THE WHITE HOUSE
WASHINGTON

DATE: Sept 3, 1994

TO:
THE VICE PRESIDENT
Leon Panetta
Mack McLarty
GEORGE STEPHANOPOULOS
MARK GEARAN
ROBERT RUBIN

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

The attached has been forwarded to the President.

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

MEMBER

94 SEP 2 P6:43

September 2, 1994

MEMORANDUM FOR THE PRESIDENT

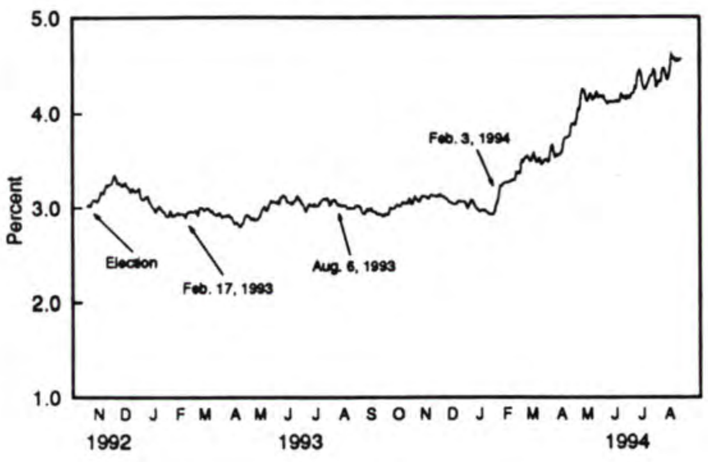
FROM: Joseph E. Stiglitz

SUBJECT: Interest Rates and the Stock Market, Week Ending Friday, September 2, 1994

Interest rates changed little this week. Long-term interest rates fell slightly in early trading Friday after the government reported that employment growth in August was lower than most analysts had predicted. But the bond market changed course later in the day, erasing these declines and pushing long-term rates slightly higher for the week. Changes in Treasury borrowing rates were as follows:

	Close 8/26/94	Close 9/2/94	Change
3-month bills	4.56	4.55	–0.01
10-year notes	7.24	7.21	–0.03
30-year bonds	7.49	7.50	0.01

The stock market closed mixed for the week. The broad-based S&P index closed Friday at 470.99, down 0.6 percent from the preceding Friday's close. The Dow Jones Industrial Average closed Friday at 3885.58, up 0.1 percent for the week.


Three-Month Rates


Thirty-Year Rates

MARTHAS VINEYARD

THU 01 SEP 94 19:53

PG.02

9/1
Ickes
Ira
Herman
copied

076175

THE WHITE HOUSE

WASHINGTON

August 25, 1994

94 AUG 25 P6:54

MEMORANDUM ~~FOR THE PRESIDENT~~

FROM: Alexis Herman

RE: Health Care Reform Legislation

Per your request, on Monday, August 22, when you met with the CEOs who support universal coverage (the Letitia Chambers Group), you asked for a memo from Letitia reviewing the issue of streamlining health care that is the actuarial equivalent under the Federal Employees Health Benefit Act.

Please see the attached.

Ickes/Ira
Interesting letter
& memo to do in
regime —
B.

cc: Hon. Leon Panetta
cc: Hon. Harold Ickes

Attachment

AMH:RGM

1625 K Street, N.W.
Suite 200
Washington, D.C. 20006
(202) 857-0670
Fax (202) 857-0688

Chambers Associates Incorporated • Public Policy Consultants

August 25, 1994

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

Dear Mr. President:

I enjoyed meeting with you this week along with several CEOs who support universal coverage. Jim Moody and I have been happy to help advance comprehensive health care reform legislation as we did earlier for passage of the economic plan.

I am writing, as you requested, to elaborate on the possibility of streamlining health care reform legislation by defining employer responsibility as a requirement to provide coverage that is the actuarial equivalent of coverage offered federal workers under the Federal Employees Health Benefit Act.

Discussion

Requiring all employer-provided health plans to offer a legislatively defined benefit package, which specifies the scope of services and level of cost sharing, would disrupt existing plan designs for virtually all who now have coverage. There is great diversity in the current marketplace among plan designs. Employers have chosen plans, or tailored them in the case of the self-insured, to meet the needs and desires of their specific work forces.

Some employers offer health benefit plans which have an actuarial value greater than the "standard benefit plan" called for by various reform bills, but most of these plans do not offer every single provision in the reform bills, notwithstanding their greater value. If legislation requires these firms to offer a specific mix of benefits, the employer will confront an unhappy choice between three possibilities: (1) offer such benefits in addition to the benefits previously offered and pay for them, which would raise the employer's cost; (2) offer the mandated mix of benefits but delete others to achieve cost neutrality, which could irritate employees (in some cases the employer may be prevented from doing this by the provisions of a collective bargaining agreement); or (3) offer such benefits in addition to the benefits previously offered and require employees to pay for the new benefits. (This would anger employees since they would have to pay for the added benefits as a condition of getting their previous benefit package).

These problems will be exacerbated by the provision in some of the bills which requires identical co-payments for all services offered. For covered individuals, this again will result in changes in their out-of-pocket costs, which will go up for some services and down for others. For the employer, it will limit flexibility of plan design and take away a valuable tool used to contain costs.

Solution

There is a simple solution: legislate the value of the package, not the mix of benefits.

All employers providing health plans that are at least equal to the actuarial value of the benefits package provided by the Blue Cross/Blue Shield Standard Option package, as offered under the Federal Employees Health Benefit Plan in effect in 1994, could be deemed to be "certified plans". Employers providing such plans should then not be subjected to extensive new obligations such as specifically required benefits, uniform contribution and aggregation rules, which providers they must contract with, and other similar restrictions. Comparison between plans to determine actuarial equivalency is a commonly used methodology, so extensive new regulations would not be needed to implement this standard.

Moving to this actuarial equivalent standard will provide flexibility and more choice of coverage for employers and employees, cause less disruption of existing plan design, and facilitate acceptance by the vast majority who are satisfied with their existing benefit plans. Plan participants will be assured of high value health care coverage with flexibility to tailor benefits to needs, and employers will not be burdened by excessive regulations and requirements.

This approach will also eliminate the potential for a serious unintended consequence if, as some fear, the broad definitions of required services in the bill are interpreted so as to require significant expansions of benefits and cost for those now covered. In the absence of a mandate for all employers this would create a disincentive to purchase coverage.

The actuarial equivalence standard also offers a politically attractive compromise. Variations on actuarial equivalence have been proposed by politicans as diverse as Senator Kennedy in his "Minimum Health Benefits for All Workers Act of 1987" (S.1265), House Minority Leader Michel in the bill he introduced last year, and others, most notably the recent proposal by the Mainstream Coalition.

Other Business Concerns

Employers who currently offer coverage to their work force, and therefore pay for most health coverage in this country, were very favorable to comprehensive reform in the beginning. The reasons so many have pulled back is that in the current context they see requirements that they:

- expand the benefits they offer (while many employers are not required to offer anything);
- pay new taxes that are not broad based but targeted only to them (premium taxes, taxes on high cost or high growth plans, limiting deductibility);
- lose multi-state employer protection under ERISA, subjecting such employers to extensive regulation by 50 states;
- face excessive new regulations affecting plan design, reporting, and administrative requirements which are unnecessary and in many cases will make cost containment more difficult.

At the same time, the provisions they most want to see in the bills are under attack and may not survive. These include:

1) an employer mandate;

2) broad-based financing (as opposed to new taxes that apply only to those who provide coverage);

3) early retiree provisions and prescription drugs for Medicare beneficiaries (which are important to unions, and aging and consumer groups as well as to large employers.)

The net impact of the Mitchell bill would increase costs by 10 to 15 percent for many large employers.

A new streamlined bill in the Senate could bring large employers back to the fold if it provides an employer mandate, ties benefits to the actuarial value of FEHB, allows multi-state plans to continue to operate under ERISA, and eliminates unnecessary regulations, and if it finances prescription benefits and low income subsidies with cigarette taxes, no greater Medicare cuts than the Clinton bill, and a modest broad-based tax.

Again, I appreciate the opportunity to meet with you and will be happy to be helpful in any way possible.

Sincerely,

Letitia

Letitia Chambers

LC:jvs

9/1
Hale
copied

THE WHITE HOUSE

WASHINGTON

August 24, 1994

94 AUG 24 P2:58

TO:	Mayor Jerry Abramson of Louisville
RECOMMENDED BY:	Marcia Hale MH
PURPOSE:	To thank Mayor Abramson for his tireless efforts in support of the crime bill.
BACKGROUND:	Mayor Abramson came to Washington on August 17. He has been working closely with Senator Ford to gain the support of other Senators. The Mayor has personally made over a dozen phone calls to Congressmen and Senators asking for their support on the crime bill.
CONTACT PERSON AND TELEPHONE NUMBER:	(502)574-3061 Gladys Smith, Secretary
ACTION:	

Done

CRYOTECH
Deicing Technology

94 SEP 6 P2:00

August 31, 1994

Dear Snowfighter:

The enclosed pamphlet discusses the advantages of using Cryotech's acetate-based deicers. E36 LRD™ and CMA™ not only perform well, but are excellent tools for reducing storm water pollution from deicing operations.

In addition, this year Cryotech will be field testing Clearway 2s™, a solid sodium acetate runway deicer, that we expect will soon replace urea.

We hope you will take a moment to read the pamphlet, and then call us with any questions you may have.

Thank you!

Bob

ROBERT J. STRAWN
Marketing Director

encl.

Dreyer
I think this was misdirected to me; should have gone to DD COM for PLANNING
Robertson
9-6-94

6103 ORTHOWAY, FORT MADISON, IA 52627 PHONE: (319) 372-6012 (800) 346-7237 FAX: (319) 372-2662
SHIPPING ADDRESS: 6103 ORTHOWAY, FORT MADISON, IA 52627

ACETATE DEICERS ARE YOUR POLLUTION SOLUTION!

[redacted]

[redacted]

[redacted]

COPY

D. Dreyer

IDP

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

September 6, 1994

94 SEP 6 P3:14

MEMORANDUM FOR DESIGNATED AGENCY HEADS
(SEE ATTACHED DISTRIBUTION LIST)

FROM: Robert G. Damus
General Counsel

SUBJECT: Proposed Executive Order Entitled "Promoting Small Businesses Owned and Controlled by Socially and Economically Disadvantaged Individuals, Historically Black Colleges and Minority Institutions"

Attached is a proposed Executive order entitled "Promoting Small Businesses Owned and Controlled by Socially and Economically Disadvantaged Individuals, Historically Black Colleges and Minority Institutions."

It was prepared by the White House - National Economic Council, in accordance with the provisions of Executive Order No. 11030, as amended.

On behalf of the Director of the Office of Management and Budget, I would appreciate receiving any comments you may have concerning this proposal. If you have any comments or objections, they should be received no later than close of business Thursday, September 8, 1994. Please be advised that agencies that do not respond by the September 8, 1994 deadline will be recorded as not objecting to the proposal.

Comments or inquiries may be submitted by telephone to Mr. Mac Reed of this office (Phone: 395-3563; Fax: 395-7294).

Thank you.

Attachments - Distribution List
Proposed Executive Order

cc: Alice Rivlin
Chris Edley
Gordon Adams
John Angell
Martha Foley
T.J. Glauthier
Joe Minarik
Isabelle Sawhill
Nancy-Ann Min
Sally Katzen
Steve Kelman
Barry Toiv
Jack Arthur
Joe Wholey

9/6
cc DAVID
Dreyer

DISTRIBUTION LIST

Honorable Warren Christopher
Secretary
Department of State

Honorable Lloyd Bentsen
Secretary
Department of the Treasury

Honorable William Perry
Secretary
Department of Defense

Honorable Mike Espy
Secretary
Department of Agriculture

Honorable Henry G. Cisneros
Secretary
Department of Housing and Urban Development

Honorable Janet Reno
United States Attorney General

Honorable Ron Brown
Secretary
Department of Commerce

Honorable Federico Pena
Secretary
Department of Transportation

Honorable Bruce Babbitt
Secretary
Department of the Interior

Honorable Robert Reich
Secretary
Department of Labor

Honorable Richard W. Riley
Secretary
Department of Education

Honorable Donna E. Shalala
Secretary
Department of Health and Human Services

Honorable Hazel O'Leary
Secretary
Department of Energy

Honorable Jesse Brown
Secretary
Department of Veterans Affairs

Honorable Carol M. Browner
Administrator
Environmental Protection Agency

Honorable Roger W. Johnson
Administrator
General Services Administration

Honorable Daniel S. Goldin
Administrator
National Aeronautics and Space Administration

Honorable Laura Tyson
Chair
Council of Economic Advisers

Honorable Lloyd Cutler
Counsel to the President

Honorable John Podesta
Assistant to the President
  and Staff Secretary

Honorable Jack Quinn
Chief of Staff to the Vice President

EXECUTIVE ORDER #__________ of September __, 1994

Promoting Small Businesses Owned and Controlled by Socially and Economically Disadvantaged Individuals, Historically Black Colleges and Minority Institutions.

By the authority vested in me as President by the Constitution and the laws of the United States, in order to promote Small Businesses Owned and Controlled by Socially and Economically Disadvantaged Individuals (SDBs) as defined in section 8 of the Small Business Act (15 U.S.C.637), Historically Black Colleges and Universities (HBCUs) as defined in 34 C.F.R. 608.2, and Minority Institutions (MIs) as defined in section 312b of the Higher Education Act of 1965 (20 U.S.C.1058), and in order to require actions to aggressively enforce the letter and spirit of public laws enacted over the last twenty years mandating increased participation by such businesses in Federal and Federally-funded contracting, it is hereby ordered as follows:

Section 1. Policy Statement. It is the policy of the United States Government that all Department, Agency and Federal instrumentality heads and all Federal employees involved in procurement of any and all goods and services shall strive to assist SDBs, HBCUs or MIs, as applicable, to develop viable, self-sustaining businesses capable of competing on an equal basis in the mainstream of the American economy and, toward that end, all federal government personnel shall commit to the letter and spirit of all laws promoting the participation of SDBs, HBCUs, or MIs in Federal and Federally-funded or assisted programs and procurement under all pertinent statutes, including, without limitation, Section 8(a) of the Small Business Act (15 U.S.C. 631 et seq.); Public Law 95-507; Public Law 96-481; Public Law 100-656 "Business Opportunity Development Reform Act of 1988"; Public Law 99-661, Defense Appropriations Act of 1986, as amended; Section 1207 "Contract Goal for Minorities"; the Surface Transportation Act of 1987, Public Law 100-17, Section 106(c); Public Law 101-144 (42 U.S.C. 2473b); the Energy Policy Act of 1992, Section 3021; Public Law 101-507; Public Law 101-167, Section 579 and Public Law 102-391, Section 563; and Public Law 101-510, Section 831 "Mentor Protege Pilot Program," as amended. These statutes and others promote the award of contracts to SDBs, HBCUs or MIs through the Small Business Administration Section 8(a) Program, the Department of Defense Small Disadvantaged Business Program, as well as by other specific statutory authority or appropriate means, including general and specific subcontracting for major prime contractors; establishment of minimum SDBs, HBCUs, or MIs participation goals on an agency-by-agency basis; requiring prime contractors and other recipients of Federal funds to attain similar goals in their procurement; and establishment of other mechanisms designed to ensure that SDBs, HBCUs and MIs have a fair opportunity to participate in federal procurement.

Section 2. Attainment of Goals. The SDB, HBCU, or MI participation goals required under existing law are currently five percent (5%) for the Department of Defense (Public Law 100-656, Section 1207, as amended); eight percent (8%) for the National Aeronautics and Space Administration (Public Law 101-144) and Environmental Protection Agency (Public Law 101-507); and ten percent (10%) for the Department of Transportation (Public Law 100-17, Section 106(c)), Department of Energy (Public Law 102-486, Section 3021), and Agency for International Development (Public Law 101-167 and 102-391). Furthermore, all Departments and agencies are required by law to establish participation goals of not less than five percent (5%) (Public Law 100-656, Section 502, 503) or a greater percentage where otherwise required by statute, as explained and implemented in the Office of Federal Procurement Policy Letter No. 91-1 of March 11, 1991. Although the Federal Government has made substantial strides toward meeting established SDB, HBCU, or MI participation goals, certain Departments, agencies, and other entities have from time to time failed to aggressively pursue goals in this regard. Department and Agency heads are henceforth directed to execute, implement and otherwise aggressively strive to fulfill all statutorily-mandated procurement participation goals. In addition, all Departments and agencies are encouraged to set reasonable participation goals that exceed statutory requirements.

Section 3. Subcontracting Plans. Public Law 95-507, Section 211 and other related statues require prime contractors to maximize the use of SDBs, HBCUs, or MIs in subcontracting plans and strive to achieve stated goals through prime contractors' subcontracting practices. Department and Agency heads are directed to aggressively enforce these prime contractors' obligations to facilitate awards of subcontracts to eligible SDBs, HBCUs, or MIs.

Section 4. Direct Reporting. Section 15(k) of the Small Business Act (Public Law 95-507, Section 211) establishes in each Federal Department and Agency an "Office of Small and Disadvantaged Business Utilization" (OSDBU) and requires that the Director of the Office "be responsible only to, and report directly to, the head of such agency or to his deputy" (15 U.S.C. 637, 644). To the extent that this requirement has not been expressly and precisely rescinded, revised or otherwise changed by statute as relates to any particular Department or agency, each Department and agency shall ensure that the aforementioned direct reporting requirements are henceforth vigorously enforced.

Because of the importance of the OSDBU function, each Department and agency shall also comply with Office of Federal Procurement Policy Letter No. 79-1 of March 7, 1979, which provides implementation guidance on section 15(k) and the organizational placement and functions of the OSDBU.

Section 5. Vigorous Anti-fraud Enforcement. All Department and agency heads shall ensure that in enforcing the laws and requirements heretofore mentioned in this order, federal benefits or contracts intended for SDBs, HBCUs and MIs are not awarded to fraudulent entities that are not legitimate SDBs, HBCUs or MIs. Department and agency anti-fraud enforcement, however, shall not diminish agency vigor in achieving the aforementioned participation goals, which exist to promote the development of legitimate SDBs, HBCUs and MIs.

Section 6. Periodic Reports to the President. The Administrator of the Small Business Administration and the Administrator of the Office of Federal Procurement Policy shall report to the President periodically on the progress of all Departments and agencies in complying with the laws and requirements heretofore mentioned in this order.

Section 7. This order shall be effective immediately.

WILLIAM J. CLINTON
WHITE HOUSE

___________ __, 1994

[redacted]

THE WHITE HOUSE
WASHINGTON

9/6/94

Leon —

IS THIS FOR REAL?

IF IT IS, IS SOMEONE going to clue me in?

Podesta

[redacted]

[redacted]

use," she said. The average American consumes as much energy as three Japanese, six Mexicans, 12 Chinese, 281 Tanzanians or 422 Ethiopians, she added. Speaking to a UN conference on population and development in Cairo, Dowdeswell also said Asian countries were compounding the problem by imitating the West.

- Healthcare Reform Notes: Mainstream Coalition Staff to Present Progress Report Next Week. According to a Democratic source with the Mainstream Coalition, the coalition's staff -- which has been holding discussions with, among others, Senate Majority Leader Mitchell's staff -- plans to present its findings to its members early next week. The various Senate staffs have been meeting to find areas of agreement between the coalition plan and the one devised by Mitchell. There are no meetings planned today because of the Jewish holiday, said the source, but discussions will resume again tomorrow. According to the source: "The plan is to take the staff report" to Senators Chafee, Breaux, Kerrey, Durenberger, and Mitchell "sometime early, early next week -- as close to the 12th as possible." The source added this morning: "There will be some areas of agreement and they will agree to disagree on others."

- Changes expected at the White House over the next few weeks. Officials in the White House expect the next several weeks will determine whether President Clinton will allow significant change in the way the White House operates internally. After replacing Mack McLarty as chief of staff, Leon Panetta has implemented what some on the inside are calling a "more regimented" system. Paper now flows through Panetta's office before it goes to the President, and the ability of senior White House officials -- including Mack McLarty, George Stephanopoulos, and Bruce Lindsey -- to stroll into Clinton's office for unscheduled meetings has been curtailed. "The President may call for various people, but it is more regimented in that sense," said an official this morning. This official added that "with everything going on with the crime bill there was not time to focus" on the details of restructuring the White House prior to this time, but "the next couple of weeks will really tell" how widespread the changes will be in the White House, both in regard to personnel and process. Another official said that Panetta made a number of recommendations for Clinton to consider during his vacation, but this official was unaware of any final Clinton decisions. "There are a number of us hoping the President will agree to significant changes, but it is his show." This official also predicted that, in the future, Panetta will not act as the final gatekeeper for all the White House paper flow. "There is a plan for restructuring the flow of information to the President. I would guess that at least some variation of this plan will be implemented," said the official.

- Kemp to discuss need for new monetary system. Potential GOP presidential candidate Jack Kemp will discuss one of his favorite subjects on Thursday during a conference titled, "Empower American Monetary Conference: Why the World Needs A New Monetary System." The conference marks the 50th anniversary of Bretton Woods and other speakers and panel members include: Fed Governor Lawrence Lindsey; Malcolm S. Forbes, Jr.; former Fed Vice Chairman Manuel Johnson;

~~Cuba: Time to~~ Talk

Well, why not open broad negotiations with the Castro regime?

The Clinton Administration was quick to rebuff Fidel Castro's proposal of multi-issue talks yesterday. Washington anticipated a propaganda session where Havana would offer to keep its unhappy citizens from leaving only if the U.S. promised to ease its economic embargo, halt anti-Castro radio broadcasts and maybe throw in the return of the Guantánamo Bay Naval Base to Cuba as well.

The Administration says immigration is the only issue it will talk about. Washington should respond more creatively, insisting that any discussion of issues between the two countries must also include democracy and human rights.

Fidel Castro has had his dictatorial way with Cuba for the past 35 years, brooking no dissent, turning neighbors into spies and driving many of his own people to risk their lives to get away. He blames the U.S. for troubles of his own making and would sooner see Cuba's economy collapse than make concessions to foreign demands.

If that kind of behavior disqualified a regime from negotiations, Washington would never have been able to reach out to Mao's China or Kim Il Sung's North Korea. Neither could it have talked with Syria about Mideast peace terms, Bosnian Serbs about cease-fires or Haiti's generals about the return of President Jean Bertrand Aristide.

In diplomacy, it is often more important for governments to talk to their enemies than to their friends. That is how Israel reached agreement with the Palestine Liberation Organization. But for most of the past three and a half decades, Washington has never seriously considered talking to Havana.

It ought to consider such talks now. The Castro regime's present weakness makes this an especially promising moment to negotiate, if Washington plays its hand effectively.

Once a genuine menace as a Soviet outpost, Cuba has power to influence American politics that has outlasted the end of the cold war. Hundreds of thousands of Cuban émigrés are now U.S. voters and their most vocal leaders have made any dialogue with Cuba a domestic political taboo. The Administration is understandably reluctant to challenge that taboo. It does not need any new political problems. Yet its attempt to improvise unilateral responses to the refugee challenge is already damaging its own credibility and jeopardizing broader American interests.

For what good cause is the Administration preventing Cuban-Americans from helping their families stretch meager budgets with dollar payments? Has it not yet learned the importance of setting, and holding to, its foreign policy priorities?

The Cuban-American hard-liners from whom the Administration is taking its cues want to escalate internal tensions in Cuba rapidly in order to force an explosion, and perhaps a U.S. intervention, that would bring the Castro regime down in flames. The Administration itself is not prepared to go that far, nor is it clear that such an Armageddon scenario would serve Cuban democracy or America's best interests. Many Cuban-Americans also shy away from a confrontation that could turn their own relatives into sacrificial victims.

By agreeing to wide-ranging talks with Cuba now, and insisting on the broadest possible agenda, the U.S. may find it has some bargaining power to help Cubans struggling for democratic change. The alternative is to punish Cubans and embarrass the United States. That would not hurt Mr. Castro nearly so much as it would damage Mr. Clinton.

Justice Cracks Down on Redlining

The Justice Department dramatically sharpened its attack on discriminatory lending practices this week when it got Chevy Chase Federal Savings Bank, the largest in the Washington D.C. area, to agree to set up branches in black neighborhoods. Justice has gone after banks that discriminated against black loan applicants, but until the Chevy Case case it had never used anti-discrimination laws to challenge where banks provided services or placed branches.

The new tactic deserves praise. As Attorney General Janet Reno observed, blacks are no better off if a bank shuns their neighborhood than if it rejects their loan applications. The purpose of anti-discrimination laws is to guarantee that qualified blacks have an equal shot at loans. At Chevy Chase they did not. According to Justice, the bank made 97 percent of its loans between 1976 and 1992 in white neighborhoods. It opened no branches where 90 percent of blacks in Washington D.C. live, nor did it open branches where 75 percent of the blacks in Prince George's County, Maryland, live.

Some banking spokesmen claim the law does not permit government to meddle in a bank's decision where to do business. But fair housing laws provide a wide berth to stamp out race bias by banks that provide mortgages; and the Community Reinvestment Act, which was not cited in Justice's suit, requires banks to meet the credit needs of all neighborhoods in a bank's service area.

Justice was also criticized for focusing on "brick and mortar" branches, which, the industry says, become less significant as banking services are increasingly computerized. But in fact Justice did focus on service, not physical presence, and showed in graphic detail that Chevy Chase provided no service to black communities. Had it done so, the issue of branches would never have arisen.

The law does not compel banks to make unprofitable loans, but communities that Chevy Chase avoided include many high-income black families that qualified for loans from other lenders. Forty percent of black households in Prince George's County earn over $50,000.

It appears that Chevy Chase's discriminatory practices did not harm the excluded neighborhoods. They seem to have been well served by other lenders. But whether Prince George's County and other areas around Washington D.C. were served by other lenders is irrelevant to Justice's action; the law does not permit discrimination even if it causes no harm.

Under the settlement, Chevy Chase will set up new branches and mortgage offices in the excluded neighborhoods and recruit blacks for loan-production positions. It will also spend $11 million to set up special loan programs to provide mortgages at below-market rates in the excluded neighborhoods.

Chevy Chase denies any wrongdoing. The bank says it settled to avoid costly litigation. No matter. The agreement it signed this week sends a clear message to banks across the nation that racial bias, whether artful or naïve, is intolerable and that the Justice Department will crack down hard.

THE NEW YORK TIMES, FRIDAY, AUGUST 26, 1994

THE PRESIDENT HAS SEEN
9-7-94

<u>Alexis</u> that
should get this
out to our Black leadership
perhaps to Hispanics as well —

THE WALL STREET JOURNAL FRIDAY, AUGUST 26, 1994

Tackling Economic Issues With Japan May Require Shift in Style, Substance

WORLD ECONOMY

By Robert Keatley
Staff Reporter of The Wall Street Journal

WASHINGTON – What to do about Japan? Something a little different, but not drastically so, say experts who want to end America's endless squabbles with the world's No. 2 economy.

Perhaps no issue in U.S. foreign economic policy has been around longer, with such mixed results, than that of making Japan a more integrated member of the global economy – one that buys about as many goods and services abroad as it sells. Success would help resolve such vexing problems as Japan's huge trade surpluses and its overly strong yen, plus the political frictions that accompany them.

Over the years, and without consistent gains, Washington has tried everything from the glad hand to the hard nose to wrest open the Japanese economy. Whether the approach is soothing or abusive, Japanese trade and payments surpluses stay high or even rise, while tensions endure.

Last week the two governments resolved disputes over patent law, a secondary issue important to both sides. But any good cheer could prove brief. On Sept. 30 Washington must decide whether to order new trade sanctions on grounds that Japan's government procurement system discriminates against foreigners, including Americans. If it does, an unwanted trade war could follow.

That's why many experts seek a better way. None offer ideas that promise certain, simple or sudden benefits. But many want the Clinton administration to modify both style and substance of its Japan policy, even if there are no quick fixes.

"We need to be tough but also smart about what we ask [the Japanese] to do," says Paula Stern, a trade specialist at the Progressive Policy Institute, the think tank of a Democratic political group that gives Mr. Clinton intermittent support.

Two shifts are often cited. One would cut back on harsh words, which this administration uses frequently when frustrations mount. "The high level of Japan-bashing by the president and senior officials is counterproductive," says James Raphael, research director at Stanford's Asia-Pacific Research Center.

The other would place less emphasis on increasing market share in specific products, which has brought the U.S. much abuse—somewhat unfairly—for preferring "managed trade" over freer trade. The critics would try harder for long-term changes in Japan's economic system, seeking to undo the mesh of rules and practices that guard it so effectively from outside goods and investors.

This isn't exactly new; that's roughly what the Bush administration tried with limited success. Recently Mr. Clinton has cooled the rhetoric of his Japan policy, while his "framework" agreement with Tokyo also addresses broad issues as well as well-publicized specifics such as auto-parts sales. But thanks to political and economic changes inside Japan, the critics say, it's time to revise emphasis once more.

Ms. Stern would have both governments first attack the thousands of regulations that make the Japanese economy so rigid while excluding foreigners and their goods. The targets are well known; academic, diplomatic and business groups have compiled lists for years.

That's possible, says Mr. Raphael, because "a deregulation philosophy will drive reform politics."

Many regulations – plus the strong yen – keep foreign investors at bay. Yet economists say Japan will never have a "normal" economy until it welcomes foreign investment, because much overseas trade is between units of multinational companies. About 29% of the world's direct foreign investment is in the U.S. and 39% in the European Union, but restrictive Japan has less than 1%.

"If we don't . . . reverse the flow and make investments in Japan, this pattern you are looking at is going to continue and long term will undermine our exports" to all Asia, Kenneth Courtis of Deutsche Bank (Asia) warned Congress this year.

One Asian ambassador also wants the U.S. to push Tokyo into greater deficit spending; stimulate the economy and you stimulate imports, he says. In fact, that's already official policy but there are doubts about the long-term value of financing a boom. The economic structure is more important, others say.

The critics aren't telling Mr. Clinton to drop specific trade issues, nor to avoid sanctions altogether if things go badly wrong. But they want less public bashing by high officials, and more efforts to exploit basic changes in Japanese society. This requires a long-term view that combines patience with persistence, not always staples of American politics.

Official Headed For China Backs Proposed Rule

Brown Says Administration Supports Plan to Halt Garment Trade Practice

By Eduardo Lachica
Staff Reporter of The Wall Street Journal

WASHINGTON – Secretary of Commerce Ron Brown dropped a stinger on China and Hong Kong even before starting his eight-day tour of those lands.

In news briefings here, he reiterated the Clinton administration's support for a proposed change in U.S. country-of-origin rules that would effectively halt Hong Kong's practice of assembling in China some of the garments it ships to the U.S. under its quotas. By conferring origin to the country where the clothes are assembled, rather than where they are cut, the proposed rule would effectively deprive Hong Kong manufacturers of the labor-cost savings gained by assembling goods across the border, and would take numerous jobs away from China.

Both Hong Kong and China object strongly to the change. Mr. Brown said, however, that the change is needed to stem a flood of transshipped apparel that has hurt the U.S. textile industry. "Any objective analysis would demonstrate that transshipment is a problem," he told reporters. He added that a measure pending in Congress to make this change part of the legislation to implement the Uruguay Round provisions of the General Agreement on Tariffs and Trade is a "step in the right direction."

Mr. Brown's statement removed all doubt as to where the administration stands on this measure. A Senate-House conference is expected to vote on the issue early next month.

Mr. Brown stressed that otherwise he wishes no discomfort on his hosts. He said that while he'd certainly raise human-rights issues "at appropriate times," his mission is primarily to "promote America's commercial interests."

Even a statement of principles that President Clinton is urging U.S. traders and investors to sign as a formal commitment to human rights may not be specifically directed at China. Mr. Brown said he is considering the business community's arguments that the statement should be applicable world-wide, rather than country-specific.

Mr. Brown's China trip is also expected to produce a broad trade-framework accord and other agreements to make it easier for U.S. vendors to bid for business in transportation, power generation, telecommunications and financial services in China. Mr. Brown called these sectors China's growth industries.

Mr. Brown said the administration isn't planning to lift the remaining U.S. trade sanctions against China, which include the denial of political-risk insurance from the Overseas Private Insurance Corp. and of federal grants for investment preparations. Denying news reports that suggested the contrary, he stressed that "no action is anticipated, certainly no action during my mission, and no action that I know of in the near future."

With the chief executive officers of 24 U.S. companies in tow, Mr. Brown left yesterday for the trip. He said he plans to meet Premier Li Peng and other senior Chinese officials.

THE PRESIDENT HAS SEEN
9-7-94

Bob Rubin
Fyi B.

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

94 SEP 30 P6:23

September 30, 1994

Sec & Gr
Rutter

MEMORANDUM FOR THE PRESIDENT

FROM: CHRISTINE A. VARNEY
Secretary to the Cabinet

SUBJECT: Summary of Weekly Cabinet Reports
September 30, 1994 through October 7, 1994

CABINET-WIDE ACTIVITY

PERSIAN GULF ILLNESSES

On September 23, Senator Rockefeller's Veterans Affairs Committee marked up a bill, which "clarifies and affirms" the Senator's view of VA's current authority to compensate Persian Gulf veterans. Senator Rockefeller's mark-up represents a step towards the House bill to compensate Persian Gulf veterans, which the Administration supports (with a few minor modifications). Over the past few days, House and Senate staff have been meeting to try to iron out their differences before Senator Rockefeller's mark-up goes to the Senate floor. VA staff believe that a compromise is likely and that a bill can be passed.

The Washington Post is preparing an editorial on the compensation legislation discussed above. The editorial is likely to focus on the different approaches of the House and Senate Veterans' Affairs Committees.

On September 29, Senator Shelby's Armed Services Committee/Subcommittee on Force Requirements and Personnel held a hearing on Persian Gulf issues which generated a few news reports on the Senator's belief that the Administration is not doing enough to research and treat sick Persian Gulf veterans.

In the near future, CBS's *Eye to Eye with Connie Chung* is researching a segment on Persian Gulf veterans' health problems. The current focus is on pyridostigmine bromide (a pre-treatment for nerve agent poisoning), in combination with other exposures as a possible cause for their health problems. The air date for this segment has not been decided.

** ** ** **

DEPARTMENT SUMMARIES

Department of the Treasury

- **Customs Reorganization:** Today, Secretary Bentsen announced a nationwide reorganization of the U.S. Customs Service. The plan, projected to take 18 to 36 months to fully implement, will maintain current employment levels while improving service at the 301 ports of entry nationwide -- all of which remain open. The reorganization is a result of the National Performance Review and is supported by the Treasury Employees Union, is expected to improve service.

- **Overseas Travel:** Secretary Bentsen will attend the IMF-World Bank meetings in Madrid and participate in a number of bilateral meetings. On Tuesday, he travels to Jeddah, Saudi Arabia and participate in bilateral meetings.

Department of Commerce

- **Trade Promotion:** As Chairman of the Trade Promotion Coordinating Committee (TPCC), Secretary Brown will release the Administration's 2nd annual report entitled "National Export Strategy" (NES) in testimony before both the Senate and the House next week. This year's report contains both a chronicle of the successes of the first year's NES and action on the 65 recommendations made in last year's report, as well as strategic directions for the future.

Department of Transportation

- **Rail Summit:** Today, Secretary Pena conducted a Rail Summit which focused on safety challenges presented by the operation of rail passenger service over freight-owned tracks and facilities.

- **Amtrak Restructuring:** On September 27 and 28, Amtrak's Board of Directors met to discuss its deteriorating financial condition and management response. The Board directed Amtrak management to take immediate steps to eliminate the projected budget deficit and to prepare a strategic plan for cost reductions, better equipment utilization, and service adjustments. As an immediate measure, Amtrak will reduce its management staff by more than 600 positions and decentralize its Washington headquarters based organization into three business units.

- **New Jersey Aircraft Noise:** The Federal Aviation Administration today released a draft supplemental Environmental Impact Statement regarding options for addressing aircraft noise over New Jersey (in the New York City metropolitan area). This issue is very controversial and considerable media and Congressional interest is anticipated.

- **Technology Fair:** The Department of Transportation is sponsoring a technology fair October 7-9 on the Mall in Washington, D.C. The three-day event will highlight how the research and development of new technologies is making transportation more efficient, safe, environmentally sound, and globally competitive.

- **Final Round of FY'94 Airport Improvement Program (AIP) Grants:** This week, Secretary Pena and Senior White House staff announced nearly $1 billion in AIP grants. Virtually every state in the U.S. received funds that will serve to increase capacity at the nation's airports.

Department of Justice

- **Paul Hill Trial:** On August 9, the State of Florida indicted Paul Hill for the murder of Pensacola doctor John Britton and his escort. Hill's federal trial will begin on Monday, October 3. He is charged with three counts of violating the Freedom of Access to Clinic Entrances (FACE) Act and one count of using a firearm to commit a felony .

- **Child Pornography:** On Wednesday, October 5, the Solicitor General will present oral argument to the Supreme Court that the federal statute that resulted in the conviction of child pornographers in U.S. v. X-Citement Video is constitutional. In this case, defendants were convicted of shipping and distributing child pornography. The Ninth Circuit Court of Appeals overturned the convictions on the grounds that the statute is unconstitutional because it does not require the defendant to know that performer is a minor.

Great one's [illegible]

- **Florida Immigration Lawsuit:** Today, our motion to dismiss Florida's suit claiming entitlement to funds to reimburse the state for the costs of government services to illegal aliens will be heard in Miami.

Health and Human Resources

- **New Waiver Review Policies:** On September 26, the Department published new policies and procedures for reviewing state waiver requests under the AFDC and Medicaid programs. The policies are designed to streamline the review process and afford public comment for health and welfare reform proposals submitted by the states.

Good — keep an eye on

- **Medicaid Rates for Administering Vaccines:** On September 30, a *Federal Register* notice will announce the maximum fees that providers may charge for the administration of vaccines if they are participating in the Vaccines For Children program. These maximums are established on a state-by-state basis, and range from $12.24 in Puerto Rico to $17.85 in New York. The data underlying these maximum fees were developed using results of a study by the American Academy of Pediatrics. These maximums are interim amounts. HHS will conduct a study to accumulate provider cost data as soon as possible and issue revised maximum fees as appropriate.

- **HIV/AIDS Study:** Next week, the Department will announce that under a $15 million, five-year agreement with HHS, the RAND Corporation will launch the largest, most comprehensive study ever undertaken of HIV/AIDS health care, treatment costs, and sources of financing for patients' care. The project will provide policy-makers, health care providers and patients with more accurate, up-to-date information on costs of and access to care. The study's first data will be available in two years.

- **Mammography Quality Standards Act:** In December 1993, the FDA published interim rules to implement provisions in the Mammography Quality Standards Act for quality standards and certification of mammography facilities. Today the FDA published an amendment to these rules (which will be effective October 1) allowing mammography facilities greater flexibility in meeting quality standards. *USA Today* may run a story explaining the new regulations.

Office of National Drug Control Policy

- On October 4, Director Brown will testify before the Senate Judiciary Committee on aspects of the crime bill as they affect ONDCP. Attention will be given to the expanded authorities of that office contained in the crime bill. At present, OMB Director Rivlin is mediating a disagreement between the Attorney General and Director Brown over how to define and implement the authorities given to ONDCP. If the issue is not resolved prior to the Tuesday hearing, there will likely be some press attention to this issue on Tuesday and Wednesday.

Department of Education

- **ESEA Reauthorization:** The Conference Committee for the Improving America's Schools Act voted out the bill this week. The House is scheduled to vote on the measure today, and Secretary Riley is not sure if it will pass. Controversy has surrounded a series of amendments regarding social issues. If the bill does not pass this session, the Department will lose funding as the appropriations language is tied to the reauthorized ESEA.

- **IRS Tax Offset:** The Department's program with the IRS to offset the tax refunds of student loan defaulters has produced record level collections. As of September 15, the IRS has offset 760,000 tax refunds valued at approximately $590 million.

- **Blue Ribbon Schools:** On Friday, October 6, you and Secretary Riley will participate in a South Lawn ceremony honoring the Department's Blue Ribbon Schools award winners.

Department of the Interior

- **Mining:** Yesterday in the conference committee, Chairman Bennett Johnston declared the mining law reform bill dead for this Congress. After months of negotiations to reach an acceptable compromise, Senator Johnston determined that he could not meet the environmental demands of the House to get the bill out of conference, nor the industry demands of Senator Reid to avoid a filibuster.

Department of Agriculture

- **Reorganization Bill:** On Wednesday, September 28, the House passed by voice vote the Department's reorganization bill. The staffs began the conference work yesterday and are expected to work through the weekend in an effort to complete the conference. Secretary Espy believes it is likely the bill will be sent to you before Congress adjourns.

- **Forest Plan:** Yesterday, the Task Force assigned to investigate the health of the national forests and develop a proposal for a forest health initiative, released its report. The report determines the nature and extent of forest health problems and recommends measures for improving the health of these forest ecosystems through the appropriate use of salvage logging, thinning, prescribed burning and over tools. Implementation of the recommendations will potentially alleviate excessive fuel load and reduce risk of catastrophic wildfires.

Department of Energy

- **Pakistan Mission:** Secretary O'Leary reports that her trip to Pakistan was a commercial success. Sixteen commercial ventures were entered into by private U.S. business interests and Pakistan representing nearly $4 billion. The deals are in the traditional areas of electricity generation, oil and gas production, renewable energy and energy efficiency. The Secretary also had several meetings with Prime Minister Bhutto and President Legher. The discussions were friendly but frank and centered around the impact of the Pressler amendment (the amendment prohibits assistance to Pakistan without certification that Pakistan does not possess a nuclear capability.)

- **Foreign Plutonium Shipments to South Carolina:** Yesterday, after a favorable ruling by the U.S. Court of Appeals for the Fourth Circuit, the ship containing the spent fuel elements unloaded at a North Carolina port. The fuel will arrive by train at the Savannah River, South Carolina site today. South Carolina's appeal is now pending before the U.S. Supreme Court. As a courtesy to the State, Secretary O'Leary had voluntarily delayed ordering the ship to port to allow for the State to exhaust its appeals, but pressing missions at the port in support of U.S. personnel in Haiti required the fuel to be unloaded immediately.

Environmental Protection Agency

- **Safe Drinking Water:** On Tuesday, September 27, the House passed the Safe Drinking Water Act by voice vote. EPA is cooperating with staff in both houses to develop and informal compromise between the House and Senate versions of the bill. EPA is also working closely with the leadership of both houses to bring the compromise to the respective floors for final passage before the session ends.

- **Superfund:** On Wednesday, September 28, the Senate Finance Committee passed the Superfund reform bill. The bill could reach the Senate floor as early as Monday, October 3. Attempts by some Republican Committee members to attach unrelated tax amendments in Committee were defeated; Administrator Browner remains confident that Democrats will be able to fight off unrelated tax amendments when the bill goes to the floor. In the House, the leadership is analyzing the prospects for the bill on the floor.

Department of State

- **North Korea:** Ambassador Gallucci's discussions in Geneva have been difficult and there has been no progress on the hardest issues. Rather than break off the talks, both sides have agreed to take a short recess. Meanwhile, North Korea's military has strongly denounced U.S. naval exercises in the Sea of Japan, claiming the U.S. is trying to intimidate North Korea on the nuclear issue.

- **Japan Trade:** Secretary Christopher met with the Japanese Foreign Minister Kono last week and emphasized that either market-opening agreements are reached under the Framework by September 30th or the U.S. will need to consider remedies under our law. To date, there has not been adequate progress on glass to stave off Super 301 action, but intense negotiations continue in all areas, including government procurement and autos.

- **Israel:** In an unexpected development at last week's General Conference of the International Atomic Energy Agency, Israel joined consensus on a resolution that called on all states in the Middle East to join the Nuclear Non-Proliferation Treaty. Israel had previously threatened to break consensus on this resolution if the Arabs insisted on amending it. The Israeli decision gives a welcome boost the non-proliferation agenda.

- **Bosnian Arms Embargo:** Initial Congressional reaction has been muted but positive to Bosnia's call for a six-month delay in lifting the arms embargo. Senators Mitchell and Nunn were supportive; Dole's staff understood the Bosnian request for a delay. Most other staffers expressed relief, although some supporters signalled annoyance with the Bosnians.

Department of Defense

- **Cuba:** The situation at Guantanamo continues to be difficult for all concerned. In addition to 13,740 Haitian migrants on hand at the base, the Cuban migrant count at Guantanamo stands at 29,832 as of this morning. Chartered aircraft continue to transport Cuban migrants to the Panama safehaven. The Cuban migrant population in Panama is currently 2,162.

- **Somalia:** The USG-donated "police" weapons and ammunition are now under U.S. military guard in Mombasa. The Kenyans have agreed to safeguard the equipment for the U.N. at a military installation.

- **Rwanda:** The USUN succeeded in pressing the U.N. to deployment of 4,100 troops into Rwanda by early September but the effort has lost momentum over the past few weeks. There are three main factors contributing to delays: U.N. concern about its ability to logistically sustain a U.N. force; failure of the U.N. to provide promised equipment to troop contributing countries; the inability of the U.S. to provide airlift to move troops and equipment into Rwanda due to the higher priority assigned to operations in Haiti.

- **Kazakhstan:** Kazakhstan has accepted the U.S. proposal for the purchase of the 566 kg of weapons-grade Highly Enriched Uranium at the Ulba facility: $3 million cash ad $20 million in assistance. In addition, the GOK accepted our proposed government-to-government agreement providing for the necessary privileges and immunities and liability projections for the U.S. operations on Kazakhstani soil.

- **Unfunded Contingency Operations:** The unfunded requirements associated with contingency operations in FY'94 amount to roughly $417 million. Unfunded contingency operations have also created serious concerns in the military departments far beyond direct costs. DoD is trying to limit the negative impact of contingency operations on near, medium and long-term readiness of our forces during FY'95 programming.

HAITI

Nearly all necessary forces are now deployed in and around the major military and civilian centers in Haiti. The forces include about 1,300 military police. Humanitarian flights are flying in to Haiti on a daily basis, and both the port and airport have been opened to limited commercial traffic. Several hundred Haitians from the refugee camp at Guantanamo Bay have been voluntarily repatriated, with more to follow. Last night the Security Council approved a resolution lifting Haiti sanctions upon Aristide's return.

The U.S. - Haitian bilateral agreement on migrant interdiction signed in 1981 may be terminated on or about October 7. Last spring, Haitian President Aristide announced his intention to abrogate this long-standing agreement. If no action is taken the agreement will be abrogated, and the U.S. Government will lose the existing authority to board Haitian vessels on the high seas and to return undocumented migrants to Haiti. This will decrease the efficiency of Coast Guard migrant interdiction operations, as time delays would then be incurred while diplomatic arrangements are made with the Haitian government to board Haitian vessels or to return migrants to Haiti, including those migrants voluntarily returning to Haiti from a safe haven.

U.S. Atlantic Command has placed all forces deployed ashore in Haiti on a status that will allow them to retain their basic allowance for subsistence in addition to Imminent Danger Pay, Certain Places Pay, and Family Separation Allowance. These actions were taken to reduce the chances of a decrease in pay for personnel deploying in Haiti.

cc: Vice President Gore
Leon Panetta
Mack McLarty

THE PRESIDENT HAS SEEN
9.7.94

THE WHITE HOUSE

WASHINGTON

August 25, 1994

94 AUG 25 P6:54

MEMORANDUM FOR THE PRESIDENT

FROM: Alexis Herman

RE: Health Care Reform Legislation

Per your request, on Monday, August 22, when you met with the CEOs who support universal coverage (the Letitia Chambers Group), you asked for a memo from Letitia reviewing the issue of streamlining health care that is the actuarial equivalent under the Federal Employees Health Benefit Act.

Please see the attached.

Ickes/Ira

Interesting letter & need to do univer reply —

B.

cc: Hon. Leon Panetta
cc: Hon. Harold Ickes

Attachment

AMH:RGM

copy
Harold
IRA
Alexis

Chambers Associates Incorporated • Public Policy Consultants

1625 K Street, N.W.
Suite 200
Washington, D.C. 20006
(202) 857-0670
Fax (202) 857-0688

August 25, 1994

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

Dear Mr. President:

I enjoyed meeting with you this week along with several CEOs who support universal coverage. Jim Moody and I have been happy to help advance comprehensive health care reform legislation as we did earlier for passage of the economic plan.

I am writing, as you requested, to elaborate on the possibility of streamlining health care reform legislation by defining employer responsibility as a requirement to provide coverage that is the actuarial equivalent of coverage offered federal workers under the Federal Employees Health Benefit Act.

Discussion

Requiring all employer-provided health plans to offer a legislatively defined benefit package, which specifies the scope of services and level of cost sharing, would disrupt existing plan designs for virtually all who now have coverage. There is great diversity in the current marketplace among plan designs. Employers have chosen plans, or tailored them in the case of the self-insured, to meet the needs and desires of their specific work forces.

Some employers offer health benefit plans which have an actuarial value greater than the "standard benefit plan" called for by various reform bills, but most of these plans do not offer every single provision in the reform bills, notwithstanding their greater value. If legislation requires these firms to offer a specific mix of benefits, the employer will confront an unhappy choice between three possibilities: (1) offer such benefits in addition to the benefits previously offered and pay for them, which would raise the employer's cost; (2) offer the mandated mix of benefits but delete others to achieve cost neutrality, which could irritate employees (in some cases the employer may be prevented from doing this by the provisions of a collective bargaining agreement); or (3) offer such benefits in addition to the benefits previously offered and require employees to pay for the new benefits. (This would anger employees since they would have to pay for the added benefits as a condition of getting their previous benefit package).

These problems will be exacerbated by the provision in some of the bills which requires identical co-payments for all services offered. For covered individuals, this again will result in changes in their out-of-pocket costs, which will go up for some services and down for others. For the employer, it will limit flexibility of plan design and take away a valuable tool used to contain costs.

Solution

There is a simple solution: legislate the value of the package, not the mix of benefits.

All employers providing health plans that are at least equal to the actuarial value of the benefits package provided by the Blue Cross/Blue Shield Standard Option package, as offered under the Federal Employees Health Benefit Plan in effect in 1994, could be deemed to be "certified plans". Employers providing such plans should then not be subjected to extensive new obligations such as specifically required benefits, uniform contribution and aggregation rules, which providers they must contract with, and other similar restrictions. Comparison between plans to determine actuarial equivalency is a commonly used methodology, so extensive new regulations would not be needed to implement this standard.

Moving to this actuarial equivalent standard will provide flexibility and more choice of coverage for employers and employees, cause less disruption of existing plan design, and facilitate acceptance by the vast majority who are satisfied with their existing benefit plans. Plan participants will be assured of high value health care coverage with flexibility to tailor benefits to needs, and employers will not be burdened by excessive regulations and requirements.

This approach will also eliminate the potential for a serious unintended consequence if, as some fear, the broad definitions of required services in the bill are interpreted so as to require significant expansions of benefits and cost for those now covered. In the absence of a mandate for all employers this would create a disincentive to purchase coverage.

The actuarial equivalence standard also offers a politically attractive compromise. Variations on actuarial equivalence have been proposed by politicans as diverse as Senator Kennedy in his "Minimum Health Benefits for All Workers Act of 1987" (S.1265), House Minority Leader Michel in the bill he introduced last year, and others, most notably the recent proposal by the Mainstream Coalition.

Other Business Concerns

Employers who currently offer coverage to their work force, and therefore pay for most health coverage in this country, were very favorable to comprehensive reform in the beginning. The reasons so many have pulled back is that in the current context they see requirements that they:

- expand the benefits they offer (while many employers are not required to offer anything);
- pay new taxes that are not broad based but targeted only to them (premium taxes, taxes on high cost or high growth plans, limiting deductibility);
- lose multi-state employer protection under ERISA, subjecting such employers to extensive regulation by 50 states;
- face excessive new regulations affecting plan design, reporting, and administrative requirements which are unnecessary and in many cases will make cost containment more difficult.

At the same time, the provisions they most want to see in the bills are under attack and may not survive. These include:

1) an employer mandate;

2) broad-based financing (as opposed to new taxes that apply only to those who provide coverage);

3) early retiree provisions and prescription drugs for Medicare beneficiaries (which are important to unions, and aging and consumer groups as well as to large employers.)

The net impact of the Mitchell bill would increase costs by 10 to 15 percent for many large employers.

A new streamlined bill in the Senate could bring large employers back to the fold if it provides an employer mandate, ties benefits to the actuarial value of FEHB, allows multi-state plans to continue to operate under ERISA, and eliminates unnecessary regulations, and if it finances prescription benefits and low income subsides with cigarette taxes, no greater Medicare cuts than the Clinton bill, and a modest broad-based tax.

Again, I appreciate the opportunity to meet with you and will be happy to be helpful in any way possible.

Sincerely,

Letitia

Letitia Chambers

LC:jvs

Paul Leventhal and Alan Kuperman

Nonproliferation Fumble

It's a classic example of the bureaucracy's right hand not knowing what its left is doing. A valuable nonproliferation initiative by the Clinton administration is being undermined by another of its pet projects.

The initiative is a major push to eliminate international commerce in highly enriched uranium (HEU)—one of two materials used to make atomic bombs. The project is a super reactor to be built at home with bomb-grade uranium as fuel. Unless boosters of the new reactor drop their demand for bomb-grade fuel, President Clinton is likely to fumble a sure nonproliferation touchdown.

To its credit the administration is simultaneously confronting both military and civil dangers of this explosive nuclear fuel. On the military front, it is pushing the U.N. Conference on Disarmament to adopt an international ban on production of HEU for weapons. On the civil front, it is expending considerable political capital trying to persuade our allies to phase out remaining use of this fuel in nuclear research reactors.

The Department of Energy has revitalized a long-dormant program to resume taking back spent, U.S.-origin nuclear fuel from foreign research reactors—despite vocal opposition at home—as an inducement for these reactors to convert to non-weapons-usable fuel. It is also seeking to block the supply of fresh, bomb-grade fuel to a proposed German research reactor and to persuade the Germans to convert to the alternative fuel.

All this effort may go for naught, however, because of a new $3 billion U.S. reactor also proposed by DOE. The Advanced Neutron Source (ANS) would be the first new research reactor in the world to use bomb-grade uranium since 1978. It would increase DOE consumption of such material by 100 percent at the very time we are preaching to our allies to eliminate its use.

Germany is not amused. Its officials publicly accuse the United States of seeking a "competitive advantage" and have traveled to Moscow in search of an alternative supply of bomb-grade uranium. If the United States proceeds with such fuel, Germany will surely do the same.

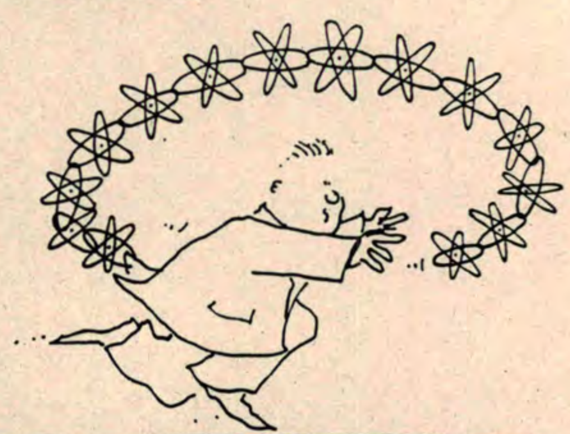
From there, the damage will only grow. Other foreign reactor operators, who at U.S. insistence have accepted the expense and inconvenience of converting to non-weapons-usable fuel, will feel cheated and be compelled to revert to HEU. Siemens, designer of the German reactor, envisions it as a prototype for future export. Once HEU fuel and the reactors that use it are made legitimate again, how can they be denied to countries like Iran that have the right to acquire them as signers of the Nuclear Non-Proliferation Treaty?

Some administration officials who recognize the problem have proposed a compromise: a symbolic reduction in the enrichment of the ANS fuel, but not down to the non-weapons-usable level we insist other countries use. The Germans aren't buying it. At a recent meeting in Bonn, they reminded us that such "middle-enriched uranium" still meets the definition of bomb-grade uranium under U.S. law and international practice. They're right.

Fortunately, there is a way out. A recent U.S. government study indicates the ANS can be redesigned to use non-weapons fuel. The flux of neutrons and time between refuelings would be reduced about a third, but the reactor would still produce four to five times the flux of the world's most powerful facility in France. The new design would require only perhaps a year's delay in construction, a small price to pay for preserving the administration's initiative to eliminate commerce in bomb-grade uranium.

But the administration has failed to embrace this redesign. According to several government sources, that's because of a strong push for immediate construction from Vice President Gore, the former senator from Tennessee—home of the ANS. Gore is supported by a triumvirate of well-placed Tennesseans: presidential science adviser John Gibbons, Senate Budget Committee Chairman Jim Sasser and House Energy R&D subcommittee chairwoman Marilyn Lloyd.

Despite this strong political lineup, the administration is ill-advised to proceed with the current design. Not only would it sacrifice hard-won progress on nonproliferation, it would also provoke a protracted fight on Capitol Hill. Already the Senate has refused to approve requested ANS "construction" funds. Such battles in the past led to cancellation of the Cinch River Breeder Reactor in the 1970s and Special Isotope Separation Plant in the 1980s and to the recent demise of the Integral Fast Reactor. The only thing Congress likes less than a $3 billion construction project is such a project with proliferation ramifications.



The obvious solution is to modify the design of the Advanced Neutron Source to use non-weapons-usable uranium so that everyone can claim victory. Scientists would get their neutrons and Tennessee its jobs. Most important, nonproliferation advocates can continue their efforts to put the bomb-grade-uranium genie back in its bottle—before it's too late.

Paul Leventhal is president of the Nuclear Control Institute. Alan Kuperman is a consultant at the institute.

For the Record

From remarks by Mercedes Arzu Wilson, Catholic Campaign for America National Committee member, at a press conference yesterday in Washington:

We are here to clarify the position of the Catholic Church in regard to this international conference on population and development—[only] six pages of [the conference's 89-page preparatory document] are dedicated to development. . . .

It is expected that this conference will have a consensus approving abortion as a means of birth control, denial of the importance of the family as the basic unit of society and putting a lot of pressure on the developing nations, like my own, Guatemala, to promote population control programs which have already proved intrusive, unnecessary and dangerous.

We also know that polls have taken place in the United States that say that the American public are 89 percent against using abortion as a means of birth control. So therefore, it is not a democratic move at all. . . .

This is why it is now being called the imperialistic culture from the United States to the developing countries.

If the United States had a wonderful example of morality or values and ideals and your statistics showed that you have the lowest incidence of teen births, that you have the lowest amount of abortions, that you have the lowest amount of venereal disease, then I think it would be fantastic for the United States to impose these good values on the rest of the world.

But if you have the worst record, the highest number of abortions per capita, the highest number of divorces, the highest amount of venereal diseases, why, for God's sake, why do you want to expand this to the rest of the world?

FRIDAY, AUGUST 26, 1994 THE WASHINGTON POST

THE PRESIDENT HAS SEEN
9.7.94

Tony

What's the deal here?

AUG 27 '94 05:10AM Jake Siewert
(202) 456-64[illegible]

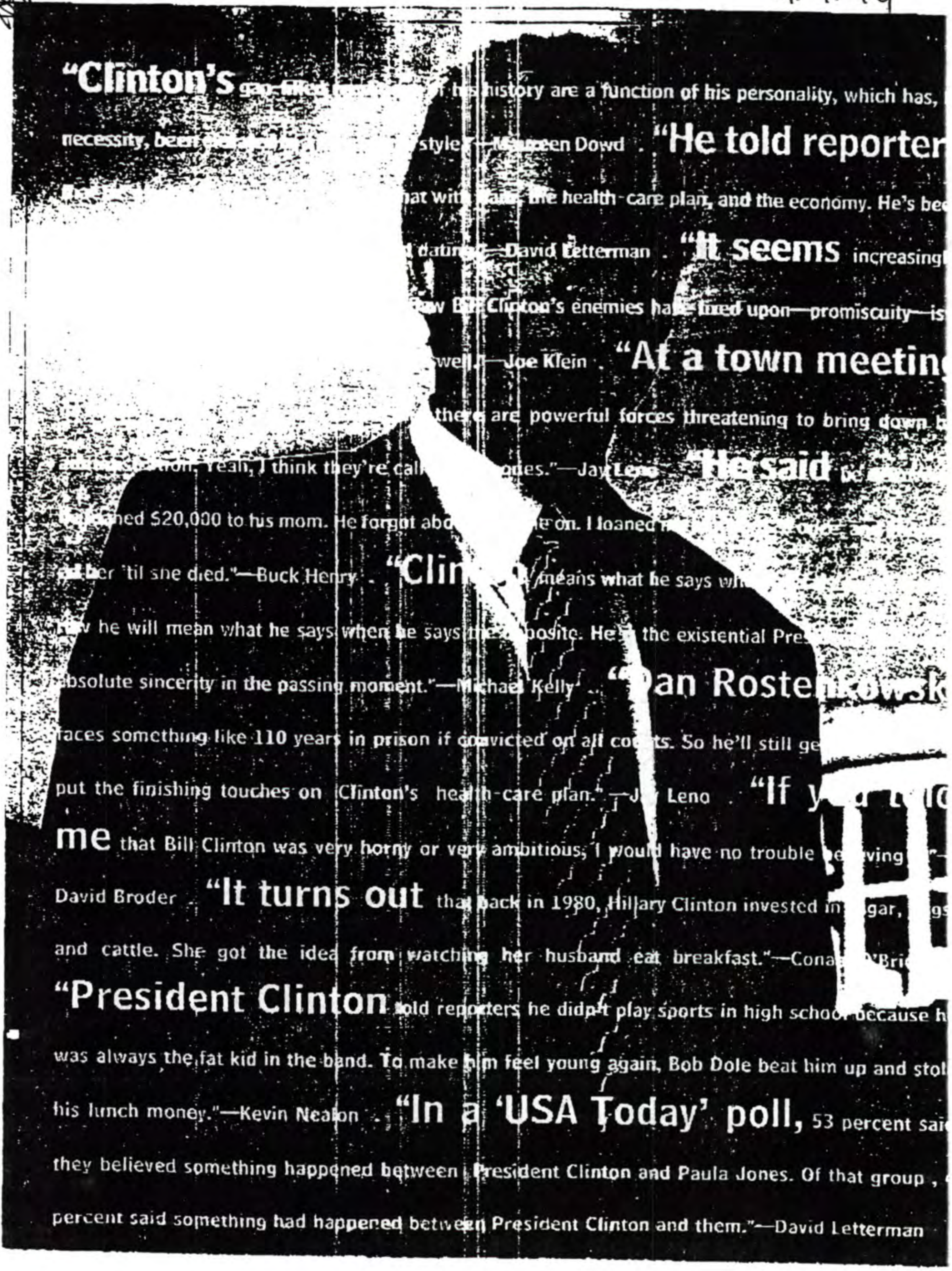
GS FYI

John Advance Copy

OUT No [illegible]

GS — When you get a clear copy I'd like to see it —

THE PRESIDENT HAS SEEN
9-7-94



"Clinton's [illegible] his history are a function of his personality, which has, necessity, been [illegible] style."—Maureen Dowd . "He told reporter [illegible] hat with [illegible] the health-care plan, and the economy. He's be [illegible] dating."—David Letterman . "It seems increasing [illegible] Bill Clinton's enemies have fixed upon—promiscuity—is [illegible] well."—Joe Klein . "At a town meeting [illegible] there are powerful forces threatening to bring down [illegible] Yeah, I think they're cal[illegible]ies."—Jay Le[illegible] "He said [illegible] loaned $20,000 to his mom. He forgot abo[illegible] on. I loaned [illegible] her 'til she died."—Buck Henry . "Clin[illegible] means what he says w[illegible] he will mean what he says when he says the opposite. He's the existential Pre[illegible] absolute sincerity in the passing moment."—Michael Kelly . "Dan Rostenkowsk[illegible] faces something like 110 years in prison if convicted on all counts. So he'll still ge[illegible] put the finishing touches on Clinton's health-care plan."—J[illegible] Leno . "If y[illegible] me that Bill Clinton was very horny or very ambitious, I would have no trouble be[illegible]ving [illegible]—David Broder . "It turns out that back in 1980, Hillary Clinton invested in [illegible]gar, [illegible] and cattle. She got the idea from watching her husband eat breakfast."—Cona[illegible] "President Clinton told reporters he didn't play sports in high school because h[illegible] was always the fat kid in the band. To make him feel young again, Bob Dole beat him up and stol[illegible] his lunch money."—Kevin Nealon . "In a 'USA Today' poll, 53 percent sai[illegible] they believed something happened between President Clinton and Paula Jones. Of that group, [illegible] percent said something had happened between President Clinton and them."—David Letterman

*

SADDLE STITCH

COPY ....
CLOSING
EDITOR.................
OK FOR ☐
REPRO ☐
FAXED TO J.P. ....

To: President Clinton
Fr: George S.
Awesome article!
Should be on cover
New York magazine
next week.
(GO)

Why Bill Clinton Is a Great American President

No, Really

By Jacob Weisberg

Mark Seliger/Outline

SEEMS FAIR TO SAY BILL CLINTON IS HAVING A LOUSY YEAR. THE PRESident's personal losing streak began around the holidays, with the somewhat dubious set of allegations known as Troopergate. The slump continued through January and February, thanks to the trickle of details about a failed real-estate investment called Whitewater. This was the backdrop in March, when the New York *Times* divulged the history of Hillary's lucrative commodity speculations. And the presidential jest was beginning to look like a tragic curse—Aeschylus in Arkansas—by early May, when the cartoonish Paula Jones emerged from an Ozark hollow to tell the country about what really went on at all those policy conferences.

Political catastrophes picked up where the personal ones left off. *Time*'s incredible shrinking president got reinflated when Congress passed his budget and NAFTA last year, but the triumphalism didn't stick long. As Haitian refugees aimed their leaky flotilla at the coast of Florida, the president's elaborately wrought health-care plan sank without a trace. On June 27, he had to fire as chief of staff his well-meaning but ineffectual best friend, Mack McLarty. Congressional Whitewater hearings got much uglier than expected and cost the president Roger Altman, one of the more effective members of his administration.

Just as those hearings wound down, the attorney general called

SADDLE STITCH

---

s, by
ers
been
ingly,
—is a
ng
ud
gs,
se he
stole
said
p , 4
n

for a special counsel to investigate illegal gifts to secretary of Agriculture Mike Espy from Tyson Foods, a poultry company with close ties to Clinton. That same week, a leaked memo revealed that the president's pollster Stanley Greenberg, was suggesting Democratic candidates run on Clinton's policies while distancing themselves from the man himself. Robert Fiske was unexpectedly replaced as Whitewater special counsel by a more partisan Republican who announced he would start investigating again from scratch. By early August, setbacks like these were arriving at the rate of one every four days. And just when it seemed the president had hit bottom, the House unexpectedly nuked his crime bill.

This was "tantamount to a vote of no confidence in the president and his ability to govern," wrote Jeffrey Birnbaum, in a *Wall Street Journal* story that ran under the heading BURIED ALIVE. Pronouncements of this sort have been standard lately—in the news columns, not just the editorial pages. By all accounts, Clinton faces a massive repudiation in the November election. White House correspondents have also been underscoring poll numbers that show the president's approval rating in the dismal low forties despite the rude health of the economy. According to the traditional formula, presidents are popular when economic times are good. By this standard, Clinton should be soaring into the sixties. The missing twenty points is known as the Clinton gap.

It is hard to imagine, though, that the Clinton gap doesn't have something to do with the pounding administered by the press. In May, Joe Klein unleashed a *Newsweek* story called "The Politics of Promiscuity," which equated Clinton's casual affairs with women like Paula Jones to his vacillating Bosnia policy. Clinton, Klein argued, was always making commitments he couldn't keep; he was foiled by "an inability to settle, to stand, to commit"; he was "railing about in a narcissistic, existential quest for self-discovery." The publication the following month of Bob Woodward's *The Agenda* compounded perceptions of vaguely adolescent Clintonian incompetence. Woodward typically made no point of his own, but his details were widely disseminated by others who concluded that Clinton and his staff were inept, flailing. R. W. Apple of the *New York Times* recently described the president's attention as wandering "like a teen-ager's on Saturday night." *The Economist* testified to "the sense that Mr Clinton may be congenitally feeble on foreign policy and incorrigibly indecisive at home." Peter Boyer of *The New Yorker* called him "a compromise in a suit."

The journalistic *coup de grâce*, however, was delivered in a 15,000-word cover story by Michael Kelly in *The New York Times Magazine* a couple of weeks ago. Kelly saw a president wounded and came to do him the kindness of a bullet in the head. His article argued that Clinton was an originally idealistic person who had been corrupted by politics to the point where he, like Nixon, had no real sense of right and wrong. "There is a hollowness to the Clinton presidency, a sense that it lacks a center because the man at its center lacks one of his own," Kelly wrote. The piece judged Clinton not just an inadequate leader but a failed *human being*. "The president's essential character flaw isn't dishonesty so much as a-honesty," Kelly concluded. "It isn't that Clinton means to say things that are not true, or that he cannot make true, but that everything is true for him when he says it, because he says it." This crystallized the emerging conventional wisdom: The president's unpopularity was explained by his being a hopeless liar.

WELL, IT MAY SEEM THE [illegible] act of heresy to say so, but far from being pathologically dishonest, Bill Clinton has been more faithful to his word than any other chief executive in recent memory. He may have skirted the truth about the draft, Gennifer Flowers, Paula Jones, and so on. But Clinton has kept his contract with voters. On policy issues, he has done almost exactly what he said he was going to do, despite setbacks and enormous obstacles. And by so doing, he has made himself an excellent president. The irony is that Americans are oblivious to most of his kept promises because the accomplishments lack political conflict. Clinton gets bashed in the press when he loses a close fight, as with the House ambush on the crime bill. He gets credit when he wins a close victory, as with last year's budget, NAFTA, and the subsequent passage of an amended crime bill. But he's ignored when he does what he said he was going to do without provoking a dramatic showdown.

During the 1992 campaign, Bill Clinton did something extraordinary—some thought extraordinarily stupid. He published a book-length political treatise called *Putting People First*. This was the platform he ran on: it offered detailed positions on a wide range of issues. As he approaches the midway mark in his first term, it serves as a benchmark to evaluate his performance.

The book stressed five themes above others. In order of importance, they were the economy, work and welfare, education and training, health care, and governmental reform. Clinton said he would get the economy moving and create 8 million new jobs, in part by reducing the deficit. He promised to transform the culture of welfare by obliging recipients to work after two years on the dole. He called for controlling the cost of health care and for guaranteeing a basic benefits package to every American. He declared support for an education-and-training agenda he called "lifetime learning." Lastly, he pledged to make government smaller, cheaper, and more efficient.

The first of these promises he has unequivocally delivered upon. When Clinton took office, economists were musing about a new phenomenon: the jobless recovery. Republican senators Gramm, Dole, and D'Amato, among others, predicted that if the administration's budget were to pass, it would divert the economic comeback altogether. Newt Gingrich, the soon-to-be House minority leader, said the president's plan would fail to reduce the deficit, while provoking a "job-killing recession."

Four million new jobs later, Newt has yet to take credit for his mistake. Remember the Republicans' Carter-bashing "misery index"—unemployment plus inflation? It averaged twelve during the Reagan years. When Bush left office, it was eleven; under Clinton it's nine. The consensus among economists is that the country is at its "natural" unemployment level—the functional equivalent of full employment. The debate now is whether the economy is growing so fast that the Federal Reserve is justified in raising interest rates to forestall inflation. So far, however, there are no signs of it. Other economic indicators are favorable, too. Long-term interest rates are still relatively low. The economy continues to grow at nearly 4 percent, generating more than 250,000 new jobs a month. At this pace Clinton will easily fulfill his campaign promise of 8 million jobs by the end of his first term. Meanwhile, the Congressional Budget Office's deficit projection for 1995 is $171 billion, down from $284 billion before the budget bill passed. Clinton has another key promise—to cut the deficit by half in four years—within his sights.

Does the president deserve credit for the present strength of the economy? His detractors point out that the recovery was under way by the time he took office. True, but few economists believe it would have been equally robust without the president's plan. By addressing the deficit, Clinton reduced long-term rates and freed additional capital for private investment. This was the so-called bond-market strategy that Woodward implicitly criticizes the White House for adopting. "We would have somewhat higher interest rates, especially long-term, had there not been a deficit-reduction package," says Paul Krugman, an economist at Stanford. "We have more productive investment going on than we would otherwise. And future growth prospects are better than we would have otherwise."

There has been far less urgency about welfare reform. After the election, Clinton made a clear political mistake by choosing

ind for
age to
ort for
da he
y. he
maller.

as un-
linton
using
ess re-
amm.
s. pre-
udget
nomic
ch. the
r. said
reduce
skilling

we has
imem-
g"mis-
infla-
g the
ce. it
e. The
at the
yment
of full
nether
at the
ing in-
So far.
Other
e, too.
atively
row at
e than
s pace.
mpaign
l of his
ssional
on for
'94 bil-
Clinton
e defi-
ights.
dit for
y? His
ry was
office.
would
ut the
deficit.
d freed
tment.
t strat-
iticizes
"We
nterest
are not
" says
anford.
stment
e. And
r than

about
Clinton
cosing

to push health-care reform first, His task ~~force has, however,~~ since unveiled a detailed legislative proposal for breaking the cycle of dependency. There are some quibbles about the plan, but it is surely what Clinton promised. After two years on welfare, you have to take a private-sector or public-service job. And as Donna Shalala, the secretary of Health and Human Services, put it in Senate testimony a few weeks ago, "If you don't work, you don't get paid." Shalala, who was unfairly stereotyped as a liberal softie, has also adopted a policy of granting waivers to states that are pursuing reform efforts of their own, even where those efforts are not in line with the Clinton plan. The result has been a boom in experimentation at the state level.

But the best idea is still Clinton's plan. As originally outlined, it restructures the system to "make work pay." If you move from welfare to a low-wage job, you won't lose Medicaid benefits, as is currently the case. Child care will also be provided. And thanks to the expansion of the Earned Income Tax Credit that was part of last year's budget, people who forsake welfare for minimum-wage jobs will not live below the poverty line. The proposal also delivers components Clinton has long talked about: child-support enforcement and a campaign against teen pregnancy. Congress will probably not take up welfare reform until after the fall election. But if it passes in anything like its proposed form, it will amount to a revolution in the way the federal government approaches the problem of income support.

The "attitude writing" of the new political journalism is much like the opening monologues on the late-night talk shows.

Welfare reform has had a fair amount of coverage, thanks to occasional outbursts by Senator Moynihan and assorted Republicans. But because it has not been the locus of any great political clash, Clinton's education and training ideas have had practically none. White House domestic-policy adviser William Galston calls this Clinton's "stealth agenda," since most of it has actually crept into law without notice.

There is in the "lifetime learning" plan something for almost every age group. For toddlers there is a significant reform and expansion of Head Start. Clinton didn't just raise funding for this popular program; he is improving it, by setting national standards and making it possible to decommission programs that don't conform. For school-age children, there are many significant changes in the Goals 2000 bill, which passed in March, and in the Elementary and Secondary Education Act, which is currently before Congress. These include a program of national education standards and funding for state experiments with charter schools institutions allowed to operate outside regular bureaucratic constraints. Clinton is also fighting to redirect so-called Chapter One money—the most significant federal resources that go to education. The money was originally intended to support disadvantaged children, but over time, rich districts have grabbed much of the action.

For young adults, there are two programs that matter. The first is a national service program that began this summer by putting 7,000 young people into public-safety jobs. Beginning this fall, AmeriCorps will hire 20,[illegible] idealistic youths to perform community work in education, public safety, social services, and the environment. More Americans will participate than served in the Peace Corps at its much-romanticized Camelot height. They will also earn $4,[illegible] a year for college. The other initiative is a program of direct lending to college students. This saves participants money by cutting out the middlewoman known as Sallie Mae. By allowing loans to be paid back as a proportion of income, it will have the added advantage of forcing fewer good kids to become lawyers. [illegible], it is expected to save the federal government some $4.3-billion over five years.

Two other initiatives developed by the Department of Labor bear mentioning. The first is an apprenticeship program for teenagers who aren't planning to go to college. This passed last year and is already being implemented. And the final part of "lifetime learning," which Congress has yet to pass, is Labor secretary Robert Reich's ambitious plan for a new unemployment-and-training system. The idea is to consolidate the government's confusing and largely ineffective panoply of training and job-search programs by creating one-stop centers for people who lost their jobs. These centers might be public or private and would have to compete for customers. "The old system was designed for cyclical unemployment—to tide people over with income temporarily until they got their old job back again," says Reich. "But what has happened gradually over the last 30 years is that people don't get the old job back."

The president has been subjected to severe criticism on health care. Much is deserved: his plan was flawed in substance and was based on a profound misreading of the political climate. Because he made no effort to include Republicans in the drafting of his bill, it never had any serious chance of passing the Senate. But the Health Security Act was entirely consistent with the kind of reform Clinton said he would push if elected. He promised to push it, not to pass it, because passing it is not within his power.

Most of the president's critics, however, are trying to have it both ways. They don't like his plan but are ready to blast him for breaking his word if he signs something that falls short of universal coverage. William Safire last week advised Clinton to veto anything that falls short of the Mitchell Bill, though he thinks the Mitchell Bill would mean disaster. This is attempted sabotage.

It was foolish for Clinton to draw a line in the sand. But whatever passes will still be his accomplishment; he brought health-care reform to the fore. In fact, a less ambitious bill that begins a process of sound, incremental reform may come to be regarded as a great achievement. But even if the result is no bill, or a vetoed bill, Clinton will deserve much credit. The reason is that the health-care industry has responded to the threat of radical governmental reform by reforming itself. The health-care-inflation rate, which once ran in the double digits, is now around 5 percent, the lowest level in twenty years. And it's dropping still.

ON THE FINAL ELEMENT IN HIS big five—cutting the size and cost of government—Clinton has outdone himself. In *Putting People First*, he talked about reducing the government work force by 100,000. In less than two years, he's already done it, or nearly so, with the help of a buy-out program. Thanks to Al Gore's "re-inventing government" plan, the tally will be down by 273,000 in five years, to the lowest level since Kennedy was president. This is truly amazing. The Executive payroll grew through the years when Ronald Reagan promised to get government off our backs, and through the Bush years despite the military build-down. Partly as a result

*

of Clinton's downsizing, the cost of government is now shrinking as a share of gross domestic product.

There have, of course, been disappointments. Through the campaign Clinton talked about changing the culture of Washington. Though he has supported lobbying and campaign-finance reform, and tightened the rules for Executive-branch employees, he has set a poor example. By naming influence peddlers like Ron Brown to his Cabinet, and by tolerating the revolving-door profiteering of ex-aides, Clinton has undermined this moral crusade.

But there are other bright spots, too. Consider international trade. Early in the campaign, Clinton was, like many of his fellow Democrats, at best an agnostic on NAFTA. After examining the issue more closely, however, he became convinced that the benefits overrode the objections of two key Democratic constituencies: organized labor and environmentalists. But his achievement here was not just passing NAFTA against the odds. It was developing a bi-partisan coalition in Congress to support free trade. Though a majority of Democrats voted against NAFTA, and though many will surely vote against GATT, which is even more important, Clinton has essentially relegated protectionism to the political margin.

Clinton's Supreme Court appointments have been superb. Many feared he would try to counter the rightward drift of the Rehnquist court by making liberal ideology and youth (thus longevity) his litmus tests. Instead, he has named distinguished middle-aged moderates: Ruth Bader Ginsburg and Stephen Breyer. He has raised the great neglected issue of gun control for the first time. The Brady Bill and the assault-weapons ban included in the crime bill aren't very important in themselves. But as symbolic victories over the National Rifle Association they mean something. Clinton's Interior secretary, Bruce Babbitt, has moved beyond a stale debate on endangered species to an approach that emphasizes the protection of whole ecosystems. The secretary of Housing and Urban Development, Henry Cisneros, has tried to direct federal resources toward scatter-site public housing instead of pouring it down the sieve of high-rise projects in the ghetto.

None of these are minor matters. Indeed, assuming health-care and welfare reform pass in some form, Clinton's legislative agenda will be more or less complete around the halfway point in his first term. What will he do for an encore? George Stephanopoulos says the administration will concentrate less on legislation and more on making sure the first-half initiatives work. Expect a total news blackout if implementation goes smoothly.

Bill Clinton is somewhat harder to defend as a foreign-policy president. He has to feel foolish for the way he has changed his positions on China, Bosnia and, most dramatically, Haiti. The case for Clinton, however, is that while flip-flopping on these issues, he has actually gotten the big things mostly right. "The obsession with Haiti—a country that is cruel and horrible but strategically totally insignificant—obscures the broader gains," says Adrian Karatnycky, president of the human-rights group Freedom House.

What are these gains? First and foremost, Clinton's policy toward Russia. "An unceasing chorus has been saying Clinton has been naive about the course of the events or too pro-reform," says Jeremy Rosner, who recently left the National Security Council for a perch at the Carnegie Endowment for International Peace. "But the truth is, he has had it just about right. He has clearly advanced our interests in the region." The president wins high marks for getting Ukraine and Belarus to give up their nuclear weapons, and for supporting the cause of reform. Even Richard Pipes, a Russian scholar at Harvard and a hard-line conservative, credits Clinton with being a strong advocate for Boris Yeltsin. Where Pipes faults Clinton is in allowing Russia too free a hand to intervene in the former Soviet republics. He acknowledges, however, that the policy would probably be the same had George Bush been re-elected.

Clinton's foreign policy has been crypto-Bushite in other areas as well. He did a brilliant job as moderator in the Israeli-Palestinian and Israeli-Jordanian dialogues thanks in part to the work of Dennis Ross, a former aide to James Baker who stayed on. Clinton has managed the North Korean nuclear crisis deftly. His Partnership for Peace, an alternative to offering 22 Eastern European nations full membership in NATO, was a smart compromise. And he has resisted the excessive cuts in defense some on the left advocate. Clinton has also done a few good things Bush would probably never have done, like reestablishing relations with Vietnam.

Clinton can surely be faulted for attending to his domestic agenda to the exclusion of foreign policy. This is, of course, the mirror image of Bush, who barely tolerated the need to deal with domestic issues for the sake of the opportunity to act abroad. Unfortunately, the president has not done enough to compensate for his own lack of interest. Clinton of all presidents needs a forceful secretary of State. Instead, he has surrounded himself at the top level with vision-impaired officials. It can only be hoped that after the fall election he will elevate some of the excellent people who populate his foreign-policy ranks at the secondary level and take their advice.

But Clinton's relative weakness on foreign policy hardly explains the strikingly low esteem in which he is generally held. Since the end of the Cold War, alas, most Americans don't care much about the rest of the world either. Clinton's election was partly a reaction to Bush's bias in favor of foreign policy. So what's Clinton's problem? Most analysts contend that, like Nixon's, it is one of visceral trust: The public now reflexively doubts him. There is, to be sure, an element of truth in this. But there is also an element of self-fulfilling prophecy: Voters mistrust Clinton in part because the media keep telling them not to trust him.

MANY HAVE REMARKED ON Clinton's being the first president to face extensive muckraking into his prepresidential past while in office. This is true, but it's only part of the story. The new political journalism isn't investigative in nature, though it draws upon dirt-digging. Rather, it is based on an evolution from reporting to analysis to psychoanalysis. Saturation coverage has driven the more prestigious outlets toward a kind of political movie-reviewing. "It's a three-step process," says Stephanopoulos. "CNN has replaced the wires. And even though no one watches CNN, the nightly news feels it has to put an edge of judgment on. And the papers have to take it a step farther."

Thus the new political journalism has more in common with the opening monologues of late-night talk shows than with what reporters used to do. The Washington *Post* toppled Nixon with its reporting. It's bringing Clinton down with "attitude writing." In newspapers, this form was largely invented by Maureen Dowd, when she was writing about George Bush for the New York *Times*. Unfortunately, few of Dowd's many imitators are as shrewd or felicitous or observant as she is. Instead, they indulge in a self-satisfied mockery that passes for "edge" and panders to the popular prejudice that all politicians are scoundrels.

According to some sort of Gresham's law of media, this sort of criticism seems to have crowded out the work of examining programs and policies. Noisy, only occasionally relevant questions of character replace those of more meaningful democratic substance. One reporter tells the president to his face that he reminds him of his daughter's excuses for not doing her homework; another notes his telltale signs of sexual frustration.

This kind of journalism is a lot easier than traditional reporting: you hardly have to leave the office. It also elevates the press to a godlike position; instead of the journalist as gumshoe, we get the journalist as Savonarola, as Saint Peter. The problem is that moral judgment is not always the most valuable kind. Sure, honesty matters in politics, but it's not all that matters. Consider our last totally trustworthy president. His name was Jimmy Carter. ■

Harold Brown

The Atlantic Alliance Is in Good Hands

Henry Kissinger's op-ed piece of Aug. 16 argues that Clinton administration policies are eroding the Atlantic alliance and turning NATO into an empty shell. The usually astute Kissinger is wrong this time, but he does raise important issues about the altered security landscape in post-Cold War Europe, the principles that should guide U.S. policy there and what alternative policies might be adopted. The principles of the Clinton administration are in fact sensible, and its policies have worked rather well.

The basic issue in Europe is how to maintain, adapt and augment the essential institutions of transatlantic security—most of all NATO but also the European Union and its adjuncts—to the changed situation in Central and Eastern Europe, in Russia and the other states of the former Soviet Union. None of us, not even my friend Henry Kissinger, can be certain where Russia's evolution will take it in the spectrum ranging from a large but peaceful member of a cooperative international security order to a resurgent and expansionist state seeking to dominate its neighbors politically or even to incorporate some of them.

The principle the Atlantic alliance—and the United States, as its leader—should follow is to be prepared politically and militarily to oppose and deter an expansionist Russia should it develop, while avoiding actions that unduly increase the likelihood that it will. Most Central European and former Soviet nations also face alternative paths: toward Western values and practices or toward authoritarianism, statism and poisonous nationalism.

The balance for U.S. policy is not easy to strike, especially in dealing with the Central European states, whose history and geography—between Germany and Russia—do not, to put it mildly, make them naturally secure. The Bush administration, which commendably handled the events of the unification of Germany and the collapse of the Soviet Union, never faced up to the issue of post-Cold War security relations east of the new German border. President Clinton has taken the initiative in addressing both that issue and those of NATO structure and the alliance role in and beyond Europe.

At the NATO summit last January, Clinton noted that NATO's role is critical in the task of extending security eastward to the new democracies. With U.S. leadership, NATO moved to do so through the Partnership for Peace, which gives members and potential members the chance for practical experience in military cooperation without waiting to resolve the debate over NATO expansion. It tailors the relationship with NATO to the condition of each of the partners, thus avoiding the premature drawing of new lines.

Taking Exception

Russia is a partner, though it will not, in my view, ever become a NATO member. The administration has rightly been ambiguous on that question, but as Clinton stressed in Warsaw, Russia will not have the right to veto, compromise or threaten the integration of any of the new democracies into Western institutions, including NATO.

Speaking to the Polish parliament on July 7, Clinton explicitly rejected a "gray zone" of uncertain security for Central Europe's new democracies and affirmed that NATO's expansion was no longer a question of "whether" but of "when" and "how." The nature and timing of that expansion are appropriately left open because they should depend on the evolution of events.

Kissinger's article does not make his position clear, but those who argue that the "when" and "how" are full and immediate NATO membership should say for which nations those conditions apply, and explain their confidence that the U.S. Congress, the parliaments of the 15 other NATO members and the NATO publics are prepared to extend credible guarantees to the newcomers that an attack on one is an attack on all. They should also explain what effect the drawing of such a line would have on the relationships between Russia and the other nations on the far side of that line.

NATO membership should not be automatic for any country. Democracy, a market economic system and a responsible security policy are appropriate criteria. How and when to expand, how to expand to some "partners" and not others and NATO's relations with non-member partners through and beyond a transition will need to be worked out in the context of events.

That context will include the economic relationship of Central Europe to the European Union. For the next few years at least, the political evolution and the security of Poland, Hungary, the Czech Republic and Slovakia depend most of all on their internal stability and in turn on their economic progress. The most important external influence on that progress is the acceptance, first of their products and then of their membership, by the European Union.

The wisest U.S. policy is one that combines initiative and insurance. A revival of Russian expansionism is surely discouraged by Russian knowledge that it would result in a new Cold War in circumstances far less favorable to Russia than prevailed in the struggle that had such catastrophic consequences for it. But more insurance is needed, and it is provided by the U.S. commitment to European security, evidenced by the continuance of a 100,000-strong U.S military presence in Europe and reaffirmed in two Clinton budgets. The initiative, and considerable flexibility, is provided by the Partnership for Peace; Clinton's $100 million for partnership initiatives is a significant down payment of resources to support the cooperation of NATO and Partner militaries.

Both initiative and insurance are evidenced by U.S. cooperation in strengthening the European pillar of NATO in the form of the Western European Union and of the Eurocorps (the Bush administration's negative treatment of which upset U.S. relations with France and Germany). And two U.S. initiatives during the past 18 months—joining with Russia in converting fissionable material from weapons in Russia and Ukraine to peaceful uses, and encouraging Russian participation at G-7 meetings—are examples of incentives for Russia to choose a cooperative path, including membership in the partnership.

On the central issue of transatlantic and European security, the Clinton administration has done quite well; it need not apologize to its predecessors or to the American people.

The writer, secretary of defense in the Carter administration, is a partner in a venture banking firm.

Friday, August 26, 1994 The Washington Post

THE PRESIDENT HAS SEEN
9-7-94

Tony
I still do a [illegible]
[illegible] + [illegible]