

Kerry Kirschner
Director of Development
Mote Marine Laboratory
1600 Thompson Parkway
Sarasota, Florida 34236

Dear Kerry:

Thanks for your note of July 17 and for sharing Senator Mack's letter about your idea for a Federal Pollution Recovery Trust Fund.

I'm sorry you won't be able to attend Tim Chorba's swearing-in ceremony. You're right that we'll have to call him home in time to plan our 30th reunion!

See you soon.

Sincerely,

Bin



1600 THOMPSON PARKWAY
SARASOTA, FLORIDA 34236
PHONE: (813) 388-4441 FAX: (813) 388-4312



"A nonprofit organization dedicated to excellence in marine sciences"

July 17, 1994

President Bill Clinton
The White House
Washington, DC 20500-2000

Dear Bill:

Thanks so much for your note regarding my suggestion for a "Federal Pollution Recovery Trust Fund." I thought that you might find the response from Senator Mack on this idea reassuring.

I will share all of this with Senator Graham in hopes that he can work with your environmental offices and DOJ to establish meaningful legislation in this area.

I was hoping to get to Washington for Tim Chorba's swearing-in ceremony, but unfortunately I'm not going to be able to make it. Make sure that you mark it on your calendar to re-call him in '98 in time to organize the party for our 30th!

Hope to see you soon.

Best regards,

Kerry Kirschner
Director of Development

KK/gb
Enc.

CONNIE MACK
FLORIDA

United States Senate

WASHINGTON, DC 20510-0904

June 21, 1994

Kerry Kirschner
1600 Ken Thompson Parkway
Sarasota, Fla 34236

Dear Kerry:

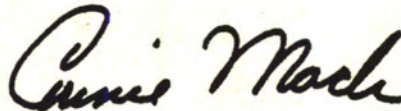
Thank you for your letter concerning fines and penalties imposed by the EPA.

I understand your concerns about fines being imposed by the EPA going directly into the general treasury. Your idea of putting the money directly into a "Pollution Recovery Trust Fund" is a good one.

The one reservation I have about this idea is having the "Pollution Recovery Trust Fund" administered by the same agency that issues the fines. This opens the door to allegations of increasing fines just to build up the fund.

I appreciate having the benefit of your views and although I am not on the committee with jurisdiction over this issue I will keep your thoughts in mind.

Sincerely,

A handwritten signature in black ink that reads "Connie Mack". The signature is written in a cursive, flowing style.

Connie Mack
United States Senator

CM/bg/ms

Missy
to come to
Nellie's house
by the way
Sincerely

Missy
The letter
a week later
good but call

USE

July 21, 1994

Missy Burnett Moody
9012 Spring Avenue
Lanham, Maryland 20706

Dear Missy:

Happy Birthday! Hillary and I hope you
had a wonderful day and wish you good
health and much happiness in the coming
year.

Sincerely,

Bin

5.0
7-18-94

FOB

Scheduling place
7-18-94

JUL 18 1994

DEIRDRE M. O'NEILL
APT. 201
1812 Wyoming Ave., N.W.
Washington, D.C. 200009

June 29, 1994

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

TO: Greetings
From: Scheduling

Please send a
birthday card.

Try - Does this need a
letter? *yes*

Dear Mr. President:

I am a very good friend of Missy Burnett Moody who several years ago worked for you in the attorney general's office and was your Office Manager during your first term as Governor of the State of Arkansas. Missy has spoken of both you and Mrs. Clinton with great affection and respect and has fond memories of her time working with you in Arkansas. She is now living in New Carrollton, Maryland and plans to relocate with her husband Bob to the Shenandoah area sometime later this year having just retired as Recruitment Coordinator at the Washington office of the Chicago law firm Sonneschein Nath and Rosenthal.

This year will be a milestone birthday for Missy, her 50th to be exact, and Bob and I are planning a surprise birthday party for her at my home on Saturday, July 16 (her actual birthday is July 15). And so we were wondering what would help make this very important birthday a memorable one for Missy and immediately the following idea came to mind. What if the President of the United States were to call, or write, Missy to wish her Happy Birthday. So, might it be possible for you to take a moment from your very busy schedule to place a call (202-797-9115) to Missy on the evening of July 16 at my home between 7:30 P.M. and 8:00 P.M. or, failing that, perhaps you could forward a note to my address prior to July 16, to wish Missy Happy Birthday.

We know that while Missy would be furious at us were she to have any inkling of our plot, we know also that she would be thrilled to hear from you, and so hope that you won't think too badly of us for taking this liberty and imposing on you in this manner.

Thank you.

Sincerely,

Deirdre M. O'Neill

Try rec'd
7/20/94

Rec.
7.19.94. s

Shack
Sum
re:
Pete
B.

Spelling OK'd
by Dean Carter
PP

JAD Roberts
Letter

WHITE HOUSE
WASHINGTON

July 20, 1994

The Honorable Jacqueline J. Roberts
Member of the House of Representatives
of the State of Arkansas
Post Office Box 2075
Pine Bluff, Arkansas 71613

Dear Jackie:

Thanks for your note of July 7 and for sending the column by Jesse Jackson that appeared in the Arkansas State Press. I appreciate his concerns, and I was pleased to nominate Gil Casellas to head the EEOC. I know he'll do a wonderful job, and I expect him to move swiftly as soon as he is confirmed.

It was good to see you recently and to have a chance to visit. See you soon.

Sincerely,

Bill

As we move closer to
the election year you
must be sure to cover
all bases of potential
attack issues.



Compliments
of
Jacqueline J. Roberts
HOUSE OF REPRESENTATIVES
STATE OF ARKANSAS
DISTRICT 73



STATE OF ARKANSAS

House of Representatives

Representative JACQUELINE J. ROBERTS
P. O. Box 2075
PINE BLUFF, ARKANSAS 71613-2075

7-1-94

Dear Bill,

I thought this article would
be interesting reading. Was great to see you
on last week.

Jackie

P.S. Still praying to join you
soon.

Thursday June 30, 94
Arkansas State Press

Forum

✓ An EEOC Chief at last?

Jesse Jackson, Jr.

President Bill Clinton has had a shaky start in the area of civil rights enforcement. First, there was the controversial turn-down of Lani Guinier to become Assistant Attorney General for Civil Rights. In the end he made a good appointment in the person of Deval Patrick — but after a year's delay.

For the first seventeen months of his administration the chief antidiscrimination agency, the Equal Employment Opportunity Commission (EEOC) has gone without a chair. It has been leaderless and rudderless. In fact, it hasn't had a chair since Clarence Thomas. The President has yet to give a major civil rights speech to set forth his thinking and policies on the subject.

While he has yet to nominate anyone, on Tuesday June 14, the President announced his intention to nominate a prominent Hispanic, Gilbert F. Casellas, 41, currently general counsel of the Air

Force, to become the new Chair of the EEOC. The hurried announcement of intent came just hours after the *Washington Post* wrote a scathing editorial in which it called the delay in nominating someone to the post inexcusable and indicative of "incompetence in the appointment process."

Mr. Casellas, a native of Tampa, Florida, is a former president of the Hispanic National Bar Association. He is also a 1974 graduate of Yale University and received his law degree from the University of Pennsylvania in 1977.

The EEOC enforces federal laws prohibiting job discrimination on the basis of age, color, race, religion, sex, national origin and more recently, disability. More important than the Chair of the EEOC are its policies and its ability to do an effective job. The General Accounting Office, the investigative arm of Congress, noted recently that while the EEOC's caseload was ballooning in recent years, Congress was holding its budget relatively flat, forcing the agency to trim its staff 6% between

1989-93. The EEOC was cutting resources, while between 1989 and 1993, the total number of newly filed discrimination charges climbed 57%, to 88,000.

Even more importantly, the Clinton administration has done little to reverse EEOC policies instituted under Presidents Reagan and Bush that worked against workers alleging discrimination and in favor of their employers. One such policy, instituted under Clarence Thomas, was to use limited EEOC resources to investigate individual cases rather than conduct broad "systemic" inquiries that would impact on large groups of employees. We must insist on a policy involving an effective screening process that focuses resources on cases that have merit and can have impact for many people on the root causes of discrimination.

For thirteen and a half years, under Republican and Democratic administrations, we have been on watch against discrimination. It's time for a change!

*AKA
See him
in: Bill Clinton
1st term
1993*

*Joe
Dawson
with*

WHITE HOUSE
WASHINGTON

July 20, 1994

COL Joseph T. Dawson, USA, Ret.
214 Park Tower
710 Buffalo Street
Corpus Christi, Texas 78401

Dear Joe:

I deeply appreciate your letter and your words of encouragement. I was honored by your presence at Colleville-sur-Mer. Nobody could have received a warmer and more honorable introduction than you delivered there. I hope you enjoy the enclosed copy of my speech.

The brave soldiers like you who stormed the beaches of Normandy, together with so many others who sacrificed during World War II for the causes of liberty and justice, successfully turned the tide of the twentieth century and brought peace and stability to the world. America can be proud of valiant efforts such as yours that helped secure the freedoms we have enjoyed during the last fifty years.

I was uplifted by your report of the overwhelmingly positive reaction to the ceremonies. It strengthens my belief that great potential remains for our nation's success as we seek to build on the progress made since the Allied victory and the end of World War II.

I value your letter, your inspiring message at the D-Day ceremonies, and your service to this country.

Sincerely,

Bill Clinton

To Joe Dawson
with thanks and respect
Bill Clinton

REMARKS BY PRESIDENT CLINTON
AT U.S. NATIONAL CEMETERY
ABOVE OMAHA BEACH
JUNE 7, 1994

Colleville-sur-Mer, France

Mr. Dawson, you did your men proud today. General Shalikashvili, Mr. Cronkite, Chaplain, distinguished leaders of our government, members of Congress, members of the Armed Services, our hosts from France, and, most of all, our veterans, their families and their friends:

In these last days of ceremonies, we have heard wonderful words of tribute. Now we come to this hallowed place that speaks, more than anything else, in silence. Here on this quiet plateau, on this small piece of American soil, we honor those who gave their lives for us 50 crowded years ago.

Today, the beaches of Normandy are calm. If you walk these shores on a summer's day, all you might hear is the laughter of children playing on the sand, or the cry of seagulls overhead, or perhaps the ringing of a distant church bell -- the simple sounds of freedom barely breaking the silence -- peaceful silence, ordinary silence.

But June 6th, 1944 was the least ordinary day of the 20th century. On that chill dawn, these beaches echoed with the sounds of staccato gunfire, the roar of aircraft, the thunder of bombardment. And through the wind and the waves came the soldiers, out of their landing craft and into the water, away from their youth and toward a savage place many of them would sadly never leave.

They had come to free a continent -- the Americans, the British, the Canadians, the Poles, the French Resistance, the Norwegians and others -- they had all come to stop one of the greatest forces of evil the world has ever known.

As news of the invasion broke back home in America, people held their breath. In Boston, commuters stood reading the news on the electric sign at South Station. In New York, the Statue of Liberty, its torch blacked out since Pearl Harbor, was lit at sunset for 15 minutes.

And in Newcastle, Pennsylvania, a young mother named Pauline Elliot wrote to her husband, Frank, a corporal in the Army, "D-Day has arrived. The first thought of all of us was a prayer."

Below us are the beaches where Corporal Elliot's battalion and so many other Americans landed -- Omaha and Utah, proud names from America's heartland, part of the biggest gamble of the war, the greatest crusade; yes, the "longest day."

During those first hours on bloody Omaha nothing seemed to go right. Landing craft were ripped apart by mines and shells. Tanks sent to protect them had sunk, drowning their crews. Enemy fire raked the invaders as they stepped into chest-high water and waded past the floating bodies of their comrades. And as the stunned survivors of the first wave huddled behind a seawall, it seemed the invasion might fail.

Hitler and his followers had bet on it. They were sure the Allied soldiers were soft, weakened by liberty and leisure, by the mingling of races and religion. They were sure their totalitarian youth had more discipline and zeal.

But then, something happened. Although many of the American troops found themselves without officers on unfamiliar ground, next to soldiers they didn't know, one by one, they got up. They inched forward and together in groups of threes and fives and tens, the sons of democracy improvised and mounted their own attacks. At that exact moment on these beaches, the forces of freedom turned the tide of the 20th century.

These soldiers knew that staying put meant certain death. But they were also driven by the voice of free will and responsibility, nurtured in Sunday schools, town halls and sandlot ball games. The voice that told them to stand up and move forward, saying, "You can do it. And if you don't, no one else will." And as Captain Joe Dawson led his company up this bluff, and as others followed his lead, they secured a foothold for freedom.

Today, many of them are here among us. Oh, they may walk with a little less spring in their step and their ranks are growing thinner, but let us never forget -- when they were young, these men saved the world.

And so let us now ask them, all the veterans of the Normandy campaign, to stand if they can and be recognized.

The freedom they fought for was no abstract concept, it was the stuff of their daily lives. Listen to what Frank Elliot had written to his wife from the embarkation point in England: "I miss hamburgers a la Coney Island; American beer a la Duquesne; American shows a la Penn Theater; and American girls a la you."

Pauline Elliot wrote back on June 6th, as she and their one-year old daughter listened on the radio, "Little Deronda is the only one not affected by D-Day news. I hope and pray she will never remember any of this, but only the happiness of the hours that will follow her Daddy's homecoming step on the porch."

Well, millions of our GIs did return home from that war to build up our nation and enjoy life's sweet pleasures. But on this field, there are 9,386 who did not -- 33 pairs of brothers; a father and his son; 11 men from tiny Bedford, Virginia; and Corporal Frank Elliot, killed near these bluffs by a German shell on D-Day.

They were the fathers we never knew, the uncles we never met, the friends who never returned, the heroes we can never repay. They gave us our world. And those simple sounds of freedom we hear today are their voices speaking to us across the years.

At this place, let us honor all the Americans who lost their lives in World War II. Let us remember, as well, that over 40 million human beings from every side perished -- soldiers on the field of battle, Jews in the ghettos and death camps, civilians ravaged by shell fire and famine. May God give rest to all their souls.

Fifty years later, what a different world we live in. Germany, Japan and Italy, liberated by our victory, now stand among our closest allies and the staunchest defenders of freedom. Russia, decimated during the war and frozen afterward in communism and Cold War, has been reborn in democracy. And as freedom rings from Prague to Kiev, the liberation of this continent is nearly complete.

Now the question falls to our generation: How will we build upon the sacrifice of D-Day's heroes? Like the soldiers of Omaha Beach, we cannot stand still. We cannot stay safe by doing so. Avoiding today's problems would be our own generation's appeasement. For just as freedom has a price, it also has a purpose, and it's name is progress. Today our mission is to expand freedom's reach forward; to test the full potential of each of our own citizens; to strengthen our families, our faith and our communities; to fight indifference and intolerance; to keep our nation strong; and to light the lives of those still dwelling in the darkness of undemocratic rule. Our parents did that and more; we must do nothing less. They struggled in war so that we might strive in peace.

We know that progress is not inevitable. But neither was victory upon these beaches. Now, as then, the inner voice tells us to stand up and move forward. Now, as then, free people must choose.

Fifty years ago, the first Allied soldiers to land here in Normandy came not from the sea, but from the sky. They were called Pathfinders, the first paratroopers to make the jump. Deep in the darkness they descended upon these fields to light beacons for the airborne assaults that would soon follow. Now, near the dawn of a new century, the job of lighting those beacons falls to our hands.

To you who brought us here, I promise, we will be the new pathfinders, for we are the children of your sacrifice.

Thank you and God bless you all.

Apprec

JOSEPH T. DAWSON
OIL OPERATOR
214 PARK TOWER
710 BUFFALO STREET
CORPUS CHRISTI, TEXAS 78401
(512) 882-7521

June 24, 1994

plm:
The President of the United States
the White House
Washington D. C. 20500

Dear Mr President -

Thank you for allowing me, as representing
all veterans of World War II, to present you to the world.
It was the highest honor I have ever enjoyed and I am
most deeply appreciative of your gracious acceptance.
You may be interested to know that upon
returning home we found an overwhelming mail bag
filled with words of appreciation from men and
women of all walks of life. Less than a handful of
critics made us realize our nation is largely made up
of caring and positive people.

Someday we shall find some way to
express to you and Mrs Clinton, in person, our
gratitude for sharing a most momentous occasion

Respectfully

Joe Dawson

Not typed.

1/3 Simon
7/20/94
in the area?

Good
Simon
letter
sample

ITE HOUSE
INGTON

July 20, 1994

Miss Elizabeth Ann Simon
769 Farrington Lane
Burlingame, California 94010

Dear Elizabeth:

The moving letter I received from you was a dramatic reminder of the urgent need to stem the tide of crime and violence in our country. It saddens and disturbs me to know that you fear for your life. I am determined to find solutions to the serious problems you addressed in your letter, and I'm working very hard to make our nation safer.

My Administration is dedicated to passing a crime bill that will put 100,000 new police officers on the streets of America, providing strong role models, the best protection, the toughest enforcement, and the smartest prevention available. I believe that this crime bill will make a real difference in Burlingame and in communities across America.

Together, we can end this fear of violence and restore Americans' hope for the future. You and your family are in my thoughts and prayers.

Sincerely,

Bill Clinton

Special
Handling

Dear Sir:

I am writing to you about serious business. I am a graduating eighth grader at Burlingame Intermediate School in California. I am very upset about the crime that has grown around me. In the past four months the following has happened to me:

- My father was shot in the back by car jackers.
- My friend was stabbed thirty times in the head and raped by her father.
- My friend Ernesto got caught in the crossfire between two gangs and was shot in the face as he got off the muni bus going home.

I am scared to go out of my house at night. I don't live in San Francisco. I don't live in San Mateo. I live in Burlingame. Am I safe? No. I am scared, I wonder if I am going to live to see twenty. What are you going to do about this. I deserve a better life. What if my father had died? Even though he doesn't live with me, he is still a part of my life and would be missed if the bullet that hit him were three centimeters higher. What am I going to do? Life is tough enough without all this violence.

I know that you can't bring my friend back but can you promise that another family won't have to go through the pain that Ernestos did?

I understand that this letter probably won't even reach you but I hope that it will and if it does I want you to take serious consideration to it. I want action and if I have to send this letter every day of my summer vacation I will because I fear for my life and I shouldn't.

Sincerely waiting for a response,

Elizabeth Ann Simon

Elizabeth Ann Simon.

Elizabeth Ann Simon
769 Farrington Lane
Burlingame CA 94010



Bill Clinton
The White House,
1600 Pennsylvania Ave. NW,
Washington DC 20503



Ambassador Crowe
EMBASSY OF THE
UNITED STATES OF AMERICA
LONDON

*To Tony Celp
Agree we should come as
him before we do anything
R*

President Clinton

THE PRESIDENT HAS SEEN 7/25

PERSONAL

THE PRESIDENT HAS SEEN 7/25

EMBASSY OF THE UNITED STATES OF AMERICA
LONDON

July 19, 1994

Dear Mr. President:

It was good seeing you here during the D-day commemoration and at Oxford. Your visit was a marked success, a point made regularly by British leaders during my introductory calls. More importantly, some of the more sensational press representatives, who are often most critical of the Administration, acclaimed your visit.

Shirley and I are gradually accommodating to our new circumstances, both the responsibilities and perks. Certainly the locals of all ranks and station have been extremely kind to us - of course I have only begun to deal with the press and they are a different story. The Washington Times looks benign in comparison.

It feels good to be back in harness again and working on behalf of the Republic. I am most grateful for the confidence you have expressed in me and assure you Shirley and I will give it our best effort. There is something about moving overseas that makes you better appreciate what our nation stands for and puts being an American in a truer perspective. Never was that more obvious than during the D-Day commemorations.

The most taxing and immediate challenge I face is the British press. While I am persuaded there is still a huge reservoir of pro-American sympathy throughout Britain, some in the media are quite vicious and critical regarding our administration and the U.S. in general.

No doubt, some of the commentary is designed to discredit the pro-American Major Government, but not all. Many old hands here think press attitudes toward the U.S. have fallen to an all-time low. It is not yet clear if or how much I can influence these negative opinions and tendencies. Tradition dictates that I make my first speech to the "Pilgrims Club" (which includes few Pilgrims). I am scheduled to do that on 28 July and will then embark on an ambitious speaking and press schedule. This is not your problem, it is mine and I'll give it my best shot.

You and John Major seemed to get on well together at Chequers, picking up where you left off during his visit last February. Major is well disposed to us, and I think we can achieve a good deal in concert. This is important because, barring a successful internal challenge to his leadership, which seems less likely now than a few months ago, he will probably be in place for at least another two years and possibly until Spring 1997.

I would sound one cautionary note. I sense there is considerable enthusiasm in some quarters in Washington for Tony Blair and other Labour Party "modernizers". We expect Blair will win the current leadership race which ends on July 21. Based on what I've seen so far this enthusiasm is well-placed. This is a new, moderate Labour Party and Blair has helped rid it of most of the leftist cant of the 70s and early 80s. He will also very likely be a man whose views on domestic issues, especially jobs, education, and economic growth will be very appealing to many on both sides of the Atlantic. But the important point for you and the Administration to keep in mind is that the general election may not be until 1997, and the Labour Party is not a "sure bet" to replace the Tories even then.

In this vein, I am somewhat uneasy about what strikes me as a proliferation of contacts between Washington and Blair's Labour entourage. High-level contacts with opposition parties are important and I am certainly not suggesting that we shy away from them. But I am convinced that we must take "extreme care" to avoid a misunderstanding with John Major and perhaps more important his theologians; it would not serve our interests here if they in any sense came to believe that the U.S.G. had already decided Britain's future rested with Labour under Tony Blair.

There is no reason why we cannot maintain effective lines of communication with Blair and his team even as we work closely with the Major Government. But we must not appear to give Blair our endorsement - explicitly or implicitly. If we are truly neutral there will be plenty of opportunity to cement our relations with the new government - when and if a change takes place. In other words, we don't want to make the kind of mistake Major made during your campaign.

For my part, I intend to keep a close eye on how we relate to both camps. I'll be in touch again if I feel we are actually in danger of communicating the wrong signals.

I just finished a two day trip to Northern Ireland - my first visit to Belfast and Londonderry. It was billed strictly as a learning experience. To be candid it was hardly an encouraging baptism. I saw Molyneaux in London before I left and Paisley, Alderdice, Hume, and Mayhew in Northern Ireland. All expect Gerry Adams to produce a response to the Downing Street Declaration intended to look positive (not least to our eyes), but with a bottom line demanding further concessions from the British Government and the Unionist side before IRA terrorism stops.

From an American perspective it's imperative to realize that bringing Sinn Fein and the IRA into the process is just one aspect of the overall problem - although an important one. There are a number of roadblocks besides IRA terrorism, not the least of which is significant unionist terrorism. In Ireland every action has a counter-reaction. We not only are looking for solutions, but solutions that don't provoke worse problems in other areas by upsetting balances currently in place.

The U.S. position of neutrality is just right, but we must truly practice as well as proclaim neutrality and be patient as we seek genuine openings for Washington to use its influence. Unfortunately, such opportunities will be infrequent and perhaps not too well marked. Put simply, it will probably get worse before it gets better. A friend of mine says the easiest thing to achieve in international affairs is a misunderstanding. The Irish problem is certainly a graphic illustration of that principle.

In any event I am working hard to become better educated, to develop more helpful views, and to assist you in addressing this thorny issue. I mention this only because I know there is a temptation (not always resisted) in Washington to pick up the phone and go straight to British counterparts like Mayhew. This is a cross many Ambassadors must bear in the information age.

In that context, Mayhew told me on July 7 that he had taken two phone calls from the NSC about the possibility of another visa for Gerry Adams. Mayhew was deeply concerned. I believe therefore that when Sinn Fein delivers its formal response to the Downing Street Declaration, we will need to analyze it carefully and in the process to consult both Dublin and London before considering further moves on our part, particularly the issuance of a second visa to Adams.

Chelsea is with us right now and I believe we have laid on an exciting agenda. The British are responding with enthusiasm and goodwill.

Again I am very grateful for the opportunity to represent you in the United Kingdom. Shirley joins me in sending our warmest regards to both you and Hillary.

Sincerely,

A handwritten signature in dark ink, appearing to read 'W. J. Crowe, Jr.', with a long horizontal flourish extending to the left.

William J. Crowe, Jr.
Ambassador

THE WHITE HOUSE
WASHINGTON

RECOMMENDED TELEPHONE CALL

TO:

SENATOR PATRICK LEAHY (703) 893-7331

DATE:

JULY 24, 1994

RECOMMENDED BY:

PATRICK GRIFFIN

PURPOSE:

To ask Senator Leahy to be supportive of the Administrations position on Jordanian Debt Forgiveness.

BACKGROUND:

Senator Leahy initially resisted Secretary Christophers request to be helpful on Jordanian Debt Relief. Leon at the request of Secretary Christopher phoned Senator Leahy. He felt that Senator Leahy was more amenable, but expressed concern with the precedential impact of "Dept Forgiveness". Both Senator Leahy and Representative Obey expressed concern over the approach Senator Rvd wishes to pursue to fund this effort. It is my opinion that you need not address the specifics of this matter at this time.

While Leon and I feel that Senator Leahy will ultimately support the administrations' position, we both feel a call from you as soon as possible would dramatically expedite the process.

I want you to call him as soon as possible.



THE CHAIRMAN

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

July 11, 1994

94 JUL 12

NEEDS TO BE INDICATED WHEN THE PRESIDENT HAS SEEN 7/25

CC VP
Leo J
Tony
George
Mark

MEMORANDUM FOR THE PRESIDENT

FROM:

LAURA D. TYSON

SUBJECT:

Quality and Compensation of Military Recruits

Sam, this is something we must watch

At your request, we have pulled together some additional information on the quality of military recruits and the adequacy of military compensation. (We addressed these issues initially in the Weekly Economic Briefing of June 17, 1994.) The Department of Defense and the Office of Management and Budget have assisted us in developing the updated information described below. In brief, our findings are as follows:

Quality of military recruits

- The quality of recruits deteriorated slightly in 1993 relative to 1992. Through April, the quality of recruits has been about the same in 1994 as in the comparable period of 1993.
- Despite the slight recent deterioration, the quality of recruits remains near all-time highs, and well above the military's benchmark levels.

Determinants of quality

- Compensation is one determinant of recruit quality. We have only limited information on military compensation. Such information as we have, however, suggests that "Regular Military Compensation" has been about flat in real terms in recent years, while real earnings (excluding benefits) of young male civilian workers with high school degrees have declined. (Regular Military Compensation includes basic pay, a "housing allowance," a "basic allowance for subsistence," and an adjustment for the fact that the two allowances—though paid in cash—are not subject to federal income tax.)
- A critical shortcoming of the available information (including the data on Regular Military Compensation) is that it does not take account of important non-wage components of the overall military compensation package including health-care benefits, retirement benefits, and education benefits. The absence of hard information on the value of such non-wage benefits implies that it is difficult to make meaningful comparisons between military and civilian total compensation levels. Simple comparisons between less comprehensive measures, such as Regular Military

** (*

Compensation and civilian earnings excluding benefits, are incomplete and potentially misleading, especially when they are not made for similar levels of skill and education.

- Other factors may have played a bigger role than compensation in influencing recruit quality in the last few years. Notably, the services have cut the size of each recruit class by 50 percent since the mid-1970s and by nearly 30 percent since 1989. This cutback has allowed the military to be more selective in evaluating potential volunteers. On the other hand, demographic shifts have caused the pool of potential volunteers to continue to shrink, and economic opportunities in the civilian economy have improved in the last year or two. These factors probably have made the task of recruiting high-quality volunteers more difficult.

Poverty in the military

- A study by the Department of Defense estimated that fewer than 3 percent of active-duty personnel qualified for food stamps in 1990. Those eligible were primarily enlisted personnel supporting a spouse and at least two children and receiving little or no income aside from their military compensation.
- A 21-year-old civilian male with a high school diploma supporting a spouse and two children and earning the median income for men of his age and education also met the gross income standard for food stamp qualification in 1992.



7.15.94

THE PRESIDENT HAS SEEN
7/25

CHIEF OF STAFF TO THE PRESIDENT

✓ Mr. President.

Per your request attached is
Enshine's "down-up and 2nd cut"
© 5-minute Business Story. He is
going to join Chris. Here in the
past to know also Enshine is
(see)

~~Did you see this?~~

It was in an
orange box folder -

Wash → subelong

a great team member as you know.
I helped to recruit him if you
remember and strongly insisted that
meeting include him in Little Rock
Eco Summit.

Let me know if you feel we
should do anything else. Obviously,
we'll continue strong outreach effort
than our Health Care group would. Mef



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

THE PRESIDENT HAS SEEN 7/25

OFFICE OF THE ADMINISTRATOR

July 14, 1994

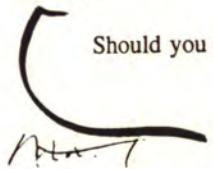
MEMORANDUM

TO: Mack McLarty
FROM: Erskine B. Bowles 
SUBJECT: Small Business/Health Care

As you stated in your conversation with me, the small business healthcare event that we had at the White House was excellent. 626,000 small businesses were represented there to voice their strong support for universal coverage and shared responsibility between the employer and employee. Unfortunately, some of the press from this event did not accurately reflect the enthusiasm voiced by the small businesses.

*H/ Tomorrow, I am meeting with all 29 member associations of the Small Business Coalition for Healthcare Reform. Each of these associations will be given a healthcare package which includes a list of key legislators, a list of healthcare reform reporters, three draft letters to the editors, an op-ed piece, as well as talking points and fact sheets. I would expect that you will see a strong proactive effort to the press and to the Congress from the 626,000 members of these associations to show their strong support for real healthcare reform.

Should you need any other follow up, please let me know.

 We need grassroots pressure from small bus. on Congress for employer mandates —

VP / Rubin (Tyson) - Pearson
Comment on
Larimer -

THE PRESIDENT HAS SEEN 7/25

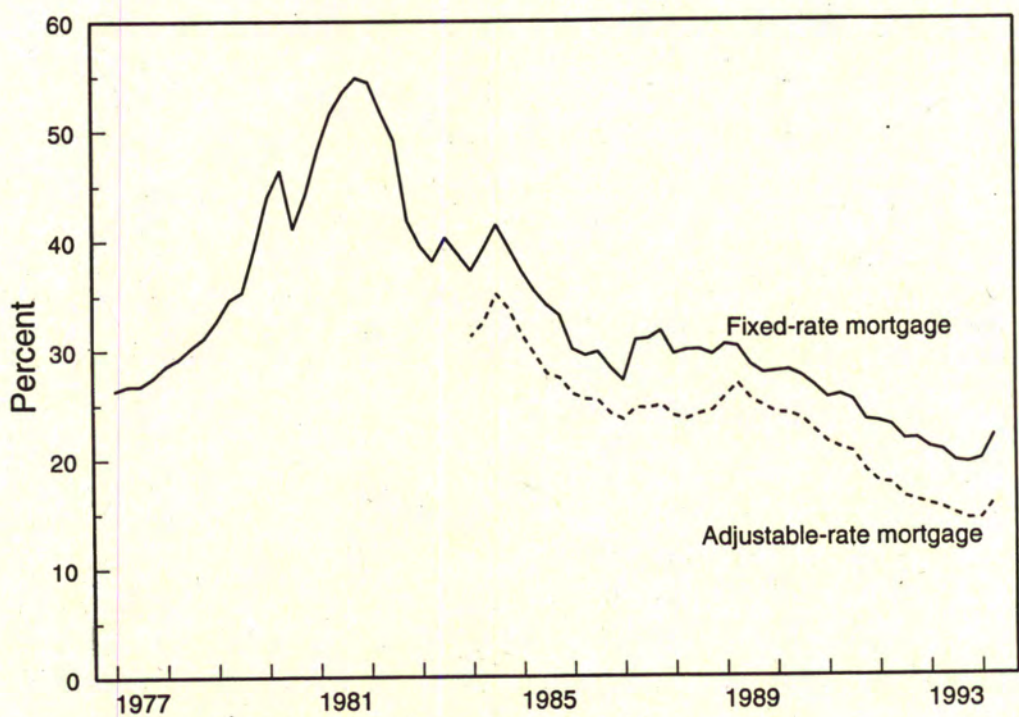
WEEKLY ECONOMIC BRIEFING OF THE PRESIDENT OF THE UNITED STATES

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

July 22, 1994

CHART OF THE WEEK

Home Mortgage Payments as a Fraction of Income



Note: Figures for 1994:Q2 are estimates.

The chart shows the ratio of the mortgage payment on a new home of constant quality (the typical home sold in 1987) relative to disposable personal income. Although the recent increase in mortgage rates has caused the cash-flow burden of homeownership to move up, it is still near its 1993 low and remains far below its 1980s average.

94 JUL 21 P 9 : 41

CONTENTS

CURRENT DEVELOPMENTS

Private R&D Spending Continues to Grow Slowly	1
Microsoft Charges Levelled—And Settled	2

TREND

U.S. Borrowing Abroad Erodes Investment Income	3
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ARTICLE

Does the CPI Overstate Increases in the Cost of Living?	4
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DEPARTMENTS

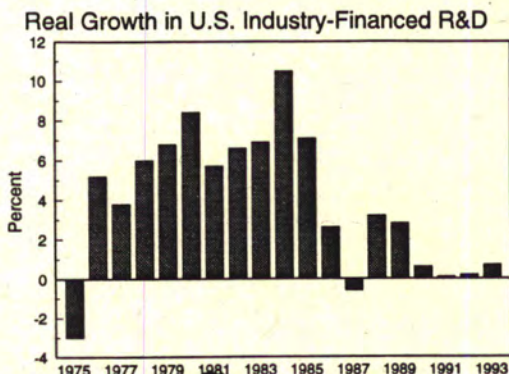
Business, Consumer, and Regional Roundup	6
Releases	7
U.S. Economic Statistics	8
Financial and International Statistics	9



CURRENT DEVELOPMENT

Private R&D Spending Continues to Grow Slowly

A new survey reports continued slow growth in spending on research and development. According to the Council on Competitiveness, R&D spending by U.S. industry increased just 0.7 percent last year in real terms (see chart). This extends a pattern of slowing growth that has been evident since the mid-1980s and intensified during the 1990s.



International comparisons. The United States is not alone. All G-7 countries other than Germany report slower growth in total (public plus private) R&D after 1985 than during the first half of the 1980s.

Analysis. A number of factors probably underlie the recent slowdown in the growth of private R&D spending

in the United States, including:

- The recent recession: A business-cycle downturn generally is bad news for R&D spending. The 1990-91 recession was no exception.
- Corporate cost-cutting drives: As private industry has become more cost conscious, it has cut back on basic research and targeted its R&D spending on development of technologies that are closer to commercialization.
- The end of the Cold War: Between 1979 and 1985—the period of the last defense buildup—private R&D spending rose more than five times faster than its current rate. In part, the higher spending during the buildup reflected both private matching of Pentagon funding, and private initiatives undertaken in order to win defense contracts.

CURRENT DEVELOPMENT

Microsoft Charges Levelled—And Settled

The Department of Justice charged software titan Microsoft with monopolization this week, and simultaneously announced a settlement.

Part of the settlement dealt with the method Microsoft often used to license MS-DOS and Windows software to hardware manufacturers. Frequently, Microsoft based royalties on the number of computers that a manufacturer sold rather than the number of copies of software it actually installed. Thus, if a manufacturer wanted to sell a machine with a competitor's program in place of MS-DOS or Windows, it had to pay royalties both to Microsoft and to the competitor. Effectively, this arrangement raised the rival's price and reduced competition. Under the settlement, Microsoft agreed to collect royalties based on the number of copies of its software actually installed.

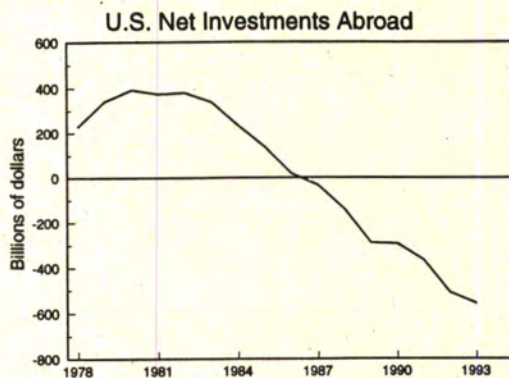
A similar agreement with the European Commission was announced simultaneously—an unprecedented instance of international coordination in antitrust enforcement.

Analysis. MS-DOS and Windows have become the dominant operating system software for IBM-compatible personal computers. A firm that owns the property rights to an "industry standard" has a considerable advantage in its market. This advantage can be difficult for a competitor to overcome, even for a competitor with a technically superior product.

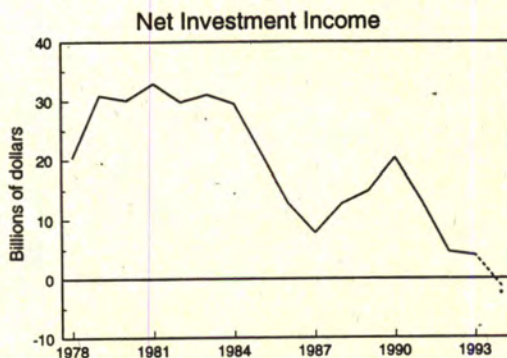
The agreement between Microsoft and the Justice Department did not seek to limit the market power that Microsoft wields merely as a result of owning an industry standard. Instead, the agreement focused on curbing practices that allegedly were being used to augment that power.

*We need to discuss
this & how we might need
TREND to explain this to others.*

U.S. Borrowing Abroad Erodes Investment Income



America has been spending more than its income since the early 1980s. As a result, the United States has moved from a net creditor position to a net debtor position (see chart). Foreigners have purchased bonds, stocks, real estate, and companies from U.S. residents, and have invested in new or expanded production facilities in the United States. By 1987, the value of U.S. assets owned by foreigners was larger than the value of foreign assets owned by American residents, and the gap has continued to grow since then.



* 1994 observation reflects data for first quarter only.

We are now paying for that borrowing. Our payments of interest dividends, and profits to foreigners on their American investments have increased dramatically and have recently begun to exceed our earnings on investments abroad (see chart).

In the past, a positive net income balance with the rest of the world helped reduce our current account deficit. Now, a negative net income balance will increase our current account deficit and add to our foreign borrowing needs (see box). The prospect of larger current account deficits is considered by some to be one of the "fundamentals" contributing to a weaker dollar.

The U.S. Current Account (billions of dollars)

	1983	1993
Balance on Goods and Services	-57.8	-75.7
Net Investment Income	31.1	4.0
Grants and other Transfers	-17.7	-32.1
Current Account Balance	-44.4	-103.8

ARTICLE

Does the CPI Overstate Increases in the Cost of Living?

Many analysts have asserted recently that the consumer price index (CPI) overstates the true rate of increase in the cost of living. Several possible sources of such overstatement have been identified, but the associated magnitudes are still being hotly debated.

- **Substitution bias.** As the prices of goods and services change, consumers tend to shift their spending away from items that have become relatively more expensive. But such shifts are not reflected in the CPI, because it is derived from the prices of a fixed basket of goods and services. Substitution bias is estimated to cause the CPI to overstate the average annual increase in the cost of living about 0.2 percentage point. Substitution bias is thought to become more important as the standardized CPI market basket becomes increasingly outdated. Because the current market basket is based on spending patterns in 1982-1984 (and hence is very outdated), substitution bias may be contributing as much as 0.4 percentage point of the increase in the CPI this year.
- **Outlet bias.** Over time, consumers may change their shopping patterns, shifting from one type of retail outlet to another. For example, if shoppers become more price conscious and care less about customer service, they may shift more of their purchases to discount stores. Current methods would not correctly capture such a shift as a decline in the cost of living. Outlet bias is estimated to cause the CPI to overstate the annual increase in the cost of living by perhaps 0.1 percentage point.
- **Quality-adjustment bias.** The quality of many goods and services changes over time. The Bureau of Labor Statistics (BLS) attempts to correct for some of these quality changes; for example, automobile sticker-price increases that are judged to reflect quality improvements (e.g., airbags or anti-lock brakes) are not passed through into the CPI. However, the BLS does not attempt to correct for quality improvements in many other areas. Medical care services are a leading case in point: We know that the quality of an appendectomy today is better than ever before, but by how much? Quality adjustment is a real wild card. Some analysts estimate that it may account for an overstatement of cost-of-living changes by as much as 0.8 percentage point per year, while others say it amounts to nothing.

Overall, these and other factors may add between $\frac{1}{4}$ and $1\frac{1}{2}$ percentage points to the measured increase in the cost of living each year.

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Mean a lot.

Why does this matter? The fact that CPI inflation may overstate increases in the cost of living is important because many elements of the Federal budget are indexed to the CPI. For example:

- On the outlays side, some transfer payments, including social security benefits and supplemental security income benefits, are indexed to the CPI.
- On the receipts side, several items related to personal taxes are indexed to the CPI, including personal exemption and standard deduction amounts, tax brackets, and the maximum amount of earned income on which the EITC may be claimed.

The objective of indexation is to insulate both the beneficiaries of social security and other transfer programs and taxpayers from the effects of inflation. Absent indexation, inflation would erode the purchasing power of benefits (unless an increase in benefits were enacted) and cause taxpayers to “creep” into higher tax brackets and hence increase their tax burden (unless a tax cut were legislated).

If CPI inflation does overstate the rate of increase in the true cost of living, then social security beneficiaries are enjoying a rising standard of living because the purchasing power of their benefits is increasing. And taxpayers are bearing a lighter burden than they would if the cost of living were properly measured.

Implications for the Federal budget. The fiscal stakes are large. Removing an ongoing upward bias in the CPI of just 0.1 percentage point per year starting in FY1995 would reduce outlays for social security benefits about \$300 million that year and \$1.9 billion in FY1999. And revenues from the personal income tax would be about \$200 million higher in FY1995 and \$1.7 billion higher in FY1999.

The cumulative effect of mismeasurement since the last major revision of the index (in 1986) could be sizable: Even assuming a total bias from all sources of only 0.2 percent per year—the lower end of the range of most analysts’ estimates—CPI mismeasurement could be causing as much as \$4 billion in excess social security benefit payments in FY1994.

What might be done? One possible course of action would involve indexing items such as social security benefits and personal tax brackets only partially rather than fully. For example, social security benefits might be moved up each year by some amount less than the increase in the CPI over the relevant period. Such an action would require statutory change.

A second possibility would be to focus on improving the CPI itself. The Bureau of Labor Statistics is planning a major overhaul of the index, including updating the market basket of goods and services, and a revised index should be in place by 1998. Funds for the first year of this project are included in both House and Senate versions of the Labor Department appropriations bills.

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

SEMATECH to End Reliance on Government Funds. The board of directors of SEMATECH, the U.S. Government-backed consortium to develop semiconductor manufacturing technology, voted July 15 to forego Federal funding after FY1997. Many industry analysts credit SEMATECH, which receives half its funds (about \$100 million per year) from the Pentagon's Advanced Research Projects Agency, with helping to stem the slide of America's semiconductor chip and equipment industries. Four years ago, Japanese firms held 49 percent of the world microchip market compared with an American share of 37 percent; today American firms supply 46 percent of the market while Japanese firms supply 41 percent. Similarly, American suppliers of chip-making equipment have increased their share of the world market.

Honda Expands North American Operations. This week, Honda Motor Company announced plans to expand its North American production capacity from 610,000 to 720,000 vehicles by 1997. In addition, it intends to increase capacity at an Ohio engine plant by 50 percent and double its U.S. research and development operations. Once online, the upgraded facilities will mean 850 new jobs in the United States. Honda predicts that exports from North America will reach 150,000 units by 1999, compared with about 42,000 units last year.

Cross-Border Traffic Steers Rail Industry. NAFTA may be driving some recent developments in the railroad industry. Although overall rail traffic to Mexico has increased only modestly thus far, certain goods have seen some immediate southbound traffic increases—feed grains, soybean meal, wood pulp, forest products, soda ash, and finished automobiles. And several railroads are considering projects along the border to relieve developing congestion. The recent merger of Burlington Northern and Sante Fe Pacific was partially NAFTA driven—BN's network did not serve Mexico and the Sante Fe network did not serve Canada.

Humphrey-Hawkins Highlights. In his semi-annual report to the Congress on monetary policy, Federal Reserve Board Chairman Alan Greenspan said "...it is an open question whether our actions to date have been sufficient to head off inflationary pressures." He noted that there are some signs of inflationary pressures—shortages of certain types of labor and higher prices for manufacturing materials—but that they are not widespread. He said that the Fed will "...be particularly alert to these emerging signs in considering further adjustments to policy in the period ahead." Greenspan said the FOMC forecasts real GDP growth of 3 to 3¼ percent for 1994 and 2½ to 2¾ percent for 1995, with inflation of around 2¾ to 3 percent for this year and the same or slightly higher for next year. These projections are quiet similar to the forecast underlying the Administration's Mid-Session Review of the Budget.

RELEASES THIS WEEK

U.S. International Trade in Goods and Services

The goods and services trade deficit rose to \$9.2 billion in May from \$8.5 billion in April.

Housing Starts

Housing starts dropped 10 percent in June to 1.35 million units at an annual rate. Starts during the first 6 months of this year were 18 percent above their level during the same period in 1993.

MAJOR RELEASES NEXT WEEK

Employment Cost Index (Tuesday)
Consumer Confidence—Conference Board (Tuesday)
Durable Goods (Wednesday)
Gross Domestic Product (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

FINANCIAL STATISTICS

	1992	1993	May 1994	June 1994	July 21, 1994
Dow-Jones Industrial Average	3284	3522	3708	3738	3732
Interest Rates					
3-month T-bill	3.43	3.00	4.14	4.14	4.33
10-year T-bond	7.01	5.87	7.18	7.10	7.27
Mortgage rate, 30-year fixed	8.40	7.33	8.60	8.43	8.52
Prime rate	6.25	6.00	6.99	7.25	7.25

INTERNATIONAL STATISTICS

Exchange Rates	Current level July 21, 1994	Percent Change from Week ago	Percent Change from Year ago
Deutschemark-Dollar	1.591	+2.4	-6.4
Yen-Dollar	99.2	+0.9	-8.6
Multilateral (Mar. 1973=100)	89.93	+1.8	-4.5

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	0.6 (Q1)	11.2 (Oct)	4.0 (May)
United Kingdom	2.9 (Q1)	9.6 (May)	2.5 (May)