Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	Harold Ickes to POTUS re: Possible Candidate (4 pages)	12/21/1994	Personal Misfile
002. memo	Jeff King to Terry McAuliffe and Laura Hartigan re: Top States (3 pages)	12/19/1994	Personal Misfile

COLLECTION:

Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 4892

FOLDER TITLE:

December 25-31, 1994 [2]

2018-0662-S
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RESTRICTION CODES

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

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

C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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

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

The TV Column

By John Carmody
Washington Post Staff Writer

It promises to be a busy Monday at C-SPAN, even though Jan. 2 is a holiday . . . Starting at 6 a.m. there will be four hours of chuckles with a simulcast of the radio show "Imus in the Morning" live from the program's studio in Astoria, N.Y. . . .

Guests include Sen. Alfonse D'Amato (R-N.Y.) at 7:10, Tim Russert, NBC News Washington bureau chief and "Meet the Press" moderator at 7:30, Senate Republican Leader Bob Dole of Kansas at 8:10 and Rep. Dick Armey (R-Tex.), the next House majority leader, at 8:30 . . .

At 8 that night the public affairs network will air a three-hour special about Rep. Newt Gingrich (R-Ga.), who becomes House speaker on Wednesday. C-SPAN boss Brian Lamb will be in Atlanta tomorrow to interview the congressman . . .

Armey, by the way, will be interviewed on tonight's "Leadership Profile" on C-SPAN, which airs from 6:30 to 8 . . .

Cheers
so many

THE WASHINGTON POST THURSDAY, DECEMBER 29, 1994

THE PRESIDENT HAS SEEN
12/29/94

JACK ANDERSON and MICHAEL BINSTEIN

Cruel Reality Belies Orphanage Fantasy

House speaker-elect Newt Gingrich (R-Ga.) may have been miscast as the host of TNT's screening of the classic movie "Boys Town." If the network executives wanted someone with experience, they should have asked Sen. Ben Nighthorse Campbell (D-Colo.).

"Boys Town" has become Gingrich's favorite fairy tale ever since he suggested reviving orphanages as a means of reforming the welfare system. Campbell spent three years in orphanages as a child, an ordeal that he says has little in common with the celluloid version.

"The Germans have an old saying, 'He who laughs at scars has never felt wounds,' " Campbell told us. "And I can tell you that Newt has never felt the emotional wounds you get in an orphanage."

Campbell was placed in his first orphanage in 1938, the same year "Boys Town" was filmed. Rather than heartwarming, his experience highlights the harsh realities that Hollywood left on the cutting room floor.

The Colorado Democrat recalls a place where children scrounged for food, received harsh punishment from their superiors by day and ran from sexual molesters in the bathroom at night. He said he would like to clear up Gingrich's apparent belief that living in an orphanage is "akin to dormitory life at Emory University, only for the kiddies."

Campbell and Gingrich were each born to difficult circumstances. Campbell had an alcoholic father who spent time in jail, and a mother who suffered from a terrible case of tuberculosis. Gingrich was born to a single-parent home because his teenage mother divorced her heavy-drinking, physically abusive husband.

The bond between the senator and the [illegible] remarried when he was 3 years old, giving Gingrich a stable family structure. Campbell, however, was taken to an orphanage at the age of 5 with his sister. "My mother simply couldn't take care of us because she was in and out of the hospital and dad was off drinking," Campbell said.

Campbell was so frightened when his mother took him to the orphanage that he jumped out of a window and hid in the trunk of a car. His mother found him because she could hear his sobs. "I can remember screaming out that I would be good," Campbell told our associate Ed Henry. "I associated being abandoned with being bad—that I must have been bad or they wouldn't have left me there."

Sometimes one of the older children in the orphanage would receive a box of oranges from a distant relative. "They'd peel 'em and throw the peelings on the ground," said Campbell. "I can remember more than once, kids coming along—including me—and eating the peelings because we were hungry."

More than anything, however, Campbell hungered for a family. Boys and girls were segregated at the orphanage, so Campbell's contact with his sister was limited to an occasional passing glance in the hallway. He can't remember his father ever visiting him, and only recently did he find out why his mother made the 50-mile trip only a few times.

When Campbell ran for the Senate, he agreed to the release of various documents to the press, including orphanage records he had never seen. Campbell was shocked to read the letters his mother wrote to the orphanage.

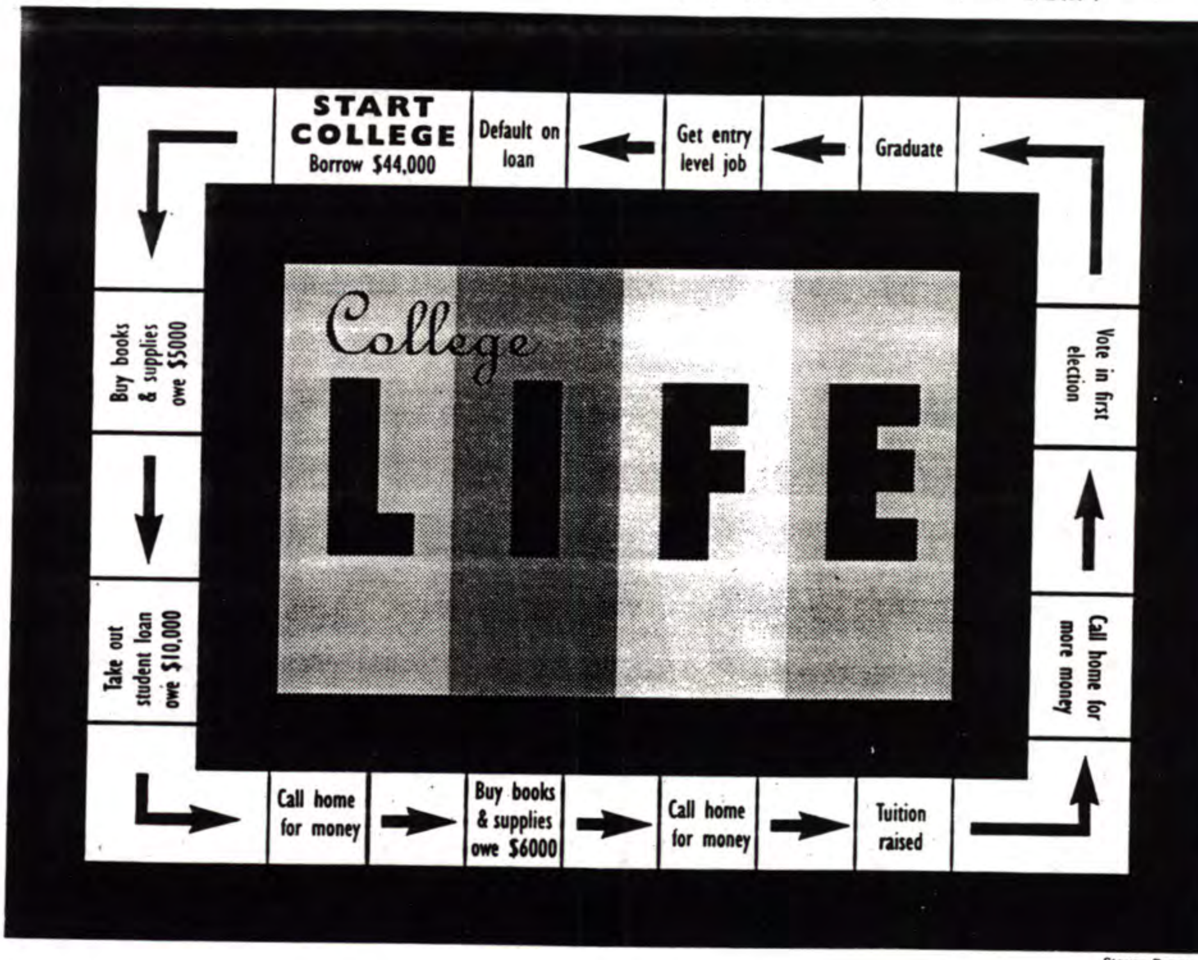
"They were absolutely heart-wrenching," he recalled. "She was so poor that she couldn't afford to come see us because [transportation] cost $5."

While Campbell credits his tough childhood with giving him the will to rise to the Senate, his sister wasn't as lucky. She never got her life on track and died at the age of 44 from a combination of sleeping pills and alcohol.

Even though she didn't leave a note, Campbell believes it was a suicide because she had tried to kill herself once before. "Her reaction to the days in the orphanage [was] to kind of crumble under the [illegible]," Campbell said.

Campbell wants Gingrich to know that the nuns in his orphanage were not like Father Flanagan in "Boys Town."

"They did the best they could," Campbell said. "But when you compare an orphanage to any kind of a home life—whether it's a solid home or even a single-parent home that's got a little bit of trouble—homes are better."



Steven Brower

Young, Eager and Deep in Debt

By David Lipsky

Two weeks ago when Bill Clinton introduced his "Middle-Class Bill of Rights," it was no surprise that college tuition relief was first on the list. The steep cost of an education has become a problem for voters of all ages. The President's proposed $10,000 tax deduction for tuition is more generous than a Republican proposal that would increase the burden by making students newly responsible for interest accumulated while they were in school. But — with a maximum saving of about $1,500 a year — it still isn't going to solve anything.

Mr. Clinton wants the support of young voters. He speaks with pride of the National Service Trust Act, which he signed into law last year. There's just one problem. As pitched during the campaign, the act was to have three provisions: college students would be able to borrow money directly from the Government, bypassing banks; graduates would be able to pay off loans in proportion to their incomes and those still in school could work off their debt through a program of national service.

Last year, when President Clinton signed the program into law, young voters got their first chalky taste of the difference between campaign promises and political realities.

First, because such jobs are expensive to create, the service program will be available to only 100,000 students over five years — 2 percent of those expected to graduate during that time. But more important, while the provision allowing lower monthly payments is sensible, that feature of the legislation is not retroactive: it offers no debt relief to students who have already graduated.

Why should college debt require a political solution? Because it is a political problem, created by the Government.

When President Lyndon B. Johnson signed the Guaranteed Student Loan Act into law in 1965, it was never intended to become the whale-size program it is today. The short-term loans it offered had strict income requirements, and by the mid-1970's only a small number of students had taken advantage of it.

Then, in 1978, President Jimmy Carter signed the Middle Income Student Assistance Act into law. It removed the previous income restrictions so tha a Kennedy kid could qualify for a guaranteed loan almost as easily as a Katzenjammer kid. The new policy made some people nervous. Fortune magazine warned, "Anything that makes it easier to pay tuition bills will also make it easier to raise tuition charges."

Expensive strings on college loans.

Fortune was right. Before 1978, tuition increases tended to run a percentage point or so behind inflation. By the 1980's, the increases were running at twice the inflation rate. Yet average income growth remained stagnant, putting pressure on parents. This means that the burden could be lightened only by the students themselves taking out loans. By 1990, the average college student was graduating $10,000 in the red, and many were facing far higher bills.

During the recession that began in 1990, many graduates were unable to repay the money. In 1992, the student loan default rate was 22 percent — twice what it had been 15 years before. This isn't just a problem for [illegible] Defaults on guaranteed student loans have cost the Government — and the taxpayers — close to $3 billion a year.

Overall, the loan program has been [illegible] leges had a problem at the end of the 1970's. Although the baby-boom generation was very big, the "baby bust" generation — kids born from about 1964 to 1975 — is very small. So colleges, which had expanded, have charged students more money, subsidized by Federal loans. As for banks, student loans are more profitable than home mortgages and car loans. Since the Government is a co-signer, it must make good on bad loans, immediately. A 1992 Congressional study found that many banks were declaring students in default prematurely, so eager were they to get their hands on the Federal loot.

Never before have so many students come into the adult world already in the red. Young people are learning to save backward — not for the future, but for a daunting expenditure made in the past. In last month's elections, only 20 percent of voters under 30 went to the polls. In 1996, President Clinton — or another candidate — could find a potent constituency in the millions of recent graduates (and their parents) who know Government played a role in creating this problem and who are still waiting for help in finding a solution. □

David Lipsky is co-author (with Alexander Abrams) of "Late Bloomers: Coming of Age in Today's America"

THE PRESIDENT HAS SEEN
12/29/94

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12/29/91

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Interesting

B.

4/29/94

Republican Bill Would Trim Aid for Poor Children With Severe Disabilities

By ROBERT PEAR

Special to The New York Times

WASHINGTON, Dec. 28 — House Republicans are drafting legislation that would abolish Federal cash payments for 847,000 poor children who are severely disabled. They would replace the payments with vouchers that could be spent on a more limited program of medical care.

The lawmakers said the proposal was part of the Republicans' overall effort to redesign the nation's welfare system and control costs. It would fundamentally alter the program, Supplemental Security Income for children, which provides cash grants of up to $446 a month for children with chronic illnesses and disabilities like mental retardation, cerebral palsy and spina bifida.

Administration officials said today that they were willing to consider the Republican proposal and would be interested in making changes in the program as long as those changes helped disabled children become productive, working members of society.

Republicans express many concerns about the current program. They note that the number of children receiving disability benefits has soared, to 847,000 this year from 296,000 in 1989, and that the annual cost has tripled, to $4.4 billion. They contend that benefits are paid to children with common behavior problems and that some parents coach children to fake disabilities.

But advocacy groups and parents of disabled children say the program enables them to cope with the extraordinary costs of caring for these children at home. They say, too, that many items and services purchased under the program would not be covered by the proposed vouchers because they are not purely medical.

Under current law, Supplemental Security Income payments may be used for food, shelter and clothing and for a wide range of medical and social services. For example, the money can be used to hire specially trained child-care workers and to purchase diapers so a child who is incontinent can attend school. Parents are supposed to report annually how the money is used.

The vouchers proposed by the Republicans could be used only for medical expenses and equipment.

The parents say the program is economical because it is far more expensive to care for disabled children in institutions rather than at home. They say abuses in the program have been grossly overstated, and they denounce the Republican plan as a regressive measure that would severely reduce the usefulness of Federal aid.

"Vouchers will lead to more children being institutionalized," said Sharon M. Barnhill of Chicago, who receives a monthly check of $446 for her 9-year-old son, Neville, who has Down syndrome and "can't cross the street, has no concept of danger, does not talk, is not toilet-trained and does not know how to dress himself."

Anne M. Lauritzen of Lincoln, Neb., whose 19-year-old son has spina bifida and is mildly retarded, said that if Congress replaced cash grants with vouchers, it would implicitly tell parents that "the Government doesn't trust families to decide how best to use the money for their children."

Philip A. Gambino, a spokesman for the Social Security Administration, said the agency had found "very little evidence of coaching, fraud or abuse" in the program, which it runs. He said the agency had liberalized the rules for eligibility to comply with a 1990 Supreme Court decision.

Mr. Gambino said the Secretary of Health and Human Services, Donna E. Shalala, would appoint a commission soon to study the program, as required by a new law.

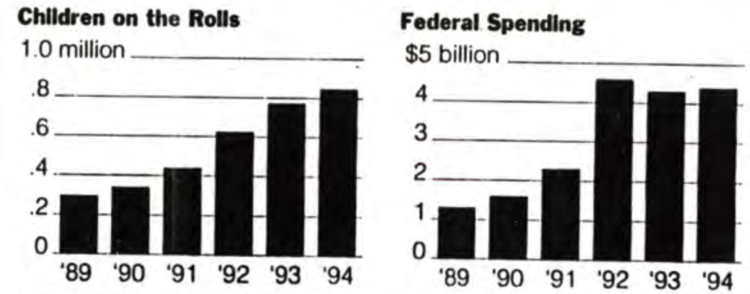
Senators from both parties have expressed concern about the growth of the program. But Democratic Senators like Christopher J. Dodd of Connecticut have championed children's programs and may resist major restrictions.

The Republican bill is being drafted by Representative Jim McCrery of Louisiana, with support from Representatives Newt Gingrich of Georgia, the next Speaker of the House; Bill Archer of Texas; E. Clay Shaw Jr. of Florida, and Bill Thomas of California.

KEEPING TRACK

The Cost of Helping Children

The Supplemental Security Income for children program helps children with severe disabilities and chronic illnesses. Eligibility rules were liberalized after a 1990 Supreme Court decision. Outlays after 1991 include some retroactive payments.



Source: Social Security Administration

The New York Times

Algerian Militants Admit Slaying of 4 Priests

TUNIS, Dec. 28 (Reuters) — A radical Algerian group claimed responsibility today for killing four Roman Catholic priests in Algeria and indicated that the attack was a reprisal for the killings of four of its members in a hijacking.

The priests, three Frenchmen and a Belgian, were killed in Algeria on Tuesday, a day after French commandos ended a hijacking by storming an airliner in Marseilles. Four hijackers were killed and about 171 hostages were rescued.

In a statement faxed to news organizations, the Armed Islamic Group said the priests were killed in Tizi-Ouzou as part of a campaign of "annihilation and physical liquidation of Christian crusaders."

The group, one of Algeria's most hard-line militant Muslim factions, has been struggling for nearly three years to oust Algeria's military-installed Government, which is tacitly backed by France.

In the statement, the Armed Islamic Group said the priests were slain by members of the same unit to which the four hijackers belonged.

It was signed by Abu Abderrahmane Amine, named as the group's "prince" and identified by Algerian newspapers as the group's new leader.

Militant Muslim groups have been waging a violent campaign against the Algerian Government since early 1992, when a new Government seized power and canceled elections that the fundamentalist movement seemed certain to win.

Today France continued its investigation into whether the hijackers may have had accomplices in France. The Paris public prosecutor's office started legal action against "persons unknown" for complicity in the hijacking.

The Algerian Government acknowledged there had been lapses in security at the Algiers airport that may have played a role in the hijacking and said it would correct them.

It also denied it had submitted to pressure from France when it allowed the airliner to leave Algiers for Marseilles, saying it had based its decision to let the plane take off solely on a desire to "save lives."

A statement carried by Algeria's official news agency said three militants posing as members of the Algerian security forces had asked the priests to accompany them from their church in Tizi-Ouzou, about 60 miles east of Algiers.

When the priests refused, the gunmen forced them to the church courtyard and shot them, the statement said.

Israel Returning Antiquities to Egypt

JERUSALEM, Dec. 28 (Reuters) — Israel said today that it was turning over 800 cartons of antiquities to Egypt, the last of the artifacts it had promised to return from its 15-year occupation of the Sinai peninsula.

Amir Drori, head of the Israel Antiquities Authority, said the items would be shipped to Egypt on Thursday. The agreement to return the antiquities was reached in January 1993 after years of negotiations made possible by the 1979 peace treaty between the two countries.

The antiquities authority said Israel was returning the artifacts in accordance with the 1954 Hague Convention on returning archeological finds to their country of origin.

Israeli archeologists uncovered pottery, flint objects, textiles, jewelry and hundreds of coins, between 1967 and 1982. The Sinai, linking Africa and Asia, is at the crossroads of many ancient civilizations.

The Israeli Antiquities Authority has officially requested that Egypt lend the country 24 objects containing Hebrew inscriptions. These include third-century Byzantine ceramic oil lamps with imprints of Jewish menorah.

THE NEW YORK TIMES, THURSDAY, DECEMBER 29, 1994

12/29/94

Rosie

we need a clear

position on this

GS/Genl

Would you mind cut out these for the press - might - This is a pretty good article tho' & has things we do not want to forget

12/29/94

in Florida on
a proposal to cut off all services but emergency medical care to illegal immigrants inspired by a similar measure passed by voters in California last month.

In his suit, Chiles argued that the federal government had reneged on its responsibilities to control immigration, and demanded reimbursement for costs incurred by the state in coping with successive waves of newcomers. Last year alone, he said, the state shelled out $884 million in services for new arrivals.

The Dade County school system and the Public Health Trust, which runs Jackson Memorial Hospital, also joined Chiles' suit.

In his 25-page ruling, Davis said he had no authority to order the federal government to reimburse Florida or to enforce immigration laws differently. He expressed sympathy with the state's financial plight, but said he had no other legal choice.

``The court recognizes that the state of Florida is suffering under
a tremendous financial burden due to the methods in which the federal government has chosen to enforce the immigration laws. The state of Florida is in desperate need of relief from this overwhelming burden it is being unfairly forced to bear," Davis wrote.

``But recognizing these facts does not create a legal theory under which this court may grant relief. Without such a legal theory this court must dismiss this action."

Though few experts gave Chiles much chance of success in court, his suit probably boosted the governor's political fortunes in Florida and helped raise the profile of immigration as an issue of public concern.

It also may produce some financial aid for the state, though far short of what the suit demanded.

Since the suit was filed, Chiles said, the Clinton administration has agreed to forward the state $6 million to help pay for expenses incurred by Cuban and Haitian arrivals.

Chiles also credited the suit with forcing the federal government into activating a $35 million immigration emergency fund after eight years of delays. Florida's application for money from the fund is pending.

In a footnote to his ruling, Davis seemed to agree:

``An old Florida Cracker saying, `the old he-coon walks just before the light of day,' has received a substantial amount of publicity lately in the state of Florida.

``It is possible that the current attorney general, a lifelong Florida resident, understands Cracker and realized that the sun was about to rise and, therefore, issued the final Immigration Emergency Fund Rules," Davis wrote, referring to U.S. Attorney General Janet Reno.

Dade County Public Health Trust officials recognized the suit was a long shot ``short of catching the federal government breaking a law," said Jackson Memorial spokesman Mark Cohen, who added that the hospital has spent about $120 million in the last three years caring for undocumented aliens.

But he still expressed disappointment over Davis' ruling, saying: ``This decision does nothing to immunize Jackson and the taxpayers of Dade County from their ongoing responsibility to provide these kinds of services.

``This judge's action won't stop women from getting pregnant or people from getting into accidents."

X X X

What the record shows on Clinton's promises two years into his term

By Angie Cannon and Robert A. Rankin
Knight-Ridder Newspapers

WASHINGTON Candidates make promises, and officeholders often forget them.

As a candidate, Bill Clinton made a list of promises in his speeches, in the presidential debates and, most of all, in his 232-page book, ``Putting People First."

The Knight-Ridder Washington bureau compiled a list of these pledges, which first ran after Clinton's inauguration and was updated after his first year. Now the president is halfway through his term, and the question returns: Has Clinton delivered?

That depends. The promises the president has kept outnumber those broken outright. The jury is out on others. Many reforms, such as health care, welfare, lobbying and campaign finance, died in Congress.

And in voters' minds, not all promises are equal.

By any objective standard, Clinton's first two years in office have been marked by many promises that were kept. But there also have been some high-profile promises that were compromised and others that were broken such as reneging on a middle-class tax cut and retreating from lifting the ban on gays in the military.

The standards used to rate the president were:

YES: Clear steps have been taken to fulfill the promise.

NO: Clinton has taken no action or his proposals have fallen short.

PENDING: Action on a proposal that would fulfill a Clinton promise is still pending.

ABORTION

End the gag rule that restricts abortion counseling in federally funded clinics. YES: By executive order in January 1993.

Permit federal research using aborted fetal tissue. YES: By executive order in January 1993.

Name abortion-rights supporters to the Supreme Court. YES: Chose Ruth Bader Ginsburg and Stephen Breyer.

Work to enact a Freedom of Choice Act. NO: No legislative action this year.

Support testing of RU-486, the French birth control pill. YES: By executive order in January 1993.

AGRICULTURE

Streamline USDA field offices. YES: Clinton signed legislation on Oct. 13, 1994 that will close about 1,200 field offices by 1999. So far, 150 have been closed.

End taxpayer subsidies for honey producers. YES: Subsidies were eliminated in the budget.

Appoint a secretary of agriculture respected by farmers. NO: Agriculture Secretary Mike Espy was liked by farmers, but resigned after admitting to accepting freebies from corporations. No successor has yet been named.

Expand agriculture research and development. YES: Both of Clinton's budgets have included increases.

AIDS

Appoint a federal AIDS policy coordinator. YES: He did name Kristine Gebbie in June 1993, but she resigned amid criticism. In November 1994, he named Patricia Fleming as director.

Lift the ban on travel and immigration to the United States for HIV-infected people. NO: Clinton signed legislation continuing the ban because it was part of legislation that advanced other priorities.

Increase funding for AIDS research, prevention and treatment. YES: Funding has increased by 30 percent since Clinton took office.

Speed up the approval process for AIDS-related drugs. YES: The Food and Drug Administration accelerated approval in 1992 before Clinton was elected, and now is working on a document to guide drug companies on their accelerated approval applications in an attempt to further streamline the process.

Support local efforts to make condoms available in schools. YES: Patricia Fleming advocates providing condoms to students.

Provide health coverage to all Americans with HIV. NO: Health-care reform legislation died in Congress in September.

Oppose mandatory HIV testing in federal programs such as the Foreign Service. YES: He and Fleming oppose any attempt at such testing.

Fully fund the Ryan White Care Act to provide $275 million to cities for AIDS treatment. YES: The budget includes $633 million, an 83 percent increase.

Provide drug treatment on demand to stop the spread of HIV by intravenous drug users. Improve access to experimental therapies. Provide confidential or anonymous testing for AIDS or HIV, as well as AIDS counseling, for every American who wants it. Prohibit health plans from providing lower coverage for AIDS than other life-threatening illnesses. NO: Health-care reform legislation died in Congress in September.

ARMS CONTROL

Ratify the Strategic Arms Reduction Treaty (START I) and the follow-on agreement of June 1992, START II. YES: START I has been ratified and entered into force on Dec. 5. And Clinton and Russian President Boris Yeltsin agreed at their Washington conference in September to push START II ratification in both their legislatures in hope of bringing it into force by their spring 1995 meeting.

Try to achieve a comprehensive test ban treaty. PENDING: Negotiations are under way at Geneva. Meanwhile the United States, Britain, France and Russia all observe unilateral moratoria on nuclear tests.

Conclude a chemical-weapons convention banning such weapons production, stockpiling or use. PENDING: Completed in September 1992 under President Bush, the convention was submitted to the Senate by Clinton in November 1993, where it awaits ratification.

Support research on a limited missile-defense system to protect the United States. YES: Money for such research is included in Clinton's defense budget, but Republicans want more money for a larger program.

Demand that other countries tighten their export laws regarding nuclear weapons. YES: The administration has strongly lobbied other nuclear powers to tighten controls.

ARTS

Oppose content restrictions on federally subsidized art projects. YES: The administration has opposed content restrictions.

Continue federal funding for the arts. YES: Clinton proposed a flat budget of $170 million, and Congress cut that by $3 million.

BUDGET DEFICIT

Reduce the budget deficit by more than half in four years. NO: The budget deficit was $276.3 billion, or 4.9 percent of gross domestic product, in fiscal 1992, when Clinton made his promise. This year the deficit is projected to fall to $162 billion a cut of 42 percent, leaving it at 3 percent of GDP. Over five years Clinton's budget policies are projected to leave the deficit at $197 billion in fiscal 1997 a cut of 29 percent from 1992 and to equal 2.5 percent of GDP just over half as much as 1992.

Enact a line-item veto. NO: But Clinton and Republican leaders of Congress all plan to push for this in 1995.

BUREAUCRACY

Cut 100,000 federal workers. YES: The federal government so far has been reduced by 98,000 positions, and the Clinton-Gore reinventing government proposal will cut nearly 175,000 more.

Cut White House staff by 25 percent and challenge Congress to do the same. YES: Clinton took action at the White House in the first days of his presidency, although critics say he cheated by narrowly defining the White House staff. However, he failed to get Congress to go along.

Create an Economic Security Council to coordinate international economic policy. YES: The council coordinates both domestic and international economic policy.

Require federal managers to achieve a 3 percent administrative savings. YES: The budget includes such cuts.

CHILDREN

Establish a children's tax credit. NO: But the earned-income tax credit in Clinton's budget will help millions of low-income families.

Fully fund Head Start and other preschool programs. NO: Over two years, Clinton has proposed a 20 percent increase in Head Start funding, but it is not fully funded.

Provide more health care for low-income women and children. YES: The administration has expanded Medicaid coverage to more women and children, increased funding for breast cancer research and reduced vaccination costs.

Fully fund the Women, Infants and Children nutrition program. YES: Clinton's two budgets have included big increases, enabling the program to currently serve 7.2 million people. Full funding serving 7.5 million people is expected in 1996.

Establish more rigorous standards for licensing child-care facilities. YES: The administration has proposed a regulation that will make it easier for states to set up standards on quality, health and safety.

Crack down on deadbeat parents by using the Internal Revenue Service to collect child support and start a national deadbeat data bank. NO: Such provisions were included in Clinton's welfare reform plan, which didn't go anywhere in the last Congress. Administration officials say the plan will be reintroduced next year.

Create a child-care network as complete as the public school network. NO: But the administration has taken steps toward networking by setting up child-care institutes and establishing a national child-care information center.

CITIES

Set up a network of community development banks to provide small loans to low-income entrepreneurs and homeowners in inner cities. NO: Congress passed a much more limited Clinton plan to provide development aid to existing institutions.

Create enterprise zones in inner cities that would give tax and regulatory breaks to firms locating there and hiring local workers. YES: The budget includes money for nine empowerment zones and 95 enterprise communities.

Prevent redlining and require financial institutions to invest in their communities. YES: Clinton and his appointees have produced new regulations and endorsed legislation to punish redlining and encourage community investment.

Allow cities to redirect 15 percent of their federal aid to meet their own community needs. YES: The Clinton administration has taken several steps toward this: granting 30 states waivers to shift money in welfare programs, signing an agreement with Oregon to give more flexibility in exchange for performance.

CIVIL RIGHTS, DIVERSITY

End the ban on gays and lesbians in the military. NO: Gays may legally serve under Clinton's compromise, but they may not declare their sexual orientation.

Support federal civil rights legislation for gays and lesbians, but exempt religious organizations. YES: The administration supported a bill prohibiting job discrimination that was introduced in July.

Lift damage caps for women, people with disabilities and religious minorities in workplace discrimination cases. NO: The Clinton administration did support legislation that would have done that, but it failed in Congress.

Increase the number of women and minorities in top levels of government. YES: Clinton has appointed record numbers of women and minorities.

CRIME AND DRUGS

Put 100,000 more police officers on the streets through the national service plan. YES: In September, Clinton signed the crime bill, giving cities and states matching grants to hire police officers. Critics say it will provide far fewer than 100,000 officers. The crime bill also creates a police corps program offering scholarships for students who become cops.

Establish community boot camps to discipline first-time non-violent offenders. YES: The crime bill authorizes spending for boot camps.

Enact the Brady bill requiring a five-day waiting period to buy handguns. YES: Clinton signed it into law in November 1993.

Make schools eligible for federal assistance for metal detectors and security personnel. YES: Signed by Clinton in March, the GOALS 2000 school legislation provided $900,000 for metal detectors and security personnel.

Make high-crime communities eligible for federal aid for proven anti-crime measures. YES: The crime bill authorizes spending on such programs.

Ban assault rifles and limit access to multiple-round clips. YES: The crime bill bans the manufacture, sale and possession of 19 types of semiautomatic weapons.

Stiffen criminal penalties for white-collar crimes, including environmental crimes. YES: The crime bill establishes federal penalties for insurance fraud and computer crimes. The EPA says it has cracked down on criminal enforcement: fines are up; more cases were prosecuted.

Require criminals to serve jail sentences in ``real prisons," not high-tech summer camps. YES: The crime bill authorizes building prisons, with half the grants awarded to states with the toughest sentencing laws.

DEFENSE

Cut Pentagon spending by $100 billion by the end of 1997. NO: Clinton's long-term defense plan unveiled in March 1993 aimed to cut $123 billion by 1997, but last month he announced he wanted to restore $25 billion to Pentagon spending. The GOP Congress intends to add more.

Cut U.S. troop levels in Europe to 75,000 to 100,000 troops. YES: He is on track to pare U.S. forces in Europe to 100,000 by 1997.

Cut the number of Navy aircraft carriers to 10. NO: The current defense budget includes 12 carriers, down from 14, and will not pare the number to 10 until early in the next century.

Prohibit deployment of any massive space-based defense program, such as ``Brilliant Pebbles." YES: The administration opposes such programs.

DEFENSE CONVERSION

Offer early retirement and a prorated pension system for military personnel with 15-20 years experience. YES: The administration has begun an extensive program.

Expand the GI Bill to allow military personnel to take one-year educational leave of absence with pay before retirement. NO: Clinton proposed this, but Congress did not approve it.

Create a national inventory to match military personnel skills with civilian jobs. YES: The administration has created many such job banks, although the General Accounting Office has criticized the administration for being slow and inefficient in setting them up.

Increase investment in civilian high-tech research and development with every dollar cut from defense research and development. YES: Spending on non-military research has grown proportionate to the decline in defense spending, although much of it went to projects considered potentially ``dual use."

Make special conversion loans and grants available to small defense contractors. NO: The Defense Department actually opposed such legislation initially this year, then let it pass but did not help promote it. Activists promoting the program say the administration deserves no credit for the small conversion-loan program enacted into law.

Create a civilian advanced technology agency. YES. Clinton redirected the Defense Research Projects Agency (DARPA) to promote civilian as well as military projects, renaming it the Advanced Research Projects Agency (ARPA). More important, Clinton dramatically expanded the mission of the National Institute of Standards and Technology a Commerce Department agency to serve manufacturers as a research extension service.

Provide grants for defense professionals to master civilian technologies. YES: Some $30 million is in this year's defense budget for that purpose, targeted for retraining engineers and technicians.

DISABILITIES

Expand long-term care choices for people with disabilities. NO: Clinton's health-care reform proposal, which didn't pass Congress, included money for home-based care as an alternative.

Increase special education, professional training and job training for people with disabilities. YES: The past two budgets have contained big increases for these programs.

EDUCATION

Give every American the opportunity to borrow money for college. YES: The new direct student loan program will be operating at 1,495 colleges in the 1995-96 school year, serving 2 million students.

Replace the student loan program with a National Service Trust Fund. Students could repay loans through community service or a portion of their income. YES: The National Service program started in September, but it serves only 20,000 out of 8.3 million college students in its first year.

Give parents the right to choose the public schools their children attend. YES: The administration has supported public school choice for states and local school districts and has provided money for charter schools, which frees schools from regulations and gives control to parents, teachers and administrators, which could ultimately make more choices available.

Establish national standards and a national examination system in core subjects. YES: In March, Clinton signed Goals 2000, which sets up a council to develop voluntary national standards and tests.

Increase the high school graduation rate from 71 to 90 percent by the year 2000. PENDING: This is a target in GOALS 2000, which Clinton signed in March.

Increase Chapter One funding for schools with low-income students. YES: In fall 1994, Congress approved a new funding formula that results in more funds going to school districts with large concentrations of poor children, although the formula was less than what the Clinton administration originally proposed.

ELECTION REFORMS

Sign a bill requiring states to register people to vote when they apply for a driver's license. YES: Clinton signed motor-voter law in May 1993.

Place voluntary spending caps on House and Senate campaigns and provide public financing to candidates who abide by the caps. NO: Campaign-finance reform legislation died in Congress in October 1994, and government watchdog groups say Clinton didn't fight for it.

Cut the maximum political action committee contributions to a candidate from $5,000 to $1,000. NO: Clinton actually proposed increasing limits for congressional candidates, and campaign-finance legislation died in October 1994.

Lower the cost of broadcast time for candidates. NO: Campaign-finance reform legislation died in Congress in October 1994.

End unlimited ``soft money" contributions to presidential campaigns funneled through national, state and local parties. NO: Campaign-finance reform legislation died in Congress in October 1994.

ENERGY

Work to increase corporate average fuel economy standards from current 27.5 miles per gallon to 40 mpg by year 2000 and 45 mpg by 2015. NO: Clinton took no such action. Instead, he and the Big Three automakers are undertaking a joint project to produce a new-generation auto that would be three times as fuel-efficient as today's vehicles. The administration also is promoting use of alternative fuels, especially natural gas and electricity.

Oppose increases in the federal gasoline tax. NO: Clinton's 1993 economic program imposed a 4.3 cent-per-gallon tax increase on transportation fuels.

Create a comprehensive federal agency energy-conservation program. YES: Clinton signed an executive order in 1993 setting aggressive energy-conservation goals for each federal agency.

Create a civilian advanced-research agency to support development of renewable fuels. YES: While no new agency was created, Clinton greatly increased efforts by the Department of Energy to promote renewable fuels.

Charge higher fees for nuclear waste disposal. NO: Energy Secretary Hazel O'Leary, a former utility executive, opposes such higher fees.

Encourage car-pooling and mass transit with federal aid. YES: Highway fund legislation included money for both.

Expand markets for natural gas in homes, business, industry, electrical generation and transportation. YES: Promoting natural gas is a major priority for this administration both at the Energy Department and the Environmental Protection Agency.

Convert the federal vehicle fleet to natural gas. YES: In April 1993, Clinton issued an executive order increasing such vehicles by 50 percent.

ENVIRONMENT

Resolve the spotted owl controversy in the Pacific Northwest, and preserve ancient forests there. YES: In July 1993 Clinton brokered a plan to resolve the dispute. Both sides sued, and the issue is now in federal court.

Prohibit drilling in the Arctic National Wildlife Refuge. YES: No drilling has been allowed but Alaska Republicans are well-positioned in the new Congress to push the issue, and intend to do so.

Reduce solid and toxic waste, and air and water pollution. YES: The EPA has pushed hard for such results on many fronts, and Clinton has issued executive orders cutting waste by the federal government. However, his big legislative proposals that would do the most such as renewal of Superfund and the Clean Water Act, for example did not clear Congress.

Reduce American and worldwide use of substances that destroy the ozone layer. YES: Clinton ordered a government phase-out of ozone-depleting chemicals and put forth a plan promoting voluntary curbs on global warming. However, environmental activists fault Clinton for asking the Du Pont Co. to extend production of freon the main ozone-depleting chemical through 1995, one year longer than Du Pont had planned. Clinton's request was a favor to U.S.

Pass a new Clean Water Act with standards for runoff pollution. NO: Clinton proposed such terms, but Congress did not renew the act.

Permit no net loss of wetlands acreage. YES: In August 1993, the administration announced restrictions on wetlands development.

Acquire new federal parklands and recreation sites. YES: Clinton increased federal spending on parklands and won congressional approval of the California Desert Protection Act, greatly expanding protected land in the West.

Allow citizens to sue federal agencies that ignore environmental laws. NO: The administration included such terms in four major environmental acts up for renewal, but Congress approved none of them.

Mandate public reporting of toxic chemicals used and produced. YES: Clinton signed an executive order requiring federal facilities to report toxic emissions, and the EPA greatly expanded the list of toxic chemicals that companies must report.

Restore U.S. funding for United Nations population control efforts. YES: About $40 million, the first such funding since 1985, was included in the budget.

ETHICS

Make all top appointees pledge not to lobby their government agencies for five years after leaving office. YES: Signed an executive order.

Prohibit senior officials in the administration from serving as lobbyists for foreign governments. YES: Signed an executive order.

Prohibit government trade negotiators from subsequently acting as lobbyists for foreign interests. YES: Signed an executive order.

Require all special-interest groups to register with the Office of Government Ethics within 30 days of contacting a federal official. NO:
A Clinton-backed lobbying disclosure bill died in Congress in October. Government watchdog groups say Clinton did not fight for it.

Require lobbyists who appear before congressional committees to disclose their campaign contributions. NO: A Clinton-backed lobbying disclosure bill died in Congress, but this provision wasn't in it. Lobbyists do reveal contributions to the Federal Election Commission.

FOREIGN AID

Provide more aid to Israel to help resettled Jews from the former Soviet Union. YES: Clinton is continuing on the five-year, $10 billion loan program.

Expand food aid overseas to assist emerging democracies and developing nations. YES: Clinton expanded food aid in 1993 and the levels remained about the same in 1994, according to officials at the Agency for International Development. They point specifically to Angola, Eritrea, Ethiopia and Mozambique.

FOREIGN POLICY

Tighten the economic embargo of Haiti. YES: In October 1993, Clinton sent ships to enforce a tighter U.N. embargo and froze financial assets of military leaders, but the embargo was lifted in October after Haiti's military leaders left.

End the Bush administration's interdiction of Haitian boat people. NO: Clinton continued the policy.

Take stronger action to end ethnic strife in Bosnia. NO: While Clinton publicly advocated allied military force, European allies would not agree. In November 1994, the administration decided to drop talk of airstrikes and push for diplomacy to end the war.

Oppose the creation of an independent Palestinian state. MOOT: Because of Israeli PLO peace accord

Link continuation of trade breaks for China with improvements in political and human rights. NO: The administration has delinked human rights and trade.

Establish a voluntary U.N. rapid-deployment force to deter aggression and provide humanitarian relief. NO: The U.N. has yet to agree on how such a force should be constituted.

Support Israeli military advantage over Arab neighbors.

YES: As recently as October, Secretary of State Warren Christopher committed the United States to maintaining Israel's military advantage.

Insist on full accounting of all POWs and MIAs before normalizing relations with Vietnam. YES: In February, Clinton lifted the trade embargo but did not restore diplomatic relations, saying there needed to be more answers.

HEALTH CARE

Require employers to provide health insurance for employees. Cap national spending to control health-care costs. Guarantee to all a basic health benefits package that includes ambulatory physician care, inpatient hospital care, prescription drugs and basic mental health services. Expand government spending on long-term care for the elderly and disabled. Prohibit insurance companies from denying coverage to individuals with pre-existing conditions. Require insurance companies to spread risks among small businesses in a community. Establish one claim form to be used by all insurance companies. NO: Health-care reform legislation died in Congress in September.

Require businesses with more than 50 workers to provide up to 12 weeks of unpaid "family leave." YES: Signed into law in February.

Eliminate tax breaks for drug companies that raise their prices faster than Americans' incomes. NO: Tax breaks were not eliminated.

HOUSING

Permanently extend the tax credit for developers who build low-income housing. YES: Signed into law as part of the tax package in August 1993.

Transfer 10 percent of government-controlled housing to community groups to house the homeless. YES: Clinton is continuing the practice.

Use housing at closed military bases to house the homeless. YES: Closed bases are being used for homeless people.

Hold a housing and homeless summit with urban leaders. NO: Clinton has not held a summit himself. A top HUD official has met with local leaders around the country.

IMMIGRATION

Allow Haitian refugees to make a case for political asylum in the United States. YES: The INS is allowing them to make the case here.

Permit 50,000 refugees from the former Soviet Union to be resettled in the United States each year. YES: The Clinton administration is continuing that practice.

Reduce backlogs for visa approvals for family members. NO: Clinton has proposed no legislation to change this.

Strengthen border patrols. YES: The crime bill authorizes spending $1.2 billion from 1995 to 1998 to strengthen border patrols, including adding 4,000 agents.

LABOR

Increase the minimum wage to keep pace with inflation. NO: It was never proposed and is unrealistic now, given the new Republican Congress.

Enact legislation forbidding companies from permanently replacing striking workers. NO: Such legislation was blocked in Congress.

Provide extended unemployment benefits to workers during recession. YES: Clinton signed such legislation in fall 1993.

MEDICARE, SOCIAL SECURITY

Require recipients with incomes above $125,000 to pay more for Medicare Part B premiums. NO: Was included in health-care reform plan, which died in Congress in September.

Lift the Social Security earnings test limitation. NO: Clinton hasn't acted on this.

SPACE

De-emphasize defense-oriented space initiatives. YES: Clinton budgets have cut spending on ballistic missile systems, although spending on other space-related programs in the defense budget has remained constant.

Support completion of the space station Freedom. YES: Clinton, Vice President Al Gore and others lobbied to support the station.

TAX CUTS

Give middle-class taxpayers a choice between a children's tax credit or significant reduction of their income tax rate. NO: Clinton delivered neither, but says he hopes to offer some such tax break in 1995, as do House Republicans.

Expand the earned income tax credit so no full-time worker with a family is below the poverty level. YES: Clinton won a major expansion of this credit, lifting the income of more than 15 million families.

Provide a targeted investment tax credit for business to encourage investment in new plant and equipment. NO: Clinton proposed one in 1993 as part of his defeated "stimulus" plan.

Provide a 50 percent capital-gains exclusion for long-term investments in new small businesses. YES: This was included in Clinton's 1993 economic program, which passed.

Create greater tax incentives for renewable energy use. NO: No action on this.

TAX INCREASES

Create a 36 percent tax bracket for families with adjusted gross incomes above $200,000. YES: Included in the budget.

Increase the alternative minimum tax for individuals. YES: Included in the budget.

Impose a 10 percent surtax on taxable income in excess of $1 million. YES: The budget applies surtax on taxable income above $250,000.

Cap corporate deduction for salaries of chief executive officers at $1 million. YES: Included in the budget.

End incentives for opening plants overseas. YES: The budget tightens tax loopholes for overseas investments/earnings.

Increase fines and taxes for corporate polluters by $10.1 billion over four years. NO: Clinton has taken no action yet.

Raise $400 million over four years by ending the tax deduction for lobbying expenses. YES: The budget eliminates the deduction, although the savings have yet to be seen.

Restrict tax deductions for bonuses to top executives unless bonuses also given to other employees. NO: Clinton has taken no action yet.

Restrict deductions for "golden parachute" payments to top executives. NO: Clinton has taken no action yet.

TRADE

Support North American Free Trade Agreement, but work to improve its terms for protecting workers and the environment. YES: After a slow start, Clinton pushed NAFTA through Congress in November 1993 with deals on workers and the environment.

Move to open markets closed to U.S. goods. YES: Clinton has been pushing other world leaders to open markets, most notably in Japan and China.

TRAINING

Require businesses to spend 1.5 percent of their payroll for continuing education and training. NO: Clinton abandoned this.

Develop a national apprentice-type program for teen-agers who do not want to go to college to give them skills for high-wage jobs. YES: Clinton's School-to-Work Opportunities program passed in May 1994 and includes such terms.

Create a Youth Opportunity Corps to match teen-agers who drop out of school with adults to mentor them in developing self-discipline and skills. NO: Although the

School-to-Work program includes mentoring efforts; no such program aims at teen-age dropouts.

Require any corporation receiving a multimillion-dollar federal contract to create a mentorship program or employment program for disadvantaged youth. NO: Clinton has taken no action.

Establish national parenting programs to help disadvantaged parents work with their children. YES: In August 1993 Clinton signed into law the Family Preservation Services program, providing such family counseling and other services.

TRANSPORTATION

Create a ``Rebuild America" fund to spend $20 billion a year on transportation, a national information network, environmental technology and defense conversion. YES: Budget includes increased spending on highways, the national information highway and defense conversion.

Spend more money on ``intelligent vehicle" and roadway technology to reduce traffic. YES: The budget includes increased funding.

Allow a greater share of transportation funds to go to mass-transit and light rail systems. YES: The budget includes a 21 percent increase in spending for mass transit and light rail systems.

Emphasize repairs of highways over the building of new ones. YES: Clinton has continued to endorse emphasis on repairs.

VETERANS

Oppose serving non-veterans in VA hospitals. YES: Veterans Affairs Secretary Jesse Brown has reiterated this position.

Fund mental health programs for post-traumatic stress syndrome and similar illnesses. YES: Funding has been increased by $12 million over the last two years.

WELFARE

Offer increased education and training for welfare recipients; then require them to take public or private jobs after two years on the rolls. NO: Clinton's welfare-reform plan didn't go anywhere in the last Congress, but the administration plans to resubmit it next year.

Enable low-income Americans to set up Individual Development Accounts to save money for education, home ownership and retirement. NO: Clinton's welfare-reform plan didn't go anywhere in the last Congress, but the administration plans to resubmit it next year.

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(A full-page KRT graphic version of this story, filename 12-20 PROMISES Clinton, is also available from KRT Graphics; call (202) 383-6064.)

Bosnian sides agree to 4-month cease-fire
By Barbara Demick
Knight-Ridder Newspapers

SARAJEVO, Bosnia-Herzegovina Defying the predictions of his naysayers, former U.S. President Jimmy Carter left Bosnia on Tuesday with a signed agreement for the warring parties to resume negotiations and implement a four-month cease-fire, effective at noon on Friday.

Nobody is hazarding a bet on whether this latest cease-fire will last any longer than its innumerable failed predecessors.

Still, Carter's free-lance mission marks the first break in months in the stalled diplomatic efforts to end the most savage fighting on European soil since World War II.

The 70-year-old former president secured the pact after a remarkable 48 hours of shuttling by armored car between the Bosnian capital here and the nearby ski resort of Pale, where the rebel Bosnian Serbs have installed their own regime.

The Bosnian leadership was initially furious that Carter was treating the rebel Serbs as equal parties in the talks. On Monday night, after Carter returned from a day of being toasted in Pale, Bosnian President Alija Izetbegovic refused to take his telephone call, according to diplomatic sources.

But Tuesday night, after Carter left Sarajevo, the skeptical Bosnian president told reporters he could not ignore the slim chance that the deal might work.

``Keeping in mind the suffering to which our people are exposed, we don't have the right to eliminate any chance which is promising peace and might ease the suffering of our people," Izetbegovic said at a news conference in the badly battered presidency building in downtown Sarajevo.

Visibly exhausted by his two-day sampling of Balkans brinkmanship, Carter announced the cease-fire Tuesday night as he prepared to embark on a U.N. military jet leaving Sarajevo.

``There will be a complete cease-fire in all of Bosnia-Herzegovina," Carter said, ``including Bihac," the enclave in northwestern Bosnia that has seen the heaviest fighting in recent weeks.

``This cease-fire is to be completely monitored by (U.N. peacekeeping) troops who will interpose themselves between military units," he said.

Also Tuesday, top military commanders from most of the 20 nations with U.N. troops in Bosnia wrapped up a two-day meeting in The Hague, Netherlands, where they discussed ways of making the U.N. peacekeepers more effective in Bosnia. U.N. troops have been taken hostage and otherwise humiliated by the Bosnian Serbs in recent weeks.

The commanders reached no firm decisions but agreed to pass on to their governments various recommendations, including suggestions that the peacekeepers be better armed, perhaps with attack helicopters.

They shelved American and French proposals to set up a fortified ``corridor" from Sarajevo to the sea and to allow U.N. convoys to fight their way through the Serb roadblocks.

The apparent success of the Carter mission in Sarajevo flies in the face of widespread predictions that it would be an embarrassing flop.

Although the former president had broken diplomatic stalemates earlier this year in Haiti and North Korea, he had no experience in this daunting corner of Europe, where so many previous peacemaking forays have failed miserably.

In Washington, seasoned diplomats had sneered that Carter barely knew where Bosnia was.

Documents released Tuesday night by the Bosnian government state that the intent of the pact is to immediately resume negotiations, with the intent of reaching a comprehensive peace agreement by Jan. 15.

The pact also calls for the ``unrestricted movement of relief convoys, use of the airport at Sarajevo" and ``an early exchange of all detainees."

Addressing the issue of ethnic cleansing, which has forced nearly 1 million Bosnians from their homes, the pact states that ``all people, regardless of age, sex, or ethnic origin, shall have the right to live in a location of their choice."

The U.N. airlift into Sarajevo resumed Tuesday for the first time since Nov. 21. The flights had been stopped after the Bosnian Serbs installed anti-aircraft missiles in the perimeter of the airport.

Nevertheless, the Bosnian Serbs did not appear to be jumping the gun to ease up on the fighting before the Friday noon cease-fire deadline.

U.N. sources said Tuesday that more than 400 heavy artillery shells had exploded in the Bihac pocket since

12/29/94

THE NEW YORK TIMES, THURSDAY, DECEMBER 29, 1994

Mexico: Don't Panic Over the Peso

Mexico's peso crisis has obviously shaken Mexican officials and foreign investors alike and could damage Mexico's short-term economic prospects. But it does not reflect fundamental flaws in Mexico's newly liberalized economy. Moreover, President Ernesto Zedillo's economic ministers have responded to the challenge competently, avoiding premature efforts to peg a new exchange rate. The markets will eventually stabilize. Yesterday the peso rebounded some 15 percent.

Devaluations inspire temporary crises of confidence, and this one is no exception. It is likely to lead to slower growth, faster inflation and fewer imports from the U.S. A larger gap between U.S. and Mexican wages could tempt more Mexicans to cross the border seeking work.

Opponents of the North American Free Trade Agreement will be tempted to say they told you so. But without Nafta, these negative consequences might have been even more pronounced. Nafta also helped bring emergency financial support from the U.S., in the form of $6 billion in credits aimed at shoring up investor confidence. A far larger package is now reportedly being prepared.

It is up to Mr. Zedillo, however, to reassure poor Mexicans that after years of waiting for the rewards of economic liberalization to trickle down, they will not be put off again with promises. His task will be all the harder because restoring confidence abroad will require a degree of budgetary austerity at home that could force Mr. Zedillo to defer some of his planned new social spending for awhile.

But he need not retreat from his promises to open up Mexico's political system by disentangling the ruling party from the government and assuring more honest state and local elections. There are risks in liberalizing a semi-authoritarian political system at a time of disappointment. The risks of not opening up would be far graver.

Traditionally, outgoing Mexican administrations take responsibility for any devaluations during a transition period. But Mr. Zedillo's predecessor, Carlos Salinas, gambled that foreign investment would soon recover from the slowdown it experienced amid last year's political troubles and that no devaluation would be necessary. It was reasonable to bet that Mexico needed to woo investors with a period of exchange-rate stability and could afford the cost of growing trade deficits.

But those investors held back, and Mr. Zedillo had little choice but to let the peso fall. His Finance Minister has been criticized for denying the possibility of devaluation until the last moment, but that is standard practice everywhere. Now there are demands that the Government intervene to defend a new exchange rate, but that would be premature before the market begins to settle down on its own.

Mr. Zedillo, who won the ruling party's presidential nomination only after the original nominee was assassinated, and won the presidency after the fairest vote count in modern Mexican history, is being faulted in some quarters for not being a take-charge leader like his predecessor. Yet he could turn out to be the right man for these times.

He understands the economic imperatives of the moment and is right to resist calls to defend an indefensible fixed peso rate. He also seems to understand the political imperatives just as clearly and has committed his administration to long-overdue political reforms. He should remain confident, disregard panicky advice and maintain his sensible course.

Time to Look at Baseball's Exemption

The owners of baseball's 28 major-league teams have declared an impasse in wage negotiations and imposed what their players dreaded most — a cap on team payrolls. The players vow to continue their strike and seek legal remedies. The result is that baseball's wealthy owners and players have left the game in even sorrier shape than last year, when their failure to reach a new labor agreement destroyed the end of the regular season, the playoffs and the World Series.

This year there could be no games at all — or at best games played by impostors. The two sides have a responsibility to resume talks. The owners may not want to, but two influential U.S. Senators — Daniel Patrick Moynihan, Democrat of New York, and Orrin Hatch, Republican of Utah — think they have hit upon the right stimulus. They will offer legislation ending the owners' cherished, 72-year-old exemption from antitrust laws. That exemption gives the owners uniquely broad powers over wages and work rules that, the Senators believe, dampen their incentive to compromise.

The idea deserves a hearing. Absent a rapid negotiated settlement, baseball's immediate future is dismal. The players have lodged an unfair-labor-practice charge with the National Labor Relations Board that, they hope, will eventually lead to a court injunction against the salary-cap plan. But such an injunction could trigger a lockout by the owners, who say they cannot afford to continue under the old economic rules.

With spring training less than two months away, the owners are already scrambling for replacement players ("Can you hit the curve ball? Yes? You're hired.") But will the replacements be major-league strikebreakers? Minor leaguers hungry for a shot at the big time? Retreads? In any case, they will not be the polished professionals whom people pay increasingly good money to see.

Peter Angelos of the Baltimore Orioles, a maverick owner who opposed the cap, predicts artistic disaster followed by financial disaster. "I looked in the phone book for replacement players and I couldn't find any," he said, suggesting that baseball's greatest need may soon be replacement fans.

It is this relentless destruction of the game that has now focused the attention of Mr. Moynihan and Mr. Hatch on the antitrust exemption. In labor-management struggles, the exemption has the effect of allowing the owners to act as a cartel, imposing industrywide salary limits while enjoying substantial immunity from any lawsuits the players might file. To Donald Fehr, the players' negotiator, that means the owners have little incentive to bargain seriously because, at the end of the day, they can do pretty much what they want.

Some critics want to revoke the exemption entirely, reasoning that no other professional sport is given such license. Others say the survival of the minor leagues depends, in part, on the power to control payrolls and transfer players permitted by the exemption; they would narrow the exemption but not eliminate it.

Either way, changing the exemption will not solve baseball's troubles. It would limit the owners' ability to impose a cap unilaterally. But it will not solve the problem that has bedeviled baseball ever since the players negotiated the right to move more freely from team to team. That problem is to find ways to alleviate the effects of a bidding system that has inflated payroll costs and put a few franchises in peril — without at the same time destroying the players' right to sell their services on a relatively free market. That question can only be answered by the people whose egos and livelihoods are bound up in the game — the players and owners.

THE PRESIDENT HAS SEEN
12/29/94

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pls consider
whether it's time
to come out on this

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Stephen Crowley/The New York Times

Agriculture Nominee Meets the Press

President Clinton preparing to announce the appointment of Dan Glickman as Secretary of Agriculture at a news conference yesterday in Washington. Mr. Glickman, a Kansan who lost his House seat in November, will replace Mike Espy, whose resignation takes effect on Saturday. With the President and Mr. Glickman outside the Oval Office were Mr. Espy, right, and Vice President Al Gore.

Family of Dr. King, Feuding With U.S., May Curb Tours at Shrine

By RICK BRAGG
Special to The New York Times

ATLANTA, Dec. 28 — The tomb and birthplace of the Rev. Dr. Martin Luther King Jr., the most popular tourist attraction in Atlanta, may be visible only from a distance if a long-running feud between the National Park Service and the King family is not resolved.

For 14 years, in partnership with the King family, the Park Service gave guided tours of the property, part of the Martin Luther King Center for Non-Violent Social Change. But this week, the family has ordered the rangers to clear out, and has no plan of its own, so far, to offer guided tours.

"You are to remove all Park Services personnel and property by the close of business Dec. 28, 1994," wrote Sonny Walker, executive director of the King Center, in a letter to the Park Service dated last Friday.

Under the new arrangement, people who want to see one of the shrines to the civil rights movement can still walk with park rangers past the King birthplace and tomb on historic Auburn Avenue, but they will not be allowed into the house or tomb area.

The King family did not respond to requests for an interview, but a spokeswoman for the King Center said she hoped negotiations could settle the dispute. She was not specific on what terms the family might accept.

The order that the Park Service vacate is the latest development in a dispute over the Park Service's plan to build an $11.8 million visitors' center across the street from the King Center. The visitors' center, on land owned by the Park Service, is expected to be in place by the start of the 1996 Summer Olympics.

The King family has opposed the visitor's center because it wants to build a multimedia museum on the same site.

But the spokeswoman for the King Center, who commented only on condition that her name not be used, said the King family was most upset that the Park Service had not included it in plans for the visitors' center. The family feels it is being squeezed out of planning for the center, which will become the five-block-long Martin Luther King National Historic Site, she said.

The family, she said, was not even invited to recent meetings to plan the visitors' center. Representative John Lewis, Democrat of Atlanta, said he plans to hold a Jan. 7 meeting in Atlanta to try to resolve the dispute.

In the meantime, unless an agreement can be worked out overnight, visitors to the King birthplace and tomb will not be able to put their hands on history. Instead, they will get only a speech and a glimpse from tour guides.

More than three million people a year visit the King Center, which includes Ebenezer Baptist Church, where Dr. King and his father were pastors.

U.N. Commander in Bosnia Meets Rebels

Special to The New York Times

ZAGREB, Croatia, Dec. 28 — The commander of United Nations forces in Bosnia and Herzegovina flew today to the besieged northern enclave of Bihac, hoping to persuade anti-Government forces there to respect the cease-fire, which has brought fighting in the rest of the country to a virtual halt.

The commander, Lieut. Gen. Sir Michael Rose, met with officers of the Bosnian Army and of the rebel force, which is made up of Serbs from Croatia and Muslims loyal to a local leader, Fikret Abdic.

There were reports late in the evening that General Rose had secured an agreement, but United Nations officials in Zagreb said they had no confirmation.

The cease-fire, negotiated last week by the former President Jimmy Carter, continued to hold today in most of Bosnia. But fighting around Bihac has cast a pall over talks for a long-term halt in the fighting. United Nations officials hope to conclude the negotiations by next week, but the Bosnian Vice President, Ejup Ganic, said he would not talk until the fighting around Bihac stops.

General Rose was also seeking assurances that anti-Government forces surrounding Bihac will allow a resumption of supplies to peacekeepers there. Serbian roadblocks have effectively severed supply lines, preventing the United Nations from withdrawing 400 of the 1,600 peacekeepers as planned.

12/29/94

Ershin

This needs to be rewritten

B.

FYI
Best explanation
- Derek

Merry Xmas
from Helsinki

THE PRESIDENT HAS SEEN
12-28-94

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Orange County, In Plain English

1207 Words; For publication in the LA Weekly, December 22, 1994.

The Orange County debacle reflects California's notion that we can have high quality public services without paying for them; a fantasy driven by a tax revolt which continues to wind its cynical and hypocritical path through our times.

Orange County voted for Prop 13 which holds reasonable tax rates hostage to a minority veto; it voted for the Gann Limit which prohibits the state from increasing spending in step with real personal income growth; and it voted against 1992's Prop 167, which would have raised personal income taxes for the wealthiest Californians and permitted regular reappraisal of business property.

But now, Orange County's Transportation Authority wants a rail corridor between Fullerton and Irvine; school districts, like Capistrano, Laguna Beach and Saddleback want new classrooms and smaller class sizes; Santa Ana wants a larger courthouse, police want new cellular communications and firefighters want a new helicopter; Orange County's Health Care Agency needs new staff for tuberculosis control; and Brea wants to build a new community center.

- Rubin
- Rivlin

Leon/Gstar
Gutierrez

These are all reasonable projects, but should have forced a choice: either do without services which even Orange County considers essential or raise taxes to pay for them. Unwilling to face reality, Orange County and 187 co-conspiring cities, school districts and agencies decided to go into business on the side -- so profits from government-run private enterprise could subsidize public services.

Such socialism would never have been permitted if the County tried to open a supermarket chain in competition with Ralph's, or if it had gone into surfboard manufacturing to exploit San Clemente's cachet, or if it had chosen to market video games in Brazil. Instead, however, the County went into the money lending business in competition with banks and other financial institutions. Being inexperienced and reckless (characteristic of start-up businesses, most of which soon go under), the County expanded its new business by making loans to bad credit risks and harebrained schemers.

Few noticed, however, because financial terminology obfuscates simple reality: the County chose a line of business which superficially resembles legitimate government activity. "Buying" and "selling" bonds are convoluted ways of saying "lending" and "borrowing" money. A bond is only a piece of paper which sets forth terms of a loan. Bond "buyers" lend money to "sellers."

Government normally and properly borrows money; in other words, it "sells" bonds. Government borrows money for "capital projects" which last many years -- for example, roads are too expensive to be financed by taxes collected only in the year they're built, so government "sells" bonds, borrowing construction funds for repayment over many years of road use. Or government might borrow money by selling "tax anticipation" warrants (bonds); since property taxes don't get paid evenly but in big lumps on December 10 and April 10, government might properly borrow money in earlier months, repaying warrants when taxes come in.

Since government normally handles bonds on the selling (borrowing) side, when Orange County went into the entirely different business of buying bonds (moneylending), little attention was attracted -- it seemed like familiar government bond business. As long as Orange County made a profit in this new enterprise, residents believed they could have it both ways -- reasonable service without adequate taxes. Orange County's 1994-95 budget depends on interest income for 35 percent of its revenue, compared to only 25 percent from property taxes and another 25 percent from sales taxes and DMV fees. Put differently, Orange County was operating as though its property tax rate was closer to 2 1/2 percent than the one percent required by Prop 13. That's not unreasonable -- it's similar to honest tax rates in states where government is not financed by speculation.

Most experts agree that government can rarely compete successfully with private firms in free markets. Liberals may argue that government has a role in monopolistic or highly regulated markets -- like bus transportation or garbage collection -- but few claim that politicians have the expertise or flexibility to survive in purely entrepreneurial pursuits. So when Orange County tried to earn profits in the most competitive of markets -- mortgage speculation -- shrewd Wall Street operators saw their chance to take county taxpayers to the cleaners.

Clear away the opaque lingo of finance, and it's clear that Orange County simply got into the business of lending money for home mortgages. Ordinarily, such loans are safe. Profits come from setting interest rates high enough to cover real appreciation or national productivity growth (otherwise, banks would be better off lending to widget manufacturers) plus anticipated inflation over the life of the loan. Borrowers repay mortgages a little each month. As every homeowner knows, monthly payments initially consist almost entirely of interest, with the principal balance only slightly reduced until the mortgage gets closer to being paid off.

Here's where Wall Street's shysters came in. They convinced Orange County naifs to buy (remember, this means "lend") only part of a mortgage. Orange County could combine with other bankers, and split the repayments -- one would get the interest part and the other would get the principal.

For full-term mortgages, such splits (Wall Street calls them "strips") would make little difference. After thirty years, lenders who got principal repayments and lenders who got interest repayments would all be repaid in full. But this would not happen if, during the loan term, interest rates dropped and homeowners refinanced mortgages. Then, borrowers would pay off balances early and take out new mortgages from different lenders. In these cases, lenders entitled only to principal payments would make a killing, because principal which ordinarily wouldn't be paid until the end of the loans is now repaid early. But lenders entitled only to the interest payments would get burned, because interest payments, which lenders expected for the life of the loans, suddenly cease.

Loanbrokers persuaded Orange County's treasurer, Robert Citron, that interest rates would drop and homeowners would refinance mortgages. If this happened, Orange County could earn big profits by making loans (buying bonds) for "principal strips," partial mortgages in which the County would get repayment only of principal, not interest. Citron failed to consider that this scheme could work best if the same brokers convinced other lenders that interest rates would rise and mortgage refinancing by homeowners would slow. Otherwise, few would buy the interest-only sides of the mortgages and the scheme would collapse. This was a zero sum game which succeeds only for those geniuses consistently smarter than everyone else. Possession of an infallible crystal ball for future interest rates, however, was not the platform on which Treasurer Citron campaigned for office.

For a while, it worked: all scams do, because initial success is needed to whet greedy appetites and stimulate ever greater investments. In 1992-93, with falling interest rates, Orange County earned 8.52 percent on its loans. But last year, interest rates started to rise, mortgage refinancing slowed, and loans made (bonds bought) by Orange County stopped being repaid. Orange County, along with its collaborating school districts and other agencies, could no longer repay their own borrowings (like tax anticipation warrants) and bankruptcy resulted.

The obvious lesson has not yet been drawn. We can't have highways and schools unless we levy taxes to pay for them. The only insurance against a repetition of this or similar disasters is the amendment of Prop. 13 and repeal of the Gann initiative.

THE WHITE HOUSE
WASHINGTON

December 28, 1994

WILL ITOH:

For your appropriate handling.

Todd Stern

1225 Connecticut Avenue, NW
Sixth Floor
Washington, DC 20036
phone: (202) 327-9382
fax: (202) 327-9876

DATE: 28 December 1994

via fax: 456-6703

TO: President Bill Clinton **ATTN:** Nancy Hernreich
FROM: D. Jeffrey Hirschberg, ERNST & YOUNG
Total pages: 3

D. Jeffrey Hirschberg
1225 Connecticut Ave., NW
Sixth Floor
Washington, DC 20036

December 28, 1994

The Honorable Bill Clinton
President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

My dear Mr. President:

Peter Kelly and I sent you a letter on December 14 regarding the trip we took to Haiti the previous week in connection with ongoing programs of The Center for Democracy in that country. In that letter, we recommended that (1) speedy progress be made toward holding legislative elections through consensus among the Haitian political leadership, and that (2) the U.S. fulfill its promises to assist tangibly the Haitian legislature, which has not been done since President Aristide's return.

I returned earlier today from a December 26-27 followup visit to Haiti, accompanied by Center President Allen Weinstein and Caleb McCarry, the Center's Vice President for Americas programs. Yesterday we met for almost an hour with President Aristide, followed by an hour with Prime Minister Michel, and had a third meeting before departing with Vicki Huddleston, the Chargé at our Embassy in Ambassador Swing's absence. The previous day we met with both Senate President Firmin Jean-Louis and President Frantz Robert Mondé of the Chamber of Deputies, with Mayor Evans Paul of Port-au-Prince, and--that evening--hosted three dozen Haitian dignitaries (political party heads of both pro- and anti-Aristide groupings, business leaders, government and U.N. officials) at a reception which the Center sponsored to honor the opening of the Haitian electoral process. (The reception was chosen instead of an "Electoral Forum" as earlier proposed since the parties indicated that they were not ready for a more formal process.)

The violence involving demobilized Haitian soldiers and (eventually) U.S. troops occurred during our visit, and we received briefings on this from many. This incident aside, tensions are higher within the political community than when we were last there two weeks ago, and Mr. McCarry has remained to monitor events.

(continued)

The Honorable Bill Clinton
December 28, 1994
page two

The good news is that, since our earlier visit, the Provisional Electoral Council has been appointed. After an excellent discussion with President Aristide, in which he welcomed The Center for Democracy's continued support for the electoral process and for the Haitian legislature, his *chef du cabinet* asked the Center to assist in hosting a possible visit by the Provisional Electoral Council to New York and Washington in January for consultations with Administration, U.N., and O.A.S. officials, congressional leaders and private democracy support groups.

We cautioned against such visits to the U.S. until a firm date had been set for elections, ground rules agreed upon, and the outstanding issue of security, which concerns Haitians of all political persuasions, dealt with decisively. At this moment, many Haitian cities and towns lack even rudimentary professional policing, which is essential at all times but especially during the campaign that lies ahead.

We believe that the United States has a decisive and immediate role to play in assisting "confidence building measures" in these respects, lest the election process degenerate before it even begins. We would be happy to meet either with you or your representatives to discuss concrete suggestions which we believe would be universally welcomed among Haitian leaders including President Aristide.

Our best wishes to you and the Administration for a successful 1995!

Sincerely,

D. Jeffrey Hirschberg

cc: Samuel Berger, Deputy National Security Advisor
Strobe Talbott, Deputy Secretary of State

THE WHITE HOUSE
WASHINGTON

Sent
94 DEC 28 P6 : 47

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: SAM HARRIS

Fax Number: 546-3228 **Phone Number:**

FROM: TODD Stern

SUBJECT:

DATE: 12/28/94

NUMBER OF PAGES (including cover sheet): 2

MESSAGE:

MIKE SYNAR
2D DISTRICT, OKLAHOMA

COMMITTEES:
ENERGY AND COMMERCE

JUDICIARY

GOVERNMENT OPERATIONS

Congress of the United States
House of Representatives
Washington, DC 20515-3602

WASHINGTON OFFICE:
2329 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3602
(202) 225-2701

DISTRICT OFFICE:
2D22 FEDERAL BUILDING
125 SOUTH MAIN STREET
MUSKOGEE, OK 74401
(918) 687-2533

COPY

94 DEC 22 A10 : 16

ORM

December 13, 1994

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

Dear Mr. ~~President~~: Bill

I am writing to request that you follow through on a brilliant idea offered during the last months of the 1992 campaign. During an interview in the September 1992 issue of *Rolling Stone* you said, "I think Muhammad Yunus should be given a Noble Prize." I had never heard that enunciated before, but I think it is something that could make a tremendous difference. Please allow me to underscore why your idea is so important, and why it must be followed up before the February 1, 1995 deadline.

The Grameen Bank now has 2 million borrowers, 94 percent of whom are women. The bank lends more than $30 million each month in loans that average $100 each, and boasts a repayment rate of 98 percent. Earlier this year, Grameen lent its first $1 billion. It took 17 years to reach this benchmark, but it will take only two more years for Grameen to lend its second billion dollars, all in loans averaging $100 each.

But, as you know, this is not just the story of loans made and repaid. It is the story of a dramatic reduction in malnutrition, illiteracy, and poverty among Grameen borrowers. A recent study of long-term borrowers found that 75 percent had either left poverty or were near to leaving poverty. I'm not aware of any other program that can make such a claim.

A Nobel Peace Prize for Muhammad Yunus would bring much deserved recognition. But beyond that, it would dramatically accelerate replication of a vital empowerment tool that this world so desperately needs.

Thank you for your leadership on this effort.

Sincerely,

Mike

THE WHITE HOUSE

WASHINGTON

OFFICE OF LEGISLATIVE AFFAIRS

94 DEC 22 A10 : 16

FAX COVER SHEET

NOTE: THE INFORMATION CONTAINED IN THIS FACSIMILE MESSAGE IS CONFIDENTIAL AND INTENDED FOR THE RECIPIENT ONLY.

DATE:

TO: TODD

FROM:

RE: Synar letter

Page 1 of 2

If there are any problems with this transmission, please call (202) 456-7500.

THE WHITE HOUSE
WASHINGTON

12-28

George—

Sam Harris, who is a friend, asked me to pass this along to you. I think he's going to call you.

Don

MIKE SYNAR
2D DISTRICT, OKLAHOMA

COMMITTEES:
ENERGY AND COMMERCE

JUDICIARY

GOVERNMENT OPERATIONS

Congress of the United States
House of Representatives
Washington, DC 20515-3602

WASHINGTON OFFICE:
[illegible] RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC [illegible]
(202) [illegible]

DISTRICT OFFICE:
[illegible] FEDERAL BUILDING
125 SOUTH MAIN STREET
[illegible], OK 74401
[illegible]

COPY

94 DEC 22 A10 : 16

ORM

December 13, 1994

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

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Thank you for your leadership on this effort.

Sincerely,

Mike

Thd del
by Leg
Affrs
cc: CNH ✓
Jennifer Klein

THE WHITE HOUSE

WASHINGTON

December 27, 1994

Dear Newt:

While we could not achieve broad-based agreement on a health reform initiative last year, there can be little disagreement that we still face the enormous problems of increasing health care costs and decreasing coverage. We need to confront these problems on a bipartisan basis and address the insecurities that too many Americans have about their health care. I am writing to reiterate my strong desire to work with you in this regard.

I remain firmly committed to providing insurance coverage for every American and containing health care costs for families, businesses, and Federal, State, and local governments. In the upcoming session of Congress, we can and should work together to take the first steps toward achieving these goals. We can pass legislation that includes measures to address the unfairness in the insurance market, make coverage more affordable for working families and children, assure quality and efficiency in the Medicare and Medicaid programs, and reduce the long-term Federal deficit.

We look forward to talking with you in the upcoming weeks about a bipartisan effort to deliver health care reform to the American public. Hillary and I send our best wishes for a safe and happy holiday season.

Sincerely,

Bill Clinton

The Honorable Newt Gingrich
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

December 27, 1994

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Bill Clinton

The Honorable Newt Gingrich
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

December 27, 1994

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Sincerely,

Bill Clinton

The Honorable Richard A. Gephardt
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

December 27, 1994

Dear Bob:

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Sincerely,

Bill Clinton

The Honorable Robert Dole
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

December 27, 1994

Dear Tom:

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Sincerely,

Bill Clinton

The Honorable Thomas A. Daschle
United States Senate
Washington, D.C. 20510

[redacted]

THE PRESIDENT HAS SEEN
12-27-94

Sandy

Fyi – great

Do reply to
Jeant the priest

B

[redacted]

[redacted]

the original went to NSC

[redacted]

THE PRESIDENT HAS SEEN
12 27 94

EMBASSY OF THE
UNITED STATES OF AMERICA

Dear Mr. President.
Enclosed is a letter I received that I thought you should read — You are very important to Ireland and to all of us —
Warm regards,
Jean.
Dublin
Dec. 14, 1994.

this was xerox copy - no original

December 3, 1994

Dear Ambassador Smith,

I am an American and a Catholic priest who has spent the past few months in Northern Ireland doing pastoral work in the Catholic parish of Magherafelt in Co Derry. I would like you to convey to President Clinton my gratitude to him for the way he is supporting the developement of a peace process. Most of my contacts are with people who I meet on the street, in the hospital, during home visits, etc and it amazes me that in general the people are aware and grateful for his efforts on their behalf. One of the unexpected bonuses of my sabbatical is that I have been able to gain a new appreciation for what it means to be an American. I wish the President could experience or at least be close to the profound senses of relief that has entered the lives of the parents of the children of Northern Ireland, I wish that he could talk to the young adults as they savor positive experiences they have never known before and begin to dream, I wish he could be touched by the gratitude of the senior citizens who are ready to explore the aspects of what it means to be a democratic society — and I wish he and the other members of the government who have worked so hard to get the process moving could know the blessing of renewed hope and personal peace in their own lives as a reward for their labors.

I am not an activist and if anything I'm probably in the category of the apathetic most of the time. I am at this time in my life, however, very positive about the government, the President and the democratic party. "Proud to be an American" sounds trite but that's where I stand today in Northern Ireland.

Please accept my best wishes for a blessed Christmas and my gratitude also to your family who I know has kept the needs of the people here close to their hearts.

God Bless You,
Fr. Patrick Duffy.

FR. PATRICK DUFFY
U.S. CITIZEN.
12 AUCHIN Rd.
MACHERAFELT
CO. DERRY
BT 45 6AY

AMBASSADOR JEAN, K. SMITH
EMBASSY OF THE U.S.A.
42 ELGIN ROAD
BALLS BRIDGE
DUBLIN 4. IRELAND

PERSONAL

By air mail
Par avion

[redacted]

Bill

Dear Mr. President,

I would appreciate your considering visiting Aliquippa Pa on the occassion of Bishop Melvin E. Clark, Sr's 35th Pastoral Anniversary. David Wilhelm attended the 34th. Willie Gary, Esq. was the main speaker. I will send you more information.

Sincerely,
Mel Clark, Jr.
DNC Trustee

(May 3, 1995)

THE PRESIDENT HAS SEEN
12.27.94

Billy Wilhelm
→ fyi
Alip. Ana. Dem.
good supporter - B

[redacted]

THE PRESIDENT HAS SEEN
12-27-94

Rüdiger Löwe

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81543 München
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Floriansmühlstr.60
80939 Munich
Germany

His Excellency
Bill Clinton
President of the
United States of America

The White House
Washington D.C.
20500

c/o Mrs. Nancy Hernreich

December 20, 1994

Dear Bill,

to you, Hillary and Chelsea and all your family merry Christmas and a happy, healthy 1 - 9 - 9 - 5 from Claudia and me !

It was so good seeing you this year so often - I hope we can continue that.

As a little Christmas present and stimulation to come back to Bavaria, Castle Neuschwanstein and other royal places I attach to this letter your personal copy of the book "Königsträume. Das Bayern Ludwigs II.". I hope you enjoy it and it revives memories of 1989 and 1969 when were there together.

As you know : In case you visit Bavaria again, say:in this coming year, Ministerpresident Dr. Edmund Stoiber would like to give a state dinner or reception in the castle Neuschwanstein for you, probably in the "Thronsaal" which you liked so much. So, for a day , you can feel like "King Bill of Bavaria"...

Bill, Claudia and I enjoyed our meeting with you on September 23 in the Diplomatic Reception Room, the tour through the White House afterwards (given by Kelly) and the honor to sit in the Presidential Box on the following day in the Kennedy Center, watching Neil Sedaka and the Washington Symphony Orchestra. Thank you, again.

When and where will we see us next ? I have two free flights from Delta Airlines ...

Let me come back to my suggestion giving Chelsea the chance to go to Germany for a few weeks, perhaps next summer, to put her German knowledge into practice. Ambassador Holbrooke supports my idea and Dan Hamilton, his Assistant in the State Department (and formerly at the Embassy in Bonn),too - you know Dan as "Carl" in Chelsea's summer camp in Minnesota, teaching her German there and taking care of her when you came to Bonn and Berlin in July.

Dan mentioned that the Minnesota institution has a partner camp in Waldsee at the Southwestern border of Germany, where Chelsea could go and would have friends. On the other side, my friend Herbert Lauer is town mayor of Baberg, has four children himself and a secure site to live on. Bamberg has about 4000 U.S. soldiers and according to ta talk of Ambassador Holbrooke with the Commander of the U.S. Army in Bamberg, security for Chelsea could easily become arranged.

You and I know how much a stay in a foreign country in the early years of one's life can enrich the further life. So: What do you think ? What does Hillary think ?

I would love to hear from you sometime soon. For today :

All the best,
sincerely,
Rudy.

THE PRESIDENT HAS SEEN
12-27-94

To Galston/Reed

Interesting

never explored w/ EITC

might work a lot better

B

SPECIAL ANALYSIS

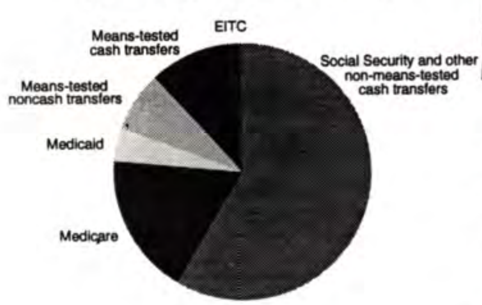
The Redistributive Tax and Transfer System

The Federal and state governments in the United States redistribute a great deal of income. This redistribution is achieved both by levying taxes (such as personal income and payroll taxes) and by making transfers (such as Social Security and Medicare). Available evidence suggests that, on net, taxes and transfers boost the disposable income of households at the bottom of the income distribution and trim the income of those at the top.

For example, in 1993, taxes and transfers increased the mean income of households in the bottom 20 percent of the income distribution more than sevenfold, from $1,683 to $12,073. In contrast, taxes and transfers reduced the mean income of households in the top 20 percent of the income distribution 24 percent, from $108,554 to $82,885. (See table on next page for data, and box for definitions of income, taxes, and transfers.) The average income of households in the middle of the distribution was reduced only about 3 percent, on net, by taxes and transfers.

Between 1979 and 1993, the distribution of pre-tax income became substantially more unequal. Mean pre-tax income of households in each of the bottom three quintiles declined, while mean income of households in the upper two quintiles rose (see table). Government redistribution, however, succeeded in offsetting some of this growing inequality. The mean income of all quintiles increased after taxes and transfers.

Transfers to bottom two quintiles



Analysis. Most of the transfers made to households at the bottom of the income distribution in 1993 were not means-tested (e.g., Social Security and Medicare). Only 24 percent of the transfers going to households in the bottom two quintiles were means-tested, and hence could be described as "welfare" payments (see chart).

Average Household Incomes
(by quintile, in 1993 dollars)

	1979		1993	
Quintile	Before Taxes and Transfers	After Taxes and Transfers	Before Taxes and Transfers	After Taxes and Transfers
1	2,150	11,332	1,683	12,073
2	15,928	19,523	14,363	20,380
3	31,569	28,816	29,999	29,135
4	48,378	40,433	49,741	42,936
5	89,578	68,505	108,554	82,885

Definitions of Income, Taxes, and Transfers

"Income before taxes and transfers" consists mainly of wages and salaries, income from self-employment, dividends, interest, private pension benefits, realized capital gains, and the value of employer-provided health insurance. Thus, roughly speaking, this is income provided by the market system.

"Taxes" include Federal and state income taxes, Social Security and other payroll taxes, but not property or sales taxes. Sales taxes are a major source of state revenue, and are more regressive than income taxes. Therefore, data that took sales taxes into account probably would show less net redistribution from upper-income families to lower-income families.

"Non-means-tested cash transfers" include Social Security payments, unemployment benefits, workers' compensation, and educational assistance.

"Means-tested cash transfers" include AFDC and SSI. "Means-tested non-cash transfers" include food stamps, rent subsidies, and subsidized school lunches.

How Not to Fix Public Broadcasting

By Leonard Garment

WASHINGTON

Newt Gingrich, the next Speaker of the House, intends to change public broadcasting. This is good. There are things about it that need changing. Representative Gingrich has announced that he will do the job by eliminating Federal funding for the Corporation for Public Broadcasting, which is getting $285.6 million in tax money in the current fiscal year and distributes 90 percent of it to about 1,000 public television and stations and groups.

I think he will eventually conclude that this is not the way to get the change he wants.

Two things about public broadcasting bother many Americans, not just conservatives. First, Government should not be in broadcasting unless it provides necessary services that the market does not deliver. Second, some public programming, especially from National Public Radio and a number of big-city stations, reveals instances of bias — mostly, but not exclusively, a liberal bias in covering social problems. Usually these are such hot-button issues as crime, religion, race and abortion. Zeroing out the Corporation for Public Broadcasting would solve neither problem.

As for economics, most public broadcasting originates not in big cities but in smaller communities. Most stations are less like New York's or Chicago's than they are like WVMR, a radio station in Dunsmore, W.Va., that offers local programming that no commercial station would consider: lost-dog ads, funeral announcements, school closings, junior high sports broadcasts. Other stations feature high school equivalency and literacy programs and other educational courses, public-health services and computer networking.

The small stations depend more on the Federal stipends they receive than do the larger ones. The overall Federal contribution to stations' budgets ranges from 4 to 40 percent, but generally the smaller the station, the bigger the subsidy. Thus, small stations are the most likely to be killed by the disappearance of Federal financing.

Public broadcasting does what the market does not in another important way. It provides superior cultural and children's programs free. There is lots of talk about how commercial television can do these things, but it is mostly talk. In its feature-length morning and late-afternoon news programs, listeners to public radio get more diverse news, debate and commentary than they can get from the 10-second sound bites of commercial radio.

So far, commercial TV has proved less willing than the Corporation for Public Broadcasting to take the risks entailed in developing ambitious programs, and it does not provide the depth of good children's TV that public broadcasting does.

The nation's well-being depends on a certain level of literacy and common culture in the population — something Mr. Gingrich understands quite well. Both those "commodities" are in scarce supply. When the Government makes its small contribution to public broadcasting, these are the social benefits it provides; the cost is not irrational or disproportionate.

The second problem with public broadcasting is bias — programming that does not disseminate a common culture but imposes a partisan attitude. This bias is not frequent

CLINTON &

CONGRESS

and tends to occur in the programming of the bigger public broadcasting stations, which receive perhaps 5 percent of their budgets from the Government. These are the stations best able to survive and continue their activities even if their Federal contributions drop to zero.

Cutting off financing to the Corporation for Public Broadcasting would not address the problem of bias. The opposite is true. Because big stations as well as small ones get public money, all are accountable to public authorities. This accountability makes a difference. In 1992, Congress passed a law requiring national public programming to be balanced and fair. There have been problems carrying out this bland generalization, but there has also been some improvement.

Gingrich would hurt small stations the most.

The money we give public broadcasting helps insure its accountability. Remove Federal funds and you remove officials' ability to influence the system. Such withdrawal would be irresponsible, and I do not think it is what Mr. Gingrich wants. There is an argument for transferring more responsibility from the big urban stations to the Corporation for Public Broadcasting to make programming more truly national and better able to serve its legitimate unifying purposes.

If Mr. Gingrich spares the corporation, he need not give up on changing public broadcasting. He can keep the budget tight. He can re-examine the way the money is distributed. He can yell bloody murder at what he finds offensive. In short, he can exercise continuous leadership, which in the end is the only thing to which public broadcasting — or any other enterprise — responds.

Leonard Garment, who was counsel to President Richard Nixon, is completing a memoir, which is scheduled for publication next year.

THE NEW YORK TIMES, WEDNESDAY, DECEMBER 21, 1994

THE PRESIDENT HAS SEEN
12-27-94

Roup

Fyi R.

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DEC 27 '94 ... SEN JOHN BREAUX ... P.2

Mr. President
This is the article
I mentioned, I think it's
right on target! John Breaux 12/27/94

THE PRESIDENT HAS SEEN
12-27-94

Gearan/GS
... BC

COMMENTARY

The Washington Times
★ FRIDAY, DECEMBER 23, 1994 / PAGE A19

MORTON KONDRACKE

Tuition tax plan masterstroke

It won't save Bill Clinton's presidency all by itself, but the tuition tax deduction idea in his "Middle Class Bill of Rights" speech last week was a political masterstroke that Republicans will be hard put to ignore.

The deduction will help middle-class parents send their children to college in a way government never has before, and also help workers finance their own retraining programs.

The idea was primarily the brainchild of Labor Secretary Bob Reich, who won support from Treasury Secretary Lloyd Bentsen and then pushed it through fierce opposition in White House budget meetings, and also of White House domestic policy aide Bill Galston, who introduced it into postelection presidential staff deliberations.

White House Chief of Staff Leon Panetta, Deputy Chief of Staff George Stephanopoulos, and congressional liaison Pat Griffin reportedly fought the tuition deduction on grounds that it would take attention away from the middle-class tax cut Mr. Clinton also proposed.

Had Mr. Clinton proposed only his $500 per child tax credit, however, he would have been open to the attack — made anyway by Republicans — that he was merely copying their ideas.

By the time President Clinton spoke to the nation last Thursday, three other middle-class tax cut proposals had already been put on the table — by House Republicans in their September "Contract With America," and by House Democratic Leader Richard Gephardt of Missouri and Sen. Phil Gramm, Texas Republican, in speeches last week.

Mr. Clinton's idea for expanding tax-free IRAs for the middle class -- pushed in White House debate by Mr. Bentsen -- also was part of the GOP contract, albeit in a form skewed toward upper-income taxpayers.

The tuition tax deduction, however, is a distinctively Clinton proposal, demonstrating his dedication to educating Americans to compete in what he called the "new economy" of global markets and high technology.

Under the proposal, families earning up to $100,000 per year will be able to deduct up to $10,000 per year in postsecondary education costs, reducing their taxes by up to $2,800.

Practically every parent who has sent children to college — or contemplated it, with dread — presumably has wondered why money

Under the proposal, families earning up to $100,000 per year will be able to deduct up to $10,000 per year in education costs

paid out for tuition isn't deductible while expenses for medical care, charity and business expenses are.

In one White House meeting after the election, an aide recalls Mr. Galston asking, "If corporations can deduct the cost of their investments, why shouldn't families?" That's a theme that Democrats certainly can use to pressure Republicans to adopt the Clinton idea.

Mr. Galston's question led to the inclusion of the tax deduction idea in a set of policy proposals prepared for Mr. Clinton by a White House staff group headed by long-range planning chief Mark Gearan.

Other ideas were designed to meet the staff's perception that Democrats lost the 1994 elections because of middle-class resentment at economic insecurity, moral disintegration, and political dysfunction in the country.

Also included in the Gearan document, for example, were cuts in the size of government, welfare reform emphasizing teen pregnancy prevention, and reforms of lobbying and campaign finance.

White House aides, however, give primary credit for the tuition deduction idea to Mr. Reich, who first proposed it to Mr. Bentsen late last year as part of a package of programs to help workers get better education and training.

At the time, Mr. Bentsen opposed the idea as too expensive, but Mr. Reich assigned an aide, Jack Donahue, to work on it with Treasury tax policy chief Leslie Samuels. By September, Mr. Bentsen was more agreeable, and later Deputy Treasury Secretary Frank Newman became a supporter of the idea.

The idea ran into trouble, though, in early December budget-planning sessions, which merged with meetings to fashion themes for Mr. Clinton's speeches.

Mr. Stephanopoulos argued that a tuition deduction would "clutter up" Mr. Clinton's message.

And Mr. Bentsen argued at first for a trimmed-down, $9 billion version of the deduction rather than the $20 billion that Mr. Clinton ultimately approved.

Vice President Al Gore reportedly favored the deduction if it could be paid for, but was most interested in protecting the children's tax credit, a version of which he sponsored as a senator. Mr. Reich's key allies in favor of the deduction were Budget Director Alice Rivlin and Laura Tyson, chairman of the Council of Economic Advisers.

Ms. Tyson and Gene Sperling, a staff member of the president's National Economic Council, were Mr. Bentsen's key allies in arguing for including a provision to expand IRAs.

Mr. Clinton clearly has a steep road to climb from 38 percent approval back into public acclaim. He's got to repair self-inflicted damage to his moral authority and reputation as a leader, but helping families send their kids to college and helping workers prepare for new careers should demonstrate that he understands the economic insecurities of the middle class.

Morton Kondracke is a senior editor for Roll Call and is a nationally syndicated columnist.

- Gearan
- Steph
- Galston
- Sperling
- Laura T.
- Alice R.
Bob Reich

THE PRESIDENT HAS SEEN 12/27

To HRC
FYI — I had the order reversed — back to all Cab 1/2 hr — B.

26 December 1994

Mr President:

Attached is a copy of Phil Caplan's memo to me of 26 December 1994 detailing the radio time Cabinet members have been asked by Cabinet Affairs to do this week. Also attached are the talking points about the middle class tax cut, drafted by Gene Sperling, which cabinet members will use.

Phil will call all cabinet members tomorrow (Tuesday) and emphasize the importance of this activity and urge ~~that~~ each Secretary to spend at least 1/2 hour a day on it this week.

Phil will prepare a report for me tomorrow.

Harold

THE PRESIDENT HAS SEEN
12/27

THE WHITE HOUSE

WASHINGTON

December 26, 1994

MEMORANDUM FOR HAROLD ICKES

FROM: PHIL CAPLAN
Special Assistant to the President for Cabinet Affairs

SUBJECT: Radio Time for Cabinet Secretaries over the Holidays

What follows is an outline of the radio time we requested members of the Cabinet to do over the holidays.

We gave each Secretary a list of target media markets and asked that their respective press staffs book the interviews. The Office of Media Affairs did the targeting; emphasis was given to markets that we have had trouble breaking into in the past. The interviews are to focus on the President's Middle Class Bill of Rights and Secretaries are to use talking points prepared after the President's speech (attached).

Initially, we asked that each Secretary report back to our office on Tuesday, January 3, with a schedule of the stations and markets reached. Tomorrow, I will attempt to collect the information for those interviews already scheduled.

This effort is targeted at 35 media markets and includes eleven Members of the Cabinet:

Los Angeles
- Kantor (Mon 12/26 -Wed 12/28)
- Lee Brown (Mon 12/26 -Wed 12/28)
- Jesse Brown (Mon 12/26 -Wed 12/28)
- Browner (Thur 12/29 - Sat 12/31)
- O'Leary (Thur 12/29 - Sat 12/31)
- Ron Brown (Thur 12/29 - Sat 12/31)

San Diego
- Reich

San Francisco
- Ron Brown

Fresno
- Kantor
- Pena

Anaheim-Santa Ana
- Kantor
- Reich

Seattle-Tacoma
- Kantor
- Jesse Brown

Portland
- Lee Brown
- Browner
- Pena

Eugene
- Pena
- Browner

Albuquerque
- Cisneros
- Babbitt
- O'Leary

Phoenix
- Cisneros
- Browner
- O'Leary

Tuscon
- Babbitt
- Jesse Brown

Kansas City, MO
- Pena

Chicago
- Ron Brown
- Frank Newman
- Cisneros

Detroit
- Ron Brown
- Reich
- Cisneros

St. Louis
- Reich
- Babbitt

New Orleans
- Pena
- O'Leary

Shreveport
- Kantor

Dallas-Ft. Worth
    Pena (Mon 12/26 -Wed 12/28)
    Lee Brown (Mon 12/26 -Wed 12/28)
    Cisneros (Thur 12/29 - Sat 12/31)
    O'Leary (Thur 12/29 - Sat 12/31)
Houston-Galveston
    Babbitt (Mon 12/26 -Wed 12/28
    Jesse Brown (Mon 12/26 -Wed 12/28)
    Cisneros(Thur 12/29 - Sat 12/31)
    O'Leary (Thur 12/29 - Sat 12/31)
Memphis
    Riley
Nashville
    Riley
Louisville
    Riley
Richmond
    Riley
Birmingham
    Riley
Charlotte-Gastonia
    Riley
Raleigh-Durham
    Riley
Miami-Ft. Lauderdale
    Browner
    Lee Brown
    Pena
Orlando
    Browner
    Pena
Philadelphia
    Kantor
    Jesse Brown
    Reich
Boston
    Reich
New York
    Ron Brown
    Cisneros
    Pena
Providence-Warwick-Pawtucket
    Ron Brown

Cleveland
	Lee Brown
Pittsburgh
	Reich
	Babbitt
Washington, D.C.
	Cisneros
	Ron Brown

Attachments:
	Talking Points

TALKING POINTS ON PRESIDENT CLINTON'S OVAL OFFICE ADDRESS

PERSONAL STATEMENT ABOUT COMMITMENT TO THE MIDDLE CLASS AND GOVERNMENT THAT IS SMALLER AND SMARTER: Tonight, the President spoke from the heart about the needs and concerns of middle class families and offered a fresh approach for the next two years. He spoke with a generous spirit about how there is more in America that unites us than divides us, and we are going to need that unity to keep America the world leader. He called for the country to come first and politics as usual to come last.

MIDDLE CLASS BILL OF RIGHTS: The centerpiece of his proposal is a Middle Class Bill of Rights. To pay for his Middle Class Bill of Rights, he proposed tearing down outdated aspects of yesterday's government to give middle class families tax relief and ensure that we have a leaner government that is on the side of working families. The elements of his proposal will help families, 1) with the costs of raising our children; 2) paying the costs of educating children; 3) save for first home purchases and retirement; and 4) empowering people to get the skills they need for new jobs and better jobs. The President's Middle Class Bill of Rights addresses these four issues and it does so while reducing deficits.

1) Child Tax Credit: The President's Middle Class Tax Cut helps working families raise their children. The President's plan will cut taxes for middle class families for each child 12 and under. This tax credit will be phased in at $500 per child and will be available to any family whose income is less than $75,000. That's a $500 tax credit for each child.

2) Education Tax Deduction: The President's Middle Class Tax Cut helps working Americans move themselves forward and pay for education. The President proposes that tuition for college, community college, graduate schools, vocational colleges and worker retraining be fully deductible up to $10,000 per family when fully phased in for families making up to $100,000 (phased out at $120,000).

3) Expanded IRA: The President's Middle Class Tax Cut helps working Americans save money and pay for new homes. The President wants every American to be able to put $2,000 tax free into an IRA account and then be able to withdraw that money tax-free -- without penalty -- for education, medical expenses or purchase of a first home. This idea has been championed for years by Secretary Bentsen.

4) New Individual Re-employment: The President's new re-employment program will consolidate the web of over 60 separate training programs and give the money directly to individuals so that they can choose the training or re-employment opportunities they need. Individuals will be eligible for skill grants from $2000-$3000 and income contingent loans and new consumer information and accountability standards.

ON PUTTING GOVERNMENT ON THE SIDE OF THE MIDDLE CLASS AND TRUTH IN BUDGETING, THE PRESIDENT DREW THE LINE: Unlike Republican proposals, the President's tax reduction ideas are targeted only to working families, and will be paid for -- without the use of "dynamic scoring" or other budget gimmicks. And while the Republicans plan may require harsh cuts on middle class programs like Medicare to pay for the exploding costs of a wasteful capital gains proposal and an ill-conceived business depreciation tax cut, the President's plan is responsible, paid for, and targeted only to middle class families.

TODAY'S ANNOUNCEMENT FURTHERS THE PRESIDENT'S LONG-STANDING COMMITMENT TO TAX FAIRNESS: The President has long stated his commitment to tax fairness. In Putting People First he called for a middle class tax cut that called for a child tax credit. When the President took office, he faced an escalating deficit, yet he still put a downpayment on his middle class tax cut by giving the largest earned income tax credit expansion in history for 15 million households, benefiting nearly 50 million Americans in families making under $27,000. Today we are going forward with the next step.

MEETING THE NEEDS OF WORKING FAMILIES SEEKING THE AMERICAN DREAM: Every working parent knows that three of the toughest financial strains for families are: 1) caring for a young child or pre-teen -- especially with child care; 2) saving for a first home; and 3) paying for the education of a child or yourself or spouse when you need new skills or to change jobs. This bill addresses all three.

DEMOCRATIC IDEAS: The child credit was proposed in the well-known Gore-Downey proposal in 1991. In 1992, while then-candidate Clinton was proposing a child tax credit, Democrats passed a child tax credit in the Congress which Republicans opposed and which was vetoed by President Bush. *Bentsen IRA:* The father of the Expanded IRA is Treasury Secretary Lloyd Bentsen who has fought for this idea for many years.

CONTINUATION OF FISCAL RESPONSIBILITY: On August 6, 1993, Congress passed the President's historic $500 billion deficit reduction plan -- which is projected to help lead to over $700 billion in deficit reduction while cutting the deficit in half as a percentage of GDP. The President is committed to staying with and improving his current deficit reduction plan, and to continue using honest and specific numbers. Today we are showing a piece of the President's new budget, and demonstrating that $60 billion in assistance for working families will be fully paid for, while even additional spending cuts add to deficit reduction.

A CONTINUATION OF THE PRESIDENT'S EFFORT TO REINVENT GOVERNMENT: Over the past two years, the President's deficit reduction plan was adopted with $255 billion in spending cuts and a reduction of the federal civilian workforce by 272,900 -- to the lowest it has been in thirty years. Furthermore, the President asked Vice President Gore to produce a Reinventing Government effort that has been widely acclaimed. The major restructuring is neither the beginning nor the end of the President's and the Vice President's efforts to make government leaner and smarter, not leaner and meaner.

SUMMARY OF MIDDLE CLASS BILL OF RIGHTS

EDUCATION TAX DEDUCTION: A deduction would be permitted for up to $10,000 of the amounts spent by a taxpayer for expenditures on post-secondary school education and training expenses for the taxpayer, the taxpayer's spouse, and dependents (i.e., persons for whom the taxpayer is otherwise entitled to claim a dependency exemption). This deduction is used in determining the taxpayer's adjusted gross income (AGI).

The maximum allowable deduction would be phased out ratably for taxpayers filing a joint return with AGI (before the proposed deduction) between $100,000 and $120,000. For taxpayers filing a head-of-household or single return, the maximum allowable deduction would be phased out ratably between $70,000 and $90,000 of AGI (before the proposed deduction).

Qualifying education expenses are those related to post-secondary education paid to institutions and programs eligible for Federal assistance. This will include most public and nonprofit universities and colleges and certain vocational schools. Qualifying education expenses include tuition, fees, laboratory fees, and similar items, but exclude meals, books, lodging, or transportation. Education involving sports, games, or hobbies will be excluded, unless that education involves the current employment, trade, or business of the student, or is required as part of a degree program. The maximum amount of eligible expenses will be phased-in.

$500 CHILD TAX BENEFIT: A $500 non-refundable credit will be allowed for each dependent child under the age of 13. The credit will be phased-out for taxpayers with adjusted gross income (AGI) between $60,000 and $75,000. No credit will be available to taxpayers with AGI in excess of $75,000. The credit will be phased-in.

EXPANSION OF INDIVIDUAL RETIREMENT ACCOUNTS: This proposal would expand the availability of deductible individual retirement accounts (IRAs) to families with income under $100,000 and individuals with income under $70,000. Taxpayers would have the option of getting a deduction when the money is deposited or foregoing an immediate deduction and not paying taxes on the money as it is withdrawn. Penalty-free withdrawals from IRAs would be permitted for higher education costs, first home purchases, long-term unemployment and catastrophic medical costs.

INDIVIDUAL RE-EMPLOYMENT GRANTS: This proposal takes 50 different training programs and consolidates them into one program that directly empowers workers with skill grants or vouchers that can be used for up to 2 years and can be from $2000-$3000 -- without new money -- since it uses existing funds from the 50 programs. Workers who are laid off or disadvantaged would also be eligible for income contingent loans through an expanded Individual Education Account. Accountability and strong consumer information so that the market and the power of individual choice work to weed out bad programs and reward those who successfully help workers get the skills they need for new jobs.

EXAMPLES OF HOW AVERAGE WORKING FAMILIES WILL BENEFIT FROM THE PRESIDENT'S TAX INCENTIVE

Below are three examples of how a four person family -- with $50,000 of wage and salary income, $7,500 of itemized deductions, and $10,000 in personal exemptions (4 x $2,500) -- would benefit under the President's tax incentives.

CASE 1. BOTH CHILDREN UNDER 13.

This family has two children under 13 and therefor receives two child tax credits. When fully phased-in this will be worth $1000 and would reduce the family's federal income tax liability by 21%.

Current Law Tax	Fully Phased-In Tax	Tax Reduction	Percent Reduction
$4,875	$3,875	$1,000	21%

CASE 2. BOTH CHILDREN OVER 12, EDUCATION EXPENSE $10,000 OR MORE.

This family has both children over 12 so they are not eligible for the child tax credit, but since their children are in college they have $10,000 in education expenses. When the tax cut is fully phased-in, the family would get a $1500 tax cut since they are in the 15% tax bracket. This would lower their federal income tax liability by 31%.

Current Law Tax	Fully Phased-In Tax	Tax Reduction	Percent Reduction
$4,875	$3,375	$1,500	31%

CASE 3. TWO CHILDREN OVER 12, NO EDUCATION EXPENSE, AND $4,000 CONTRIBUTED TO IRA.

This family has two children over 12 who are not in college. If one of the working parents needed retraining or new skills, they could be eligible for the education tax incentive. However, even if they only wanted to save for their children's education, each working parent could put $2000 in their IRA to save for their children's college and save $600 in taxes for a 12% reduction of their tax liability.

Current Law Tax	Fully Phased-In Tax	Tax Reduction	Percent Reduction
$4,875	$4,275	$600	12%

[Current Law and Fully Phased-In Law Tax Liabilities of Hypothetical Families Under Administration's Middle-Class Tax Cuts, Based on 1995 Income Levels]

<u>BILL CLINTON ON THE MIDDLE CLASS TAX CUT</u>

Bill Clinton proposed a middle class tax cut more than three years ago:

"Ronald Reagan and George Bush raised taxes on the middle class. I'm going to cut them. (<u>A New Covenant for Economic Change</u> Georgetown University, November 20, 1991)

He wrote about it in his book <u>Putting People First:</u>

"We will lower the tax burden on middle-class Americans by asking the very wealthy to pay their fair share. Middle-class taxpayers will have a choice between a children's tax credit or a significant reduction in their income tax rate." (page 15)

After the election, he maintained his commitment to the middle class tax cut:

"If we can work it out, I would like to present a plan that is consistent with what I have recommended all during the campaign, to provide some tax fairness on which to build a long-term deficit reduction plan." (Press Conference, November 16, 1992)

After taking office, faced with revised budget deficit numbers, Bill Clinton pushed forward with a deficit reduction plan, along with an Earned Income Tax Credit for 15 million American families making less than $27,000 a year. The President's plan helped lead to $700 billion in deficit reduction and created a fiscal environment that allows for a middle class tax cut. Bill Clinton's support for the middle class tax cut never wavered:

"Let me address the middle class tax cut specifically... I still think there should be an evening-up of the tax burden... I've got 4 years. Give me 4 years to try to deliver on the middle class tax cut." (Remarks at a Town Meeting in San Diego May 17, 1993)

"I have done my best to make the tax system fairer. I have done something for working families under $30,000 a year... And I have 4 more years to try to deal with further inequalities in the tax system, which I plan to do." (Interview with Texas Media, July 28, 1993)

"I still believe there ought to be a family tax credit for the rest of middle class America. But I have a 4-year term." (Town Meeting in Charlotte, NC, April 5, 1994)

"Do I think [the middle class a tax cut] should be done? I still do... The Tax Code is not where it ought to be. And middle class families, especially those with children, I think should look forward to a little more fairness. " (News Conference, October 7, 1994)

"I would like to do [a middle class tax cut], especially for people with children because I think it increases the fairness of the tax code...But it's very important that if we do it, we pay for it." (Detroit Free Press Editorial Board meeting, October 11, 1994)

"I believe that we should do more to provide tax relief for middle class families, especially with children." (Speech to Cleveland City Club, October 24, 1994)

"I want to fulfill the commitment of our campaign and my commitment to tax fairness... I intend to propose [a middle class tax cut] as long as I can pay for it." (Press Conference, Miami, FL, December 11, 1994)

<u>The Children's Tax Credit of 1992 that Wasn't</u>

Bill Clinton proposed a middle class tax cut with a children's tax credit during the 1992 campaign. At the same time, Congressional Democrats were fighting for one on the Hill. Republicans opposed them every step of the way.

Al Gore proposed a children's tax credit in 1991. **In 1992, Democrats introduced and passed a children's tax credit along with a middle class tax cut.** Championed by Lloyd Bentsen and Al Gore in the Senate, and Dick Gephardt and Dan Rostenkowski in the House, the bill gave families a $300 tax break and made them eligible for a $300-per-child tax credit. Democrats paid for the bill by asking the wealthiest Americans to pay their fair share -- with a 10% surtax on million dollar salaries.

Did they get any help from Republicans? **Every single Republican Senator voted against giving the middle class a tax break. All but one Republican in the House voted against it. And when George Bush vetoed the tax cut for middle class families and children, all but one Republican sided with him to kill the bill.**

Bob Dole was pretty clear on the Republicans view of cutting taxes on the middle class: **"So let me repeat -- the middle class tax cut has been exposed. It's a loser. It is a bomb."** [Senate floor, March 26, 1992]

<u>Recent history of the Children's Tax Credit</u>

5/6/91 — Senator Al Gore and Representative Thomas Downey introduce an $800 tax credit aimed at working families with children. The tax cut would be paid for by raising taxes on those earning more than $ 130,000.

11/20/91 — Candidate Bill Clinton endorses the middle class tax cut. He later proposes a choice between a children's tax credit and a tax-rate cut in his book, *Putting People First.*

2/27/92 — The House passes a Democratic bill with a two-year refundable tax credit of up to $400 per year for couples and $150 for individuals. The $93.5 billion Democratic Bill passes by 221-210. **Every Republican House member but one votes against the bill.**

3/13/92 — The Senate passes a $71 billion version of the bill on March 13 by a vote of 50-47. The bill includes a $28 billion tax cut for the middle class and nearly $20.7 billion in tax breaks for business and investors. **Every Republican Senator votes against it.**

3/19/92 — Racing to meet President Bush's March 20 deadline, the conference committee approves a $77.5 billion bill. The final bill includes a $42.5 billion middle class tax cut over 5 years. It offers workers a two-year 20% credit worth up to $150 a year for individuals and $300 a year for married couples. **The bill also offers a permanent $300-per-child-tax credit for families with children under 16.**

3/20/92 — The "Tax Fairness and Economic Growth Acceleration Act of 1992" passes the House 211-189. Again, only one Republican votes for the bill. It passes the Senate the same day 50-44 with every Republican Senator opposing it. **President Bush vetoes the bill, claiming it would "raise income tax rates substantially for some individuals."**

3/25/92 — The House fails to override the veto by a vote of 211-215.

TS' note went
with the PANETTA
copy only

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

27-Dec-1994 06:48pm

TO: William A. Galston
TO: Gene B. Sperling

FROM: Todd Stern
Office of the President

SUBJECT: process II

Having now thoroughly read your Education Trust Fund memo, I am actually more annoyed. A principal function of this office is to decide who ought to have an opportunity to comment on decision memos going to the President and whose views the President is likely to want to hear. In a case like the memo you sent in, there are a number of people -- like Leon, George and others -- to whom I would have circulated it first. I don't want to be a grinch during the holidays, but this sort of thing shouldn't happen. Thanks.

Alice R.
Pat G.
George S.
Rubin
Rasco

THE PRESIDENT HAS SEEN
12-27-94

cc: VP

On balance, I like another option requiring explicit voting of 1/3 + 1 in Sen, House to override veto of cuts in these areas — Let's discuss — BC

THE WHITE HOUSE

WASHINGTON

December 23, 1994

MEMORANDUM TO THE PRESIDENT

From: Bill Galston/Gene Sperling

Subject: Education Trust Fund Option Memo

INTRODUCTION: During Thursday's budget meeting, you indicated interest in exploring the concept of an Education Trust Fund (ETF). The purpose of this memorandum is to set forth the background for this proposal, options for its legal status and programmatic content, and arguments for and against proceeding with the ETF.

BACKGROUND: Education has been a central Clinton commitment as Governor, Presidential candidate and in the first two years of your Presidency. The "lifelong learning" agenda was featured in your February 1993 budget submission, and during the 103rd Congress you succeeded in enacting into law 6 of the 7 principal lifelong learning proposals. But despite this record of commitment and achievement, the public profile of lifelong learning is distressingly low, and some of your legislative and budgetary achievements in this area could well be in jeopardy during the forthcoming 104th Congress.

THE CENTRAL CASE FOR AN EDUCATION TRUST FUND: Some of your advisors believe that including a Education Trust Fund in your FY 1996 budget submission could help significantly, in the following ways:

1. It would emphasize the your positive vision for education -- and not spending in general: "Investments" is vague enough for opponents to portray it as pork or just pet projects. An education trust fund tells people exactly what you are proposing while emphasizing your long-held belief that education and advanced skills are absolutely central to our economic future and unifying disparate pieces of legislation into a single theme, backed by an understandable legal entity.

2. It would build upon, and reinforce, the innovative and highly popular education message in the Middle Class Bill of Rights.

3. It would protect key education investments from changes in discretionary caps: Republicans will likely propose discretionary cap reductions and then claim that they are not cutting education. By walling off -- or even asking to wall off -- education -- we protect key education trust funds from being pressured by massive cap reductions.

4. It would help communicate the message of dedicated spending cuts to pay for Education: An Education Trust Fund creates a "dedicated spending cut stream" that allows people to see that we are only funding more investment in important areas by cuts in other areas. This would replicate the Crime Trust Fund where cuts in federal bureaucracy were used to pay for cops.

5. It would provide an issue to fight for and distinguish our vision: It would enable you to draw a sharp, easily defensible distinction between New Democrats and conservative Republicans. As you cut yesterday's government, education makes clear what your positive vision of government is. Unlike Republicans, New Democrats believe that there is a genuine national interest in educational excellence and that the federal government has a legitimate role in providing innovative support for community-based efforts to achieve excellence -- as shown by the recent DLC/PPI proposal to increase education and training investments by $17.9 billion over the next five years.

THE CENTRAL CASE AGAINST EDUCATION TRUST FUND:

1. **Unnecessary.** We already have a very strong education message in the Middle Class Bill of Rights. In particular, the tax deduction for higher education expenses is so powerful as to drown out anything else we might do for education in the context of the budget.

2. **Inflexible.** Walling off a category of spending items in the budget could deprive the administration of the flexibility it will need during budget negotiations to strike the deals that are best, all things considered.

3. **Controversial.** The ETF could generate damaging controversy among our supporters, in two respects. (a) Within the education community, proponents of established programs not included in the ETF could raise serious objections. (b) More broadly, proponents of other kinds of investments not similarly protected could protest against the appearance of lowered status or priority.

4. **Counterproductive.** During the forthcoming budget negotiations, we will be trying to make effective arguments against Republican firewalls, particularly for defense. Our capacity to do so could be seriously weakened if we were to propose our own firewall.

5. **Gimmicky.** We are trying to draw a sharp contrast between the seriousness and responsibility of our budget versus the unreality of the Republican effort. The creation of a trust fund could be portrayed as an gimmick.

6. **Unpersuasive.** The ETF makes sense only as a package that combines increased education investments with specific lists of cuts generating revenues to support the proposed spending. But because we have taken many of the most dramatic pork-like cuts off the table during the budget process, our capacity to put forward an attractive cut-and-invest package has been greatly diminished.

ISSUES TO CONSIDER: As suggested by the foregoing arguments, several of your advisors believe that there is a strong case for an Education Trust Fund while others have serious reservations about it. In determining whether to proceed with the Trust Fund and in what form, the following issues appear to be crucial.

1. Walls: While "walls" can protect education investments from the lowering of the caps, our proposing them also can both encourage and legitimize Republicans doing "walls" around defense and possible other areas. Most people expect Republicans to do a defense wall -- and we have already gone along with a crime trust fund that walls off key criminal justice initiatives. Nonetheless, we could be seen as pushing the idea even further and taking away any remaining capacity to criticize them.

2. Good Display vs. Legal Walls: A related issue is whether or not you must have a legal wall -- as was the crime trust fund -- or whether you could just show a budget display of the spending programs you would cut to pay for education. Those who support a display argue that it does not risk looking like a budgetary gimmick and does not advance the proliferation of trust funds. Those in favor of a true trust fund argue that anything less will be seen as showing less conviction and commitment than did the crime bill.

3. Focus on One Investment Area: A major "pro" for advocates of the education trust fund argue that it provides focus on one investment area that people understand and that is central to the Clinton vision. Proponents of other kinds of investments not similarly protected could protest against the appearance of lowered status or priority. Some feel that an education trust fund would send a signal that others areas -- from AIDS to the environment -- are not top priorities.

4. Supporting or Diluting the Middle Class Bill of Rights?: Advocates of the ETF feel that it supports the Middle Class Bill of Rights and gives you a context to draw lines on education as an issue we will fight for -- from GOALS 2000 to job training. The other perspective is that we have a strong education message in our education tax incentive and skill training and that highlighting other programs like GOALS 2000 and Head Start would dilute the presentation of our innovations in the FY 1996 budget.

5. What Should be in an Education Trust Fund?: If we do an education trust fund, a significant issue is what we should include. One type of list would be comprehensive, including both new Democrat ideas as well as traditional education establishment priorities. The advantage of this approach is that you keep education constituencies satisfied and do not risk downgrading some of your education initiatives by excluding them from the trust fund. Also, while this would lead to including several separate items, it could be argued that there is still a single message of education -- and that you are keeping a bank of interesting ideas to keep your message fresh. The disadvantage of this approach is that it could be seen as a laundry list, and with many items it will be harder to provide as easy and simple a response to charges of pork. The alternative is to focus on a shorter list of programs that exemplify the most innovative portions of your education agenda.

POTENTIAL BUDGET

		Increase from FY1995
1.	Head Start	$400 million
2.	GOALS 2000	$342 million
3.	Chapter One	$310 million
4.	Parenting	$ 10 million
5.	Community Schools	$ 67 million
6.	Charter Schools	$ 14 million
7.	Safe/Drug Free Schools	$ 18 million
8.	School-to-Work	$150 million
9.	National Service	$290 million
10.	National Guard	$ 70 million
11.	Tech. Literacy Challenge	$ 58 million
12.	New ETR Proposal	$890 million
13.	Direct Loans/IEA	

TOTAL New Spending $2.549 Billion in FY1996

FIVE YEAR TOTAL $10-$20 Billion

Education Tax Incentive $25 billion

> **NOTE:** These funding increases seem adequate under current budget constraints, although slight increases in Charter Schools and Parenting might help you highlight those areas more.
>
> **Spending Cuts:** If you are interested in this idea, we will need to work with OMB to come up with a list of spending cuts that can be identified to pay for the education programs.

RECOMMENDATION:

While we do not underestimate the practical difficulties that would have to be addressed to implement the Trust Fund, on balance we believe that its advantages outweigh its disadvantages, and we recommend that you endorse it. An education trust fund provides an investment focus that we can communicate, it would provide a mechanism to wall off education priorities from extreme cuts in discretionary caps, and it could be used to communicate that we are cutting spending to fund these priorities -- not adding new spending. Secretary Riley supports the Education Trust Fund concept, but he believes that its presentation and message should stress national goals and local flexibility to meet them -- not just the preservation and enhancement of federal categorical programs, however meritorious they may be.

[redacted]

THE PRESIDENT HAS SEEN
12-27-94

Mr. President:

Kit Ashby sent the attached article from Business Week entitled, "You can't cut taxes and balance the budget."

Grover
Cathy
B

[redacted]

- Rubin
- Sperling
- George S.
- Rivlin
- Panetta

[redacted]

THE PRESIDENT HAS SEEN
12-27-94

Economic Viewpoint

BY RUDI DORNBUSCH

YOU CAN'T CUT TAXES AND BALANCE THE BUDGET

UGLY TRUTH: Newt Gingrich's proposals simply won't work. In fact, they threaten to undo the unprecedented soft landing the Fed seems to be engineering

Rudi Dornbusch is professor of economics and management at Massachusetts Institute of Technology

The sheer political genius of the 10 theses nailed to the door of the House of Representatives by Martin Luther Gingrich is its mix of cliché and radicalism: reckless tax cuts, merciless trimming of bloated government, and tax breaks ranging from allowances for legitimate children to lower capital-gains rates. Who cares whether the Contract With America can be fulfilled? The public wants change, he who shouts loudest gets the floor, and Newt Gingrich gets a chance to undo 60 years of U.S. public policy.

There is a lot that's positive about Newt's testament. Tort reform to limit megasettlements in liability suits is an obvious example. Serious welfare reform that requires useful work is another. Crime fighting goes on the plus list, as does pruning down congressional procedures.

PROMISES, PROMISES. But there is one field where the contract goes perversely wrong: The promise of tax cuts and a balanced budget just isn't feasible. There are two acceptable outcomes. One is that, having served its political purpose, the tax-cut proposal proves to be mere talk. The other is that Congress actually cuts spending vigorously while taxpayers collect all the tax cuts and breaks they were promised. But a third possibility—and the probable outcome—is that there will be a tax cut without the spending trim. In today's economy, that would cause a big expansion, overheating, inflation, and high interest rates.

Cutting the deficit means laying our hands on $200 billion. But the contract's various tax cuts and tax breaks will reduce revenue by at least that much, so the spending cuts required to balance the budget will double, to $400 billion. That inevitably means taxing the middle class or cutting back its benefits. Why the middle class? As Willy Sutton observed of banks, that's where the money is.

But it isn't going to happen: The middle class is America, so going after the middle class would be political suicide. And going after the rich or the poor in pursuit of balanced budgets is not worth the trouble. Therefore, just forget the whole balanced-budget-limited-taxes package.

Even so, the notion of tax cuts isn't going to go away. Gingrich's radicals have seized center stage and can't abandon the politically potent idea. If they yield, they will be hooked off the stage, just as President Clinton was when he failed to deliver on his election promise to be a New Democrat.

That raises the dangerous possibility of out-and-out competition between the President and the GOP for tax cuts as the economy heads into the next election. Most likely, what otherwise might be budget improvements will be frittered away with a downpayment on the big tax cuts ahead. But Congress may go further: Why not espouse supply-side doctrine and predict that cuts are the seeds of plentiful tax revenues, adopt a so-called "dynamic" budget forecast, and aim for serious cuts in taxes?

It is worth remembering the rhetoric of the early 1980s: Tax cuts beget growth, and growth begets revenue. There is a virtuous merry-go-round, with free rides for everyone. We did not see it in the 1980s, and we won't see it this time around. It simply isn't true that people who pay less in taxes save more and work harder. They get to keep more, and in most cases that is the end of the story. Thus, the contract's American Dream Savings Accounts or reduced capital-gains tax rates are sure to be popular, but they bring little on the supply side.

Of course, Congress might ditch deficit worries altogether. In other words, run open deficits again, as in the early 1980s. In time, a crunch will result in spending discipline.

GOLDEN GOOSE. In an underemployed economy, tax cuts are splendid. But at full employment, they are nice only if matched by reductions in spending. Either Congress legislates major spending cuts, which I doubt, or else the Fed will bring them about by hiking interest rates. On the macroeconomic side, the U.S. economy has done extremely well. There is no inflation to speak of (yet), growth has been strong, there is full employment by almost anyone's definition, balance sheets have blossomed in the sunshine of cheap money, deficits have declined, investment is up. The unprecedented soft landing that is now being piloted by the Fed holds out the promise that moderate growth in output, employment, real wages, and profits could go on for years without the setback of boom and bust.

Trimming entitlements and wasteful government programs—from farm subsidies to trade restrictions—remains the top priority. A tax reduction now is the surest way of derailing the American dream. It is a contract with the devil.

To: Bill Galston
FYI - B

THE PRESIDENT HAS SEEN
12-27-94

The Bell Curve

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The Bell Curve provides a superb and unusual opportunity for insight into the meaning of experiment as a method in science. Reduction of confusing variables is the primary desideratum in all experiments. We bring all the buzzing and blooming confusion of the external world into our laboratories and, holding all else constant in our artificial simplicity, try to vary just one potential factor at a time. But we often cannot use such an experimental method, particularly for most social phenomena when importation into the laboratory destroys the subject of our investigation -- and then we can only yearn for simplifying guides in nature. If the external world therefore obliges and holds some crucial factors constant for us, then we can only offer thanks for this natural boost to understanding.

When a book garners as much attention as The Bell Curve has received, we wish to know the causes. One might suspect content itself -- a startlingly new idea, or an old suspicion now verified by persuasive data -- but the reason might well be social acceptability, or just plain hype. The Bell Curve contains no new arguments and presents no compelling data to support its anachronistic social Darwinism. I must therefore conclude that its initial success in winning such attention (to be followed, in due course, by eclipse as careful reading lays bare the fallacies of argument) must reflect the depressing temper of our time -- a historical moment of unprecedented ungenerosity, when a mood for slashing social programs can be so abetted by an argument that beneficiaries cannot be aided due to inborn cognitive limits expressed as low IQ scores.

The Bell Curve rests upon two distinctly different but sequential arguments, which together encompass the classical corpus of biological determinism as a social philosophy. The first claim (chapters 1-12) rehashes the tenets of Social Darwinism as originally constituted. ("Social Darwinism" has often been used as a general term for any evolutionary argument about the biological basis of human differences, but the initial meaning referred to a specific theory of class stratification within industrial societies, particularly to the idea that a permanently poor underclass consisting of genetically inferior people precipitated down into their inevitable fate.)

This social Darwinian half of The Bell Curve arises from a paradox of egalitarianism. So long as people remain on top of the social heap by accident of a noble name or parental wealth, and so long as members of despised castes cannot rise whatever their talents, social stratification will not reflect intellectual merit, and brilliance will be distributed across all classes. But when true equality of opportunity is attained, then smart people rise and the lower classes rigidify by retaining only the intellectually incompetent.

This 19th century argument has attracted a variety of 20th century champions, including Stanford psychologist Lewis M. Terman who imported Binet's test from France and developed the Stanford-Binet IQ scale with its hereditarian interpretation (which Binet had vigorously rejected in developing this style of test), and, closer to our own day, Prime Minister Lee Kwan Yew of Singapore, and Richard Herrnstein, coauthor of The Bell Curve and of a 1971 Atlantic Monthly article based on the same argument minus the documentation. The general claim, with its foundational paradox, is neither uninteresting nor illogical, but it does require the validity of two shaky premises, both asserted (but hardly discussed or defended) in The Bell Curve: (1) the high heritability of IQ (probably true but not very interesting, and not bearing its usual vernacular meaning of inevitability in any case), and (2) the meaningfulness of abstracting intelligence as a single number capable of ranking people in linear order (almost surely false, and the fatal flaw in part one of The Bell Curve, as I shall discuss later).

The second claim (chapters 13-22), the lightning rod for most commentary, extends the argument for innate cognitive stratification by social class to a claim for inherited racial differences in IQ -- small for Asian superiority over Caucasian, but large for Caucasians over people of African descent. Again, the argument is as old as the study of race. The last generation's discussion centered upon the sophisticated work of Arthur Jensen (far more elaborate and varied than anything presented in The Bell Curve, and therefore still a better source for grasping the argument and its fallacies), and the cranky advocacy of William Stockley.

The central fallacy in extending the substantial heritability of within-group IQ (among whites, for example) to the cause of average differences between groups (whites vs. blacks, for example) is now well known and acknowledged by all, including Herrnstein and Murray, but deserves a restatement by example. Take a trait far more heritable than anyone has ever claimed for IQ, but politically uncontroversial -- body height. Suppose that I measure adult male height in a poor Indian village beset with pervasive nutritional deprivation. Suppose the average height of adults is 5 feet 6 inches, well below the current American mean of about 5 feet 9 inches. Heritability within the village is high -- meaning that tall fathers (they may average 5 feet 8 inches) tend to have tall sons, while short fathers (5 feet 4 inches on average) tend to have short sons. This high heritability within the village does not mean that better nutrition might not raise average height to 5 feet 10 inches (above the American mean) in a few generations. Similarly the well documented 15 point average difference in IQ between blacks and whites in America, with substantial heritability of IQ in family lines within each group, permits no conclusion that truly equal opportunity might not raise the black average to equal or surpass the white mean.

Since Herrnstein and Murray know and acknowledge this critique, they must construct an admittedly circumstantial case for attributing most of the black-white mean difference to irrevocable genetics -- while properly stressing that the average difference doesn't help you at all in judging any particular person because so many individual blacks score above the white mean in IQ. Quite apart from the rhetorical dubiety of this old ploy in a shopworm genre -- "some-of-my-best-friends-are-group-x" -- Herrnstein and Murray violate fairness by converting a complex case that can only yield agnosticism into a biased brief for permanent and heritable difference. They impose this spin by turning every straw on their side into an oak, while mentioning but downplaying the strong circumstantial case for substantial malleability and little average genetic difference (impressive IQ gains for poor black children adopted into affluent and intellectual homes; average IQ increases in some nations since World War II equal to the entire 15 point difference now separating blacks and whites in America; failure to find any cognitive differences between two cohorts of children born out of wedlock to German women, and raised in Germany as Germans, but fathered by black and white American soldiers).

I am disturbed by the anachronism of The Bell Curve, but I am even more distressed by its pervasive disingenuousness in three categories of content, argument, and program.

Disingenuousness of content: The ocean of carefully engineered publicity that has engulfed The Bell Curve since its publication has a basis in what Murray and Herrnstein (New Republic, October 31, 1994) call "the flashpoint of intelligence as a public topic: the question of genetic differences between the races." And yet, since the day of publication, Murray has been temporizing and denying that race is an important subject in the book at all; instead, he blames the press for unfairly fanning these particular flames. He writes with Herrnstein (who died just a month before publication) in the New Republic: "Here is what we hope will be our contribution to the discussion. We put it in italics; if we could we would put it in neon lights: The answer doesn't much matter."

Fair enough in the narrow sense that any individual may be a rarely brilliant member of an averagely dumb group (and therefore not subject to judgment by the group mean), but Murray cannot deny that The Bell Curve treats race as one of two major topics, given as much space as the first subject of cognitive stratification within groups; nor can he pretend that strongly stated claims about group differences have no political impact in a society obsessed with the meanings and consequences of ethnicity. The very first sentence of The Bell Curve's preface acknowledges equality of treatment for the two subjects of individual and group differences: "This book is about differences in intellectual capacity among people and groups and what these differences mean for America's future." And Murray and Herrnstein's New Republic article begins by identifying racial difference as the key subject of interest: "The private dialogue about race in America is far different from the public one."

Disingenuousness of argument: The Bell Curve is a rhetorical masterpiece of scientism, and the particular kind of fear and obfuscation that numbers impose upon nonprofessional commentators. The book runs for 845 pages, including more than 100 pages of appendices filled with figures. So the text looks complicated, and reviewers shy away with a knee-jerk claim that, while they suspect fallacies of argument, they really cannot judge. so Mickey Kaus writes in the New Republic (October 31st): "As a lay reader of The Bell Curve, I'm unable to judge fairly," as does Leon Wieseltier in the same issue: "Murray, too, is hiding the hardness of his politics behind the hardness of his science. And his science for all I know is soft... Or so I imagine. I am not a scientist. I know nothing about psychometrics." Or Peter Passell in the New York Times (October 27, 1994): "But this reviewer is not a biologist, and will leave the argument to experts."

In fact, the book is extraordinarily one-dimensional. It makes no attempt to survey the range of available data, and pays astonishingly little attention to the rich and informative history of this contentious subject (one can only recall Santayana's dictum, now a cliché of intellectual life: "those who cannot remember the past are condemned to repeat it"). Virtually all the analysis rests upon a single technique applied to a single set of data -- all probably done in one computer run. (I do agree that they have used the most appropriate technique -- multiple regression -- and the best source of information -- The National Longitudinal Survey of Youth -- though I shall expose a core fallacy in their procedure below. Still, claims as broad as those advanced in The Bell Curve simply cannot be adequately defended -- that is, either properly supported or denied -- by such a restricted approach.)

The blatant errors and inadequacies of The Bell Curve could be picked up by lay reviewers if they would only not let themselves be frightened by numbers -- for Herrnstein and Murray do write clearly and their mistakes are both patent and accessible. All seem sufficiently willful to substantiate a charge of disingenuousness. I would rank the fallacies in two categories: omissions and confusions, and content.

Omissions and confusions: While disclaiming on his own ability to judge, Mickey Kaus (in the New Republic) does correctly identify "the first two claims: that are absolutely essential "to make the pessimistic 'ethnic difference' argument work": "(1) that there is a single, general measure of mental ability; (2) that the IQ tests that purport to measure this ability ... aren't culturally biased."

Nothing in The Bell Curve angered me more than the authors' failure to supply any justification for their central claim, the sine qua non, without which the entire argument collapses to meaninglessness: the reality of IQ as a number capturing a real property in the head, and known as g, the celebrated "general factor" of intelligence first identified by Charles Spearman in 1904. Murray and Herrnstein simply proclaim the issue decided, as in this passage from their New Republic article: "Among the experts, it is by now beyond much technical dispute that there is such a thing as a general factor of cognitive ability on which human beings differ and that this general factor is measured reasonably well by a variety of standardized tests, best of all by IQ tests designed for that purpose."

Such a statement represents extraordinary obfuscation, achieved by defining "expert" as "that group of psychometricians working in the tradition of *g* and its avatar IQ." The authors even admit (pp. 14-19) that there are three major schools of psychometric interpretation and that only one supports their view of *g* and IQ -- the classicists ("intelligence as a structure"), the revisionists ("intelligence as information processing"), and the radicals ("the theory of multiple intelligences").

Whichever group is right (and I lean towards the third), the issue cannot be decided or even understood, without discussing the key and only rationale that *g* has maintained since Spearman invented the concept in 1904 -- factor analysis. The fact that Herrnstein and Murray do not present the factor analytic argument at all (the subject receives fleeting attention in two paragraphs) provides a central indictment and illustration of the vacuousness of The Bell Curve. How can authors base an 800-page book on a claim for the reality of IQ as measuring a genuine, and largely genetic, general cognitive ability -- and then not even mention, either pro or con, the theoretical basis for their certainty. Various clichés like "Hamlet without the Price of Denmark" come immediately to mind.

Admittedly, factor analysis is a difficult and mathematical subject, but it can be explained to lay readers with a geometrical formulation developed by L.L. Thurstone in the 1930's and used by me in a full chapter on factor analysis in The Mismeasure of Man (W.W. Norton, 1981). In brief, a person's performance on various mental tests tends to be positively correlated -- that is, if you do well on one kind of test, you tend to do well on the others. (Scarcely surprising and subject to either purely genetic -- the innate thing in the head that boosts all performances -- or purely environmental interpretation -- good books and good childhood nutrition to boost all performances. Therefore, the positive correlations say nothing in themselves about causes.)

Charles Spearman used factor analysis to identify a single axis -- which he called *g* -- that best captures the common correlation among the tests (for aficionados, this is the first principal component of the correlation matrix). But Thurstone later showed that *g* could be made to disappear by simply rotating the factor axes to different positions. In one rotation, Thurstone placed the axes near the most widely separated of attributes among the tests -- thus giving rise to the theory of multiple intelligences (verbal, mathematical, spatial, etc., with no overarching *g*) supported later by J.P. Guilford and today, most prominently, by Howard Gardner. In this perspective, *g* cannot have inherent reality, for it emerges in one form of mathematical representation for correlations among tests, and disappears (or at least greatly attenuates) in another form that is entirely equivalent in amount of information explained. In any case, you can't grasp the issue at all without a clear exposition of factor analysis -- and The Bell Curve cops out completely on this central concept of its being.

On Kaus's second issue of "cultural bias," The Bell Curve's presentation matches Arthur Jensen's, and that of other hereditarians, in confusing a technical (and proper) meaning of bias (I call it S-bias for statistical) with the entirely different vernacular concept (I call it V-bias) that agitates popular debate. All these authors swear up and down -- and I agree with them completely -- that the tests are not biased in the statistician's definition. This means that the same score, when achieved by members of different groups, predicts the same thing -- that is, a black person and a white person with an identical score of 100 will have the same probabilities for doing anything that IQ is supposed to predict. Well, I should hope that mental tests aren't S-biased, for the profession isn't worth very much if it can't eliminate such an obvious source of unfairness by careful choice and framing of questions.

But V-bias, the source of public concern, embodies an entirely different issue that, unfortunately, uses the same word. The public wants to know whether blacks average 85 and whites 100 because society treats blacks unfairly -- that is, whether lower black scores record biases in this social sense. And this crucial question (to which we do not know the answer) cannot be addressed by a demonstration that S-bias doesn't exist (the only issue treated, however correctly, by The Bell Curve).

Content: As stated above, virtually all the data in The Bell Curve derive from one analysis -- a multiple regression of the social factors that agitate us (crime, unemployment, births out of wedlock, etc.) against both IQ and parental socioeconomic status. The authors use a single technique and concept (which I do regard as most appropriate for the data). They first hold IQ constant and consider the relationship of social factors to parental socioeconomic status. They then hold socioeconomic status constant and present the relationship of the same social factors with IQ. In general, they find a higher correlation with IQ than with socioeconomic status (for example, people with low IQ are more likely to be chronically dependent upon welfare than people whose parents had low socioeconomic status).

But such analyses engage two issues -- form and strength of the relationship -- and Herrnstein and Murray only discuss the one factor that seems to support their viewpoint, while virtually ignoring (and in one key passage almost wilfully and purposely hiding) the other factor that counts so profoundly against them. Their numerous graphs only present the form of the relationships -- that is, they draw the regression curves of their variables against IQ and parental socioeconomic status. But they scarcely talk about the strength of these relationships -- that is, the amount of variation in social factors (dependent variables) explained by their independent variables of IQ and socioeconomic status. They do not show anything about strength of relationship in their graphs, for they only plot the regression curve and do not show the scatter of variation about the curve -- in violation of all statistical norms that I ever learned.

Now why would they focus on the form and ignore the strength? Could it be that one supports their view and the other does not? Indeed, almost all of their relationships are very weak -- that is, very little of the variation in social factors is explained by either IQ or socioeconomic status (even though the form of this little bit lies in their favored direction). In short, IQ is not a major factor in determining variation in nearly all the social factors they study -- and their vaunted conclusions thereby collapse, or become so strongly attenuated that their pessimism and conservative social agenda gain no significant support.

They do admit as much in one crucial passage on page 117, but then they hide the pattern as I shall show. They write: "It almost always explains less than 20 percent of the variance, to use the statistician's term, usually less than 10 percent and often less than 5 percent. What this means in English is that you cannot predict what a given person will do from his IQ score... On the other hand, despite the low association at the individual level, large differences in social behavior separate groups of people when the groups differ intellectually on the average." Despite this disclaimer, their remarkable next sentence makes the strong causal claim: "We will argue that intelligence itself, not just its correlation with socioeconomic status, is responsible for these group differences." But a few percent of statistical determination is not causal explanation. And the case is even worse for their key genetic claims -- for they are citing heritabilities of about 50 percent for IQ, so you must halve the few percent explained if you want to isolate the strength of genetic determination by their criteria!

Both God and the devil do dwell in the details. My charge of disingenuousness receives its strongest affirmation in a sentence tucked away on the first page of appendix 4, page 593, where the authors state: "In the text, we do not refer to the usual measure of goodness of fit for multiple regressions, R^2, but they are presented here for the cross-sectional analysis." Now why would they exclude from the text, and relegate to an appendix that very few people will read or even consult, a number that, by their own admission, is "the usual measure of goodness of fit." I can only conclude that they did not choose to admit up front the extreme weakness of their vaunted relationships -- for, and we finally come to the key point, R^2 is the <u>square</u> of the correlation coefficient.

Herrnstein and Murray's correlation coefficients are generally low enough by themselves to inspire lack of confidence. (Correlation coefficients run from 0.0 for no relationship between variables to 1.0 for perfect linear relationship.) Most of their correlations, not atypically for such large social science surveys involving many variables, are quite weak -- often in the 0.2 to 0.4 range. Now 0.4 sounds respectably strong to the untutored ear. But remember that the square of a number between zero and one is less than the number itself -- so a 0.4 correlation yields an r-squared of only 0.16, and this conventional coefficient of determination (the percentage of variation in the dependent variable explained by the independent variable) truly exposes the weakness, in any meaningful vernacular sense, of nearly all the relationships that form the meat of The Bell Curve. Study appendix 4 and note the weakness (the vast majority less than 0.1) of nearly all the conventional measures of R^2 excluded from the main body of text.

Disingenuousness of program: As with so many conservative ideologues who rail against a largely bogus ogre of suffocating political correctness, Herrnstein and Murray claim that they only want a hearing for unpopular views so that truth will out. (And here, for once, I agree entirely. As a card carrying first amendment (near) absolutist, I applaud the publication of unpopular views that some people consider dangerous. I am delighted that The Bell Curve was written -- so that its errors could be exposed, for Herrnstein and Murray are right in pointing out the difference between public and private agendas on race, and we need to impact the private agendas as well).

But The Bell Curve is scarcely an academic treatise in social theory and population genetics. It is a manifesto of conservative ideology, and I hope I have shown that the book's sorry and biased treatment of data records its primary purpose of advocacy above all. We hear the dreary and scary drumbeat of claims associated with conservative think tanks -- reduction or elimination of welfare, ending of affirmative action in schools and workplaces, cessation of Head Start and other forms of preschool education, cutting of programs for slowest learners and application of funds to the gifted (Lord knows I would like to see more attention paid to talented students, but not at this cruel price).

The penultimate chapter presents a dreary vision of a society with a growing underclass permanently mired in the inevitable sloth of their low IQ's. They will take over our city centers, keep having illegitimate babies (for many are too stupid to practice birth control), commit more crimes and ultimately require a kind of custodial state, more to keep them in check (and out of our high IQ neighborhoods) than in any hope of an amelioration that low IQ makes impossible anyway. Herrnstein and Murray actually write (p. 526). "In short, by custodial state, we have in mind a high-tech and more lavish version of the Indian reservation for some substantial minority of the nation's population, while the rest of America ties to go about its business."

The final chapter then tries to suggest an alternative, but I have never ready anything so feeble, so unlikely, so almost grotesquely inadequate. They yearn romantically for the "good old days" of towns and neighborhoods where all people could be given tasks of value and self-esteem could be found for all steps in the IQ hierarchy (so Forrest Gump might collect the clothing for the church raffle, while Mr. Murray and the other bright ones do the planning and keep the accounts. Have they forgotten about the town Jew and the dwellers on the other side of the tracks in many of these idyllic villages?). I do believe in this concept of neighborhood. I will fight for its return. I grew up in one within that mosaic known as Queens, New York City, but can anyone seriously find solutions (rather than important palliatives) to our social ills therein?

But then, if Herrnstein and Murray are wrong about IQ as an immutable thing in the head, with humans graded in a single scale of general capacity, leaving large numbers of custodial incompetents at the bottom, then the model that generates their gloomy vision collapses, and the wonderful variousness of human abilities, properly nurtured, reemerges -- and we must fight the doctrine of <u>The Bell Curve</u> both because it is wrong and because it will, if activated, cut off all possibility of proper nurturence. Of course we cannot all be rocket scientists or brain surgeons (to use the two current slang synecdoches for smartest of the smart), but those who can't might be rock musicians or professional athletes (and gain far more social prestige and salary thereby) -- while others will indeed serve by standing and waiting.

I closed the chapter in my <u>Mismeasure of Man</u> on the unreality of <u>g</u> and the fallacy of regarding intelligence as a single scaled innate thing-in-the-head (rather than a rough vernacular term for a wondrous panoply of largely independent abilities) with a marvelous quote from John Stuart Mill, well worth repeating to debunk this generation's recycling of biological determinism for the genetics of intelligence:

> The tendency has always been strong to believe that whatever received a name must be an entity or being, having an independent existence of its own. And if no real entity answering to the name could be found, men did not for that reason suppose that none existed, but imagined that it was something particularly abstruse and mysterious.

THE PRESIDENT HAS SEEN
12-27-94

① Nancy
② Potus

MEMORANDUM

TO: THE PRESIDENT

FROM: BETTY CURRIE

RE: ELIZABETH DOLE

DATE: DECEMBER 21, 1994

Called him

I CHECKED WITH LEGISLATIVE AFFAIRS ON WHERE TO PLACE THE CALL TO SENATOR DOLE (MRS. DOLE HAD SURGERY YESTERDAY). THEY ARE STILL IN MASSACHUSETTS, BUT THEY PLAN TO MOVE HER TO ANOTHER HOSPITAL IN THE AREA.

AS A RESULT, THE SENATOR IS UNAVAILABLE BY PHONE FOR SOME TIME. LEGISLATIVE AFFAIRS REQUESTED A TIME THE SENATOR COULD CALL YOU. THE SCHEDULE ALLOWED LITTLE "EXTRA" TIME FOR A CALL.

LEGISLATIVE AFFAIRS WANTED TO KNOW IF THEY COULD LET THE SENATOR KNOW YOU WERE ATTEMPTING TO PLACE CALL. IF HE RETURNED THE CALL, FINE. IF NOT, AT LEAST THE SENATOR GOT THE WORD.

FINE - LEAVE MESSAGE______________

I WANT TO TALK SENATOR OR MRS. DOLE____________

THE WHITE HOUSE

WASHINGTON

December 27, 1994

To: Leon Panetta
Harold Ickes

Fr: Todd Stern, Todd

In case you didn't see this piece in the Times, I think it is something that we should jump all over -- a new cop killer bullet called the "Black Rhino" that escapes the federal ban merely because the maker has managed to construct it out of plastic rather than metal. This is what the CEO of the company who makes the bullet says:

> "It causes a horrific wound. That's not by accident. It's engineered by design. The round disintegrates as it hits. There's no way to stop the bleeding. I don't care where it hits. They're going down for good."

I expect that our Crime Bill brigade is probably on this, but I thought I'd mention it to you just in case.

cc: Rahm Emanuel
Ron Klain — @ Dept of Justice

Company's Destructive New Ammunition Has Critics

By The Associated Press

An Alabama company that makes coatings for radar-evading aircraft is producing and plans to market two types of destructive handgun ammunition that escape a Federal ban on such fragmenting rounds because they are made of carbon-based plastics called polymers, rather than metal.

Police groups and gun-control advocates are objecting to the two new types of ammunition, which the company plans to market by mid-January. One is designed to do maximum damage to human tissue; the other is intended penetrate body armor.

The inventor, a research chemist, defended the new ammunition as "a strictly defensive round" for people protecting themselves against attackers and intruders.

The maker, Signature Products Corporation of Huntsville, Ala., says the bullets break into thousands of razorlike fragments when they strike human flesh, the fragments becoming lethal shrapnel that "is hurled into vital organs, lungs, circulatory system components, the heart and other tissues." It also said death was "nearly instantaneous."

"The beauty behind it is that it makes an incredible wound," said the inventor, David Keen, chief executive of Signature Products. "That makes the target stop and worry about survival instead of robbing or murdering you."

What makes police officers stop and worry is the concern that criminals will obtain the armor-piercing rounds, which have been named Black Rhinos, making officers' bulletproof vests worthless.

"Once they're on the market, they're out," said Beth McGee of the National Association of Police Organizations. "They can get into the wrong hands."

But Mr. Keen argued: "What if an antitank round falls into the wrong hands? I cannot promise anyone this round won't fall into the wrong hands. I can assure you we will sell only to the right people."

The version that pierces body armor has a convex point intended to penetrate bullet-stopping materials like Kevlar. Once it reaches soft flesh, Mr. Keen said, it is as destructive as the other bullet, which has been given the trademark Rhino-Ammo.

When the cold war ended and defense contracts dropped off, Mr. Keen said, his company needed new markets for its technology, and ammunition seemed to be the ticket, particularly rounds designed to be effective even in weapons wielded by people inexperienced with handguns.

"It causes a horrific wound," Mr. Keen said. "That's not by accident. It's engineered by design. The round disintegrates as it hits. There's no way to stop the bleeding.

"I don't care where it hits. They're going down for good."

Mr. Keen said the new ammunition would be sold only to police departments and by the nearly 250,000 federally licensed firearms dealers. But others fear the potential uses.

"It's nonsporting ammo," said Bob Walker, a lobbyist for Handgun Control, a group headed by Sarah Brady, wife of James Brady, the former White House press secretary who was disabled by a bullet meant for President Ronald Reagan in 1981. "The concern is that it's basically increasing firepower that's out there."

In 1986, Congress banned the manufacture of "cop killer" ammunition that was Teflon-coated or made of certain metal alloys. The crime bill passed this year broadened the ban to include other metal-alloy ammunition.

Two bullets that shatter into lethal fragments escape a Federal ban.

"Cop killers" are any bullets that can penetrate a bulletproof vest, like the Black Rhino can. But because Rhino rounds are made of polymers, they sidestep the ban.

"There's nothing illegal under Federal law" about Rhino ammunition, said Jack Killorin, a spokesman for the Federal Bureau of Alcohol, Tobacco and Firearms.

New types of ammunition come onto the market all the time, with little reason as to why some types get banned.

One especially destructive type of ammunition was yanked off the market voluntarily after a public uproar. That type, the Black Talon, which peels back upon impact and creates gaping wounds, prompted several members of Congress to propose stiff taxes on it to offset the costs of treating such wounds.

Black Talons, made by the Winchester division of the Olin Corporation, are now legally available only to police departments. But imitations are readily available, forensic experts said, and such ammunition figured in the killing of six commuters and the wounding of 19 on a Long Island Rail Road train last year.

Black Talons belong to a category of metal rounds, commonly called hollow points, that fragment or flatten on impact. As deadly as hollow points can be, they pale in comparison to the new ammunition because a much larger proportion of it fragments upon impact.

The new ammunition will sell for $4 a round, or about seven times as much as traditional ammunition, and will come with a guarantee of complete satisfaction, Mr. Keen said.

George Kass of Forensics Ammunition Service, a consultant to local, state and Federal police agencies, said the price could lure the wrong buyers. "The mentality on the street is that if something costs more, it's better," Mr. Kass said. "Every kook in the world is going to go out and buy it."

Mr. Keen said that he supported gun control and favored the Federal ban on assault weapons but that he was not concerned over criticism of his products.

"I think we should only have gu[ns] in the hands of law-abiding citizen[s]," he said. "And the only reason peo[ple] should have guns is to defend the[m]selves until they can summon la[w] enforcement. I sleep real well [at] night. You break into my hous[e], you're dead."

Associated Pre[ss]

David Keen, displaying a cartridge his company will market that ca[n] penetrate body armor, defends the product. Others are less admiring.

THE PRESIDENT HAS SEEN
12-27-94

THE WHITE HOUSE
WASHINGTON

VP – we need to
discuss + set up contrast
between this and our
regulatory review
BC

Panetta – thru Todd Stern

December 23, 1994

MEMORANDUM FOR THE PRESIDENT

THROUGH: GEORGE STEPHANOPOULOS

FROM: MICHAEL WALDMAN MW
SALLY KATZEN SK
KATIE MCGINTY

SUBJECT: THE REAL-WORLD IMPACT OF GOP REGULATORY PROPOSALS

The regulatory agenda embedded in the Contract With America and other pending GOP proposals would have a direct and deeply harmful effect on the federal government's ability to protect public health, the environment, and consumer safety. However, rather than baldly seeking to repeal the Clean Water Act, Food Drug and Cosmetic Act, or any other popular laws, the GOP seeks to tie up the regulatory Gulliver with dozens of new procedures, requirements, delays and opportunities for lawsuits. It's not regulatory reform, it's regulatory rigor mortis.

This memorandum sets forth some of the best examples -- culled from the agencies by OIRA and the Office on Environmental Policy -- that could be publicly used to dramatize the impact of the GOP proposals. (It does not deal with the unfunded mandates proposal or the takings proposal, both of which are being analyzed through a separate policy process. In addition, it does not deal with the Contract's regulatory flexibility or Paperwork Reduction Act proposals, with which we generally agree.)

I. THE CONTRACT'S REGULATORY PROVISIONS: THE "JOB CREATION AND WAGE ENHANCEMENT ACT"

Through a variety of procedural means, the "Contract" would tie up the regulatory system and bring much federal regulatory activity virtually to a halt.

A. A tangle of cost-benefit and risk analyses

The Contract would create extraordinary new burdens of red tape and delay. Currently, federal law and our executive order require federal agencies to undertake a cost-benefit analysis of proposed actions at two different points in the process. Such requirements currently apply to "significant rules," those that would have an annual impact of $150 million or more on the economy or are precedential in some important respect.

Summary

- *Delay.* The GOP "Contract" will require a time-consuming, 23-part cost-benefit analysis to be performed for any action that affects <u>100 people</u> or <u>$1 million</u> in economic activity. This would apply to virtually all regulatory actions taken by the government.

- *Scientific second-guessing.* A separate analysis of the risk posed by the regulated activity or substance would have to be conducted, and then reviewed by outside "peer review" panels. These committees can include scientists from the regulated industry, and would have the ability to reject the agency's analysis and force it to start over.

- *Litigation explosion.* At any point, a citizen can sue to bring the process to a halt, by challenging the way the agency's analyses were conducted. Judges would become deeply involved in second-guessing and rewriting regulations: instead of determining whether the agency's actions were "arbitrary and capricious," courts would be required to delve into the details of the agency's scientific and economic analysis.

The results:

- *Lead and mercury poisoning.* For decades, the FDA has used "action levels" to determine the proper level of certain unavoidable, naturally occurring poisons (such as lead in pottery, mercury in fish from a polluted lake, etc.). The agency never conducted a full-blown risk-assessment analysis, since doing so would be arduous, expensive, and not worth the effort. If the Contract goes into effect, the FDA could not regulate these substances until new, elaborate risk analyses were completed and litigated -- so effective regulation of lead and mercury contamination would halt for years.

- *Airplane safety.* The FAA would have to perform a cost-benefit analysis, with endless lawsuits and delay, before ordering a particular type of airplane grounded -- or even before ordering equipment changed.

- *Workplace safety.* In 1992, a flash fire in Hamlet, North Carolina, killed 25 poultry workers who were prevented from escape by a locked emergency door. OSHA promptly required that emergency exits be unlocked. If the Contract's regulatory provisions were in place, the agency would have had to wait for months to comply with new notice requirements; would have had to conduct an extensive cost-benefit analysis; and could have been stopped at any point by industry lawsuits.

- *Delays that last longer than the regulation's effect.* Some fisheries, such as the $1 billion pollack fishery in Alaska, can be reopened each year only when the Commerce Department issues a regulation (taking into account the most recent biological data). The delays under the Contract would mean that by the time the regulation was completed, the fishing season would be over for the year.

B. <u>New rights for regulatory violators</u>

Under the Contract, firms facing <u>enforcement</u> would be freed from scrutiny.

Summary

- *Tipping-off violators.* The "Contract" would require the federal government to warn a private party of any investigation that has begun. The firm could not even be questioned until it had time to assemble its accountants and lawyers -- and, if it so chose, to conceal or tamper with evidence.

- *Yet more litigation.* Any person who felt that he was being subject to "inconsistent, discriminatory, or disproportionate enforcement" could seek "Whistleblower" protection and bring a lawsuit against the very agency that is seeking to enforce the law. In other words, a polluter facing action by EPA could allege that a similar site had not been targeted, and thereby tie up the enforcement in litigation.

- *Freedom not to cooperate.* Regulated businesses would have the right to "remain silent," as if they were natural persons facing a criminal probe. That means that a business could refuse to show investigators its books.

- *Sanctions against civil servants.* Federal employees would face personal fines of up to $25,000 a day for engaging improper conduct -- i.e., for targeting one firm over another, or even for "mismanagement."

The results:

- *Nursing home fraud.* The Contract would require the Justice Department to notify nursing home operators who are defrauding the government, or mistreating their residents, that an investigation is underway. It would mean an end to undercover investigations.

- *Food stamp fraud.* Similarly, the Contract would require that the target of a food stamp fraud investigation be present at the probe.

- *Money laundering.* The Justice Department believes that the Contract's provisions would require them to notify suspected money launderers that they were being investigated.

- *Truck safety.* The Contract would give regulated businesses the right to "remain silent," as if this were a criminal prosecution. The result: a trucking company could refuse to show federal safety inspectors their logs, letting them cruise the roads with overworked drivers or unsafe rigs.

- *Offshore oil rig safety.* The Contract would bar the Interior Department from making unannounced inspections of offshore oil rigs, as is now required by federal statute. Among other things, inspectors check the meter to ensure that the rigs are not pumping more oil than the taxpayers have been paid for.

C. <u>Regulatory "budget"</u>

The Contract creates a "regulatory budget," which purports to measure and then limit the cost of regulation to society. Each year, the Budget Committee would allocate to the other authorizing committees their "share" of the regulatory budget, and revisions would be made as part of the annual budget process. It would require a 6.5% reduction in compliance costs annually, until the overall cost of compliance with regulations is 5% of GDP. Like the balanced budget amendment, this simplistic approach has superficial appeal, but would not solve any of the real problems of overregulation or excessive paperwork.

- *Fuzzy numbers.* Such measurements are intrinsically imprecise. Moreover, the budget would not measure the <u>benefits</u> to society of any regulation (e.g., lower cancer rates, lower health care costs, increased economic competition).

- *Congress as regulator.* If the reduction were not made, then the White House -- or the Congress as part of the budget process -- would decree which regulations are repealed. Such changes in worker safety, environmental and other laws would be folded into the annual budget reconciliation bill. Regulations would be subject to repeal even if the benefits outweighed the costs and they were supported by business.

II. GOP'S PROPOSED REGULATORY MORATORIUM

Last week, Sen. Dole and Lott, and Reps. Gingrich and DeLay wrote to you urging that you impose a 100 day moratorium on new regulatory actions. This would replicate the action taken by President Bush in 1992; during his State of the Union address, he proclaimed a regulatory moratorium, which was extended throughout the year. OIRA Administrator Sally Katzen rejected this request; it is expected to take the form of legislation early in the new year.

A moratorium would freeze our ongoing efforts to <u>simplify</u> and reduce regulation. In addition, it would affect vital pending rules:

- *Gulf War Syndrome.* The Department of Veterans Affairs intends to publish a final regulation that would provide assistance to Desert Storm veterans suffering from undiagnosed illnesses that may be the result of their military service in the Persian Gulf. A moratorium would prevent these disabled veterans from receiving compensation payments for their condition.

- *Contaminated meat.* A moratorium would prevent USDA from modernizing regulations to prevent bacteria-contaminated meat from reaching consumers. The new rule would require meat and poultry producers to use up-to-date scientific procedures at the critical stages of the production process. If the freeze takes effect, USDA would continue to rely on largely outdated, unscientific processes.

- *Child labor.* The Department of Labor intends to improve the process by which it designates occupations as hazardous for youths ages 14-17. The department would both simplify existing rules, and take account of new developments in the workplace. A moratorium would leave existing, often archaic rules in place.

ATTACHMENTS

1. *Business Week* article on GOP regulatory agenda.

2. Letter from OIRA Administrator Sally Katzen in response to GOP proposal for a regulatory moratorium.

modities and industrial materials is getting a boost. Indonesia just signed a multibillion dollar deal to develop natural gas with U. S. partners. China's capacity in ethylene and ethylene derivatives (mostly plastics) is likely to rise rapidly enough to meet yearly gains of 10% in demand there for the next decade. In steel, Brazil will remain an important producer, while Korea, Mexico, Poland, and perhaps even Russia could add to supply in coming years. China is expected to produce 20% of the world's steel by the turn of the century, up from 12.6% in 1993, to meet growing domestic demand.

The countries making the economic transition from socialism to capitalism will be searching for new markets in which to sell their commodities and earn hard currency. Russia and other former Soviet republics possess vast reserves of oil, gas, and metals such as copper and aluminum. After dumping aluminum on the markets from 1991 to 1993, the Russians were persuaded last February to cut back sales, and they say they are adhering to the agreement. But producers would be eager to export more aluminum, copper, and other hard-currency earners, says Arkady Mitrovanov, vice-president of Raznoimport, a group that handles imports and exports of nonferrous metals in Russia. Exports of oil and gas, the biggest earners for Russia, could also be ramped up considerably. Oil exports will bring in about $11 billion this year.

COPIOUS CAPACITY. New supplies can't come onstream rapidly, of course, and for intermediate and processed materials, it takes a few years to get new plants up and running. In the meantime, cyclical pressures may well push materials prices higher. But given the potential for copious worldwide capacity and continued stiff competition among global producers, there's no good reason for an inflationary psychology to develop and justify the embedding of cyclical price rises in final goods prices. Price resistance in the U. S. remains strong at both the wholesale and retail levels.

What's remarkable about commodities such as copper today is not their high price, nor even the strong demand that exists for them. What's remarkable, instead, is that inflation-adjusted prices for most major commodities today are at or below levels of 120 years ago—even though consumption has grown forty- or fiftyfold. Commodity prices are notoriously volatile, but the long-term trend—to everyone's economic benefit—is down.

By Karen Pennar in New York, with Stephen Baker in Pittsburgh, Peter Galuszka in Moscow, and bureau reports

Environment

REGULATION

THE GOP'S GUERRILLA WAR ON GREEN LAWS

Newt & Co. plan a procedural overhaul, not a direct attack

Call it the stealth environmental policy. Nowhere in the House Republicans' Contract With America can you find the word "environment." Instead, the pact contains standard regulatory-reform rhetoric—calls for cost-benefit analysis, risk assessment, and the like. And it echoes the Right's clamor for compensation when regulations end up lowering property values.

Yet the document is sending shivers through the Clinton Administration and its supporters in green organizations. They fear that legislation on these concepts would turn the environmental clock back two decades. If GOP House leaders can get fast action in three broad areas (table), they would set the scene for revisiting everything from air-pollution control to pesticide regulation. Even the ban on oil drilling in the Arctic National Wildlife Refuge (ANWR)—an issue environmentalists thought they buried in 1991—may be on the table again. "With one stroke of the pen, they could eviscerate all the environmental laws," says Jessica Landman, a staff lawyer at the Natural Resources Defense Council.

CLOUDY PICTURE. It's a shrewd strategy. Rather than blowtorching such potent symbols as the Clean Air and Endangered Species Acts, House Speaker-to-be Newt Gingrich (R-Ga.) and other GOP leaders are launching a guerrilla attack on arcane regulatory procedures. "You have to give Gingrich credit," says one top Environmental Protection Agency official. "He knows he can't campaign against environmental protection."

How far the reforms will go is far from clear. Senate Republicans are cooler than the House firebrands. The League of Conservation Voters says new GOP chairmen of key House committees, such as Thomas J. Bliley Jr. (R-Va.) and Don Young (R-Alaska), have an average pro-green voting record of 7%, vs. 76% for their Democratic predecessors. But the probable chairman of the Senate Environment & Public Works Committee, moderate John H. Chafee (R-R. I.), could slow the overhaul. "Chafee really clouds the picture," laments Jonathan H. Adler of the conservative Competitive Enterprise Institute.

> Business could wind up in league with the activists: To Corporate America, the prospect of lawsuits may be worse than EPA rules

On the surface, the reforms seem innocuous enough. There's little dispute, for instance, about the need for risk assessment—setting regulatory priorities based on scientific research into the risks posed by various hazards. Nor do many dispute that a rule's benefits should generally outweigh its costs. The EPA conducts cost-benefit analysis and risk assessment for rules with a total price of $100 million or more.

But the Republicans want to go much further. They contend that expensive rules are based too often on faulty science. So the GOP is calling for scientific risk-assessment studies on rules that cost as little as $1 million. They want independent peer-review panels to oversee the research, and they want companies to be given the right to sue and recoup legal costs if the studies aren't done right. "You won't see anything going out of here without risk assessment," vows Representative John L. Mica (R-Fla.), who spearheaded efforts to get a risk-assessment law passed in the last Congress. Democrats blocked a vote on his proposal.

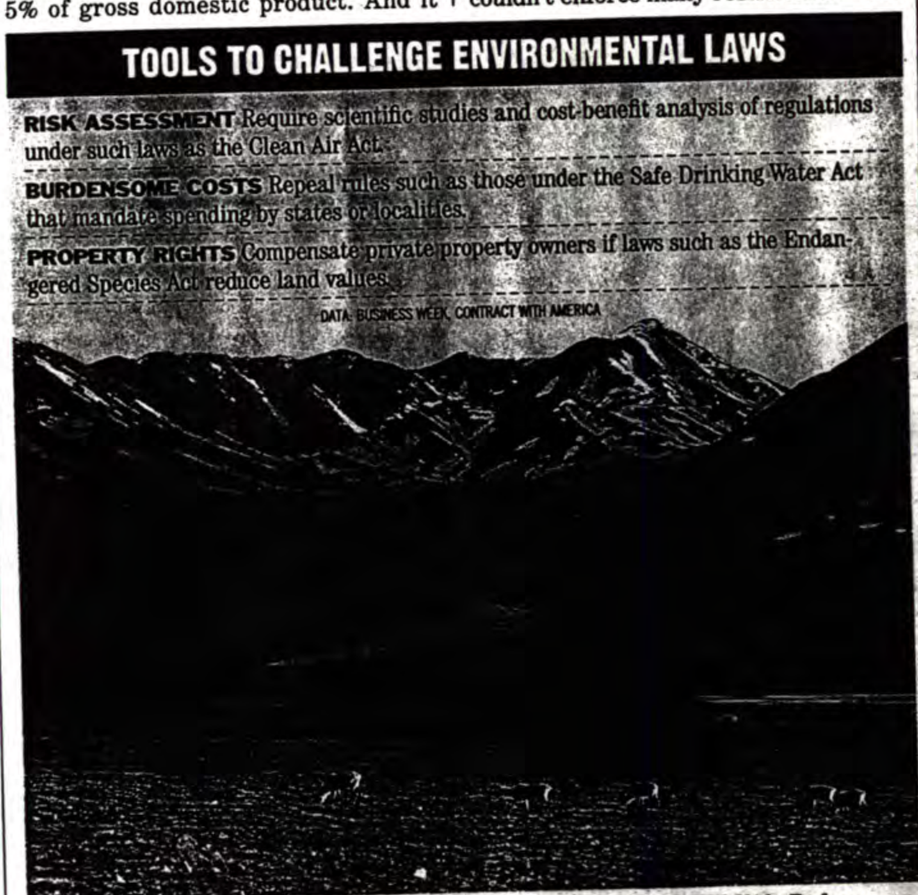
Critics charge that the scheme would clamp a straitjacket on legitimate rules—some of which are based on technology standards rather than on risk assessment—by handing opponents many opportunities to challenge regulations in court. It's a "full-employment act for lawyers," complains Daniel J. Weiss, the Sierra Club's political director.

Another Republican proposal, which targets the cost of compliance, could dismantle much of the regulatory infrastructure. The GOP wants to limit the private sector's tab for complying with all federal regulations—those from the Securities & Exchange Commission and other agencies as well as the EPA—to 5% of gross domestic product. And it wants to cap the cost to the states and cities at 3% of GDP. In 1990, according to a study by the Rochester Institute of Technology, Corporate America spent some $450 billion on compliance—about 8% of GDP. Experts say environmental rules account for about a quarter of that.

DRACONIAN STEP. The GOP proposal would require a 6.5% annual drop in compliance costs until ceilings are met. Agencies would have to decide which rules to waive, or the White House would have to take the draconian step of dumping whole areas of rules. "If they did away with the entire Clean Air Act, that would take a huge chunk out of the burden," says Edward L. Hudgins of the libertarian Cato Institute.

The overhaul would also greatly expand a notion embedded in the "takings" clause of the Constitution—that the government can seize property only if it compensates the owner. In the U.S. Supreme Court's most recent major ruling on the issue, it ordered Uncle Sam to ante up wherever Washington bars construction of any kind on coastal land, rendering it worthless. The Republicans want to take this much further: They would force the feds to compensate landowners if rules reduced land values by as little as 10%—a mandate the government could ill afford. So Washington couldn't enforce many restrictions. "The government has a big appetite," says Charles S. Cushman, chairman of the League of Private Property Voters, a coalition of 300 grassroots groups. "They're going to keep taking land unless they have to pay for it."

In a few cases, the Republicans plan to tackle more than mere procedures. Consider the contentious ANWR issue. Oil companies have been fighting for access to 1.5 million acres of wilderness since they were put off-limits in 1980. With two Alaska Republicans, Senator Frank H. Murkowski and Representative Young, slated to control the natural-resource committees, the issue is expected to be reopened—and environmentalists could well lose this time.



WHERE WILDCATTERS MAY ROAM: *Alaska's Arctic National Wildlife Refuge*

TOM WALKER/TONY STONE

Still, if Republicans overreach on the ANWR or other environmental issues, Clinton would have a golden opportunity to redeem himself with voters—with a veto. So far, Clintonites haven't come up with a direct response to the Republicans' indirect challenges to environmental protection, and they are wary of meeting the incoming Congress halfway. For example, the Interior Dept., according to one high-ranking official, will not propose any new regulatory initiatives, lest Congress use the chance to gut existing protections.

Environmental groups also have been caught flat-footed, and their troubled finances will make it hard to mount a stout defense. In the past two years, 5 of the nation's top 10 green groups operated in the red. Of course, the Republican assaults will help out here—membership and contributions always climb when environmentalists face a hostile climate. But the new money probably won't flow in fast enough to thwart the GOP's action strategy.

NOT ALONE. And environmentalists still must draw up a counterstrategy. More than 170 activists from green, civil-rights, and labor groups met in Washington on Nov. 22 to start organizing, but James D. Maddy, president of the League of Conservation Voters, worries that the groups can't oppose the Republican offensive on every front. "We might be better served to concentrate on [the] takings [issue]," he says, because that gets at the heart of most environmental protection.

But the activists may not be alone. They could end up joining forces in an unusual coalition with business, the supposed beneficiaries of the regulatory overhaul. That's because the ultimate goal of some of the Republicans and their ideological soul mates in the think tanks is to privatize environmental protection: Citizens would sue companies for creating public nuisances or for other torts. The Contract With America "is just the spark," says Cato's Hudgins. "In the long term, we're looking for the desocialization of environmental regulations."

Corporate America, however, may prefer the certainty of the costs of complying with EPA rules to the unpredictability of jury verdicts. Wilma I. Delaney, director of federal regulatory affairs at Dow Chemical Co., calls Cato's radical proposal "troublesome." Says Delaney: "We're not looking to roll back regulations. But we want the flexibility to meet the goals in the most cost-effective manner." That sentiment in Corporate America may go the furthest in quashing the House GOP's anti-green agenda.

By Mary Beth Regan in Washington

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

ADMINISTRATOR
OFFICE OF
INFORMATION AND
REGULATORY AFFAIRS

December 14, 1994

The Honorable Newt Gingrich
United States House of Representatives
Washington, D.C. 20515

Dear Congressman Gingrich:

President Clinton has asked me to reply to your letter requesting that he issue an Executive order imposing a moratorium on all federal rulemaking.

As you know, the overwhelming majority of federal regulations are mandated by Congress so that federal agencies can put into practice your policy decisions. For example, much regulatory activity of the Clinton Administration involves protecting disabled Americans against discrimination and protecting all Americans against the health effects of pollution. These regulations are mandated by the Americans With Disabilities Act and the Clean Air Act, measures supported by Republicans in Congress and signed into law by President Bush.

President Clinton is concerned about the cost of regulations to businesses, individuals, and other governmental entities, whether or not those costs are mandated by Congress. The President has therefore directed Executive Branch agencies to regulate only when necessary, and only in the most cost-effective manner. The President has also ordered agencies to review existing regulations to eliminate rules that are duplicative, unnecessary, or not cost-effective.

Among the changes initiated by the Administration as a result of this directive are reforms that will free U.S. companies to export their goods overseas without drowning in paperwork, and provide the first upgrading in a generation of school nutrition standards for student meals. We have also opened the regulatory process so that individuals, businesses, and governmental entities can know in advance what regulations are being proposed and can participate more effectively in their development.

The "regulatory moratorium" you have proposed would stop rules from being issued regardless of their merit. For example, our information about upcoming regulations indicates that this "moratorium" would prevent the Department of Agriculture from dealing with tainted meat in the food supply; the Department of Veterans Affairs from providing veterans with additional assistance for undiagnosed illnesses that may be the result of their service in the Persian Gulf War; and the Department of Labor from protecting children ages 14-17 from harmful conditions in the workplace.

A moratorium is a blunderbuss that could work in unintended ways. When President Bush tried such an approach in his Administration, it did not achieve its stated objective of reducing the number of federal regulations. In fact, in the months immediately after that moratorium, the number of regulations actually increased.

In sum, while we share the view that burdensome regulations need to be cut back, we disagree that a blanket moratorium is the best way to proceed. We believe that we can work together on this issue to achieve a thoughtful solution to this problem.

Sincerely yours,

Sally Katzen

Sally Katzen

IDENTICAL LETTERS SENT TO HONORABLE ROBERT DOLE, HONORABLE TRENT LOTT, HONORABLE THAD COCHRAN, HONORABLE DON NICKLES, HONORABLE DICK ARMEY, HONORABLE TOM DELAY AND HONORABLE JOHN BOEHNER

THE PRESIDENT HAS SEEN
12-27 94

MEEKS & JERNIGAN, P.A.
ATTORNEYS-AT-LAW
404 SUPERIOR FEDERAL BUILDING
CAPITOL AND BROADWAY
P.O. BOX 34193
LITTLE ROCK, ARKANSAS 72203

W. RUSSELL MEEKS, III
GEORGE O. JERNIGAN, JR.

501-376-4860
FAX 501-376-3203

December 20, 1994

Honorable and Mrs. Bill Clinton
The White House
1600 Pennsylvania Avenue
Washington, DC 20500-2000

Dear Mr. President and First Lady:

Thank you so much for including me in the White House buffet dinner Saturday evening, December 17. It was a very special occasion and something that I will remember for a long time and a very nice touch for you to remember people in Arkansas.

Russ Meeks is serious about inviting you to duck hunt with him while you are in Arkansas. Russ has a very nice reservoir leased from the Renschler family outside of Stuttgart. It is about a 45-minute drive from Little Rock (we could stop at the Mallard Restaurant for breakfast), and he has a fine guide who has duck hunted for over 70 years and calls well. (The blinds even have heaters in them.) The last season goes from December 26 through January 14, 1995. If you came the first week in January, you could also make the Coon Supper in Gillett.

You asked me about my thoughts on the Democratic National Committee Chairmanship. I'll repeat what I said: (1) It should not be someone looking for a job; (2) It should not be a defeated candidate; (3) It should be someone totally loyal to you; (4) It should be someone that will know how and be willing to help state parties on the grassroot level.

I urge you to talk to Jim Brady, Chair of the State Chairs Association, for his input. I am not excited about someone from Congress, but United States Senator Jay Rockefeller would be a good one. He could afford it, and he knows the issues.

Again, I thank you and Hillary for having me to the White House. It was a great honor.

Best personal regards, I am "All Things Work For the Good!!"

Yours very truly,

George O. Jernigan

GOJ:jt

MEEKS & JERNIGAN, P.A.
ATTORNEYS AT LAW

W. RUSSELL MEEKS, III
GEORGE O. JERNIGAN, JR.

404 SUPERIOR FEDERAL BUILDING
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LITTLE ROCK, ARKANSAS 72203

501-376-4660
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FACSIMILE COVER SHEET

DATE: December 20, 1994

PLEASE DELIVER THE FOLLOWING PAGES TO:

Ms. Nancy Hernreich, Deputy Assistant to the President
The White House
FAX NO. 202-456-6703

THESE PAGES ARE BEING TRANSMITTED FROM:

George O. Jernigan

TOTAL NUMBER OF PAGES INCLUDING THIS COVER SHEET: 2

IF YOU DO NOT RECEIVE ALL THE PAGES, PLEASE CONTACT: Joyce Talley

AT (501) 376-4660.

COMMENTS:

THE PRESIDENT HAS SEEN 12/27

THE WHITE HOUSE

WASHINGTON

94 DEC 23 P 1 : 40

December 20, 1994

To the President — fyi following.

MEMORANDUM

TO: LEON PANETTA

FROM: MARK GEARAN

SUBJECT: FOLLOW-UP TO OVAL OFFICE ADDRESS

I attach for your information a summary of the communication tools implemented last week to support the President's Oval Office address. With the assistance of Cabinet members, senior staff, and other Administration officials, we were able to enhance the President's speech through briefings, radio and tv appearances, and conference calls.

Tab A Background Briefings

Tab B Network Appearances

Tab C Radio Coverage

Tab D Specialty Press Conference Calls

This is good

Need to do more radio talk shows incl. GOP leaning ones and shows got lit

call papers that endorsed us and call them early next yr and shows

Do a series of events next yr to all papers e.g., Ohio + smaller ones there endorsed us —

BC

THE PRESIDENT HAS SEEN
12 27 94

cc Scott/Emmanuel
Pls call her
John Emerson per [illegible]

KIM MCLANE WARDLAW
400 SOUTH HOPE STREET
LOS ANGELES, CALIFORNIA 90071

December 20, 1994

Dear Mr. President:

Just a short note to wish you and your family peace, happiness and spiritual renewal during these days of Christmas.

This is a trying time for everyone, no more so than for you. If anyone can overcome the setbacks of the '94 Election and its fallout, however, it is you. Bill Wardlaw tells all that you are most brilliant politician he has ever seen; I think you are the most intelligent person with the surest ability to connect with people whom I've ever seen. You have surmounted obstacles all your life; you will do it again.

I distinctly remember one of your earliest events in California ($500 a person for dessert) which we sold as a chance to have an intimate evening with candidate Bill Clinton. Instead, people were so excited at the thought that the Democrats might actually be putting forward a candidate who would appeal to the vast middle sufficiently to give us a chance to reclaim the White House this century, that the event was completely oversold. Guests, many disgruntled because of the oversized crowd, huddled in the cold backyard waiting for your arrival. Given the conditions, I kept thinking you'd better be good -- and you were. You spoke about personal responsibility, doing away with welfare as we know it, health coverage for the uninsured and unemployed, helping those who work longer hours for fewer dollars -- I could go on, but you know the message. When you finished, you had converted the grumblers. It was magical. To me, that's who you are and who you will always be. The work ahead of us is to cut through the daily barrage of nastiness, partisan politics and ordinary hatred that is besieging the country. The question is whether this is an impossible task.

Since November 8, I have been meaning to write a note of continued support. I am finally writing at a moment following a week and a half of unsuccessful efforts to solve our empowerment zone problem. As your friend and supporter, I must tell you what you probably already know -- that failing to give Los Angeles an empowerment zone is not only against your political best interest in California, but has potentially damaged your relationship with the Mayor. He is personally pained and disappointed in the process and the unfortunate machinations leading up to the decision. Like yourself, Dick has consistently tried to do what is right, not necessarily what is in his political interest. On Larry King Live, he supported your budget plan; he supported your crime bill from the White House lawn and lobbied fellow Republicans on its behalf; he publicly favored universal health care and endorsed Senator Dianne Feinstein. He did all these things because he believed that they were right, even though each one has hurt him in his own party. Since the election, Senator Dole has yet to return the Mayor's phone calls, even though the Cardinal, in a meeting requested by Dole (about immigration), asked that Dole do so.

This may not seem so very important, given how many truly significant matters you are dealing with, but to me it is important because it will hurt you politically and has hurt Dick both politically and personally. It is also symptomatic of the principal issue that has concerned me during the past two years -- that our party repeatedly trips over itself while members of your administration and staff, especially the DNC and especially in California, fail to serve you well by putting petty partisan politics ahead of your vision and interests, and, at other times, by simply acting incompetently. You deserve more and particularly deserve to have people who will fight for the things for which you stand in what will undoubtedly be an even more difficult year than last.

Bill and I will be here for you in California. Whenever your political staff is ready, we will be happy to help in whatever way we can. We have a lot of work to do in California, most importantly on the issue of immigration. Now is not too soon to begin. By the way, we will be in Washington around the 4th to join with Senator Feinstein in celebrating the occasion of her swearing in.

We very much wish you well and hope you have a wonderful Christmas and a great New Year. Please take care of yourself. I worry about those morning jogs now more than ever. You and your family are in our prayers.

Your friend,
Warmly,

Kim Wardlaw
Kim

P.S. Your speech, and the press conference following were well received by your supporters out here. You looked great -- and the message was)

THE PRESIDENT HAS SEEN
12 27 94

JOHN GARAMENDI
Insurance Commissioner

December 14, 1994

cc:
Emerson
Panetta
fyi

The Honorable Bill Clinton
President of the United States
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500-2000

Dear Mr. President:

"The glass is half-full, not half-empty." Its an old Peace Corps mantra.

You have done more in two years than any President and you can do more in the next two. With a strong team that you are now in the process of rebuilding, you can deliver both program and message. Leon Panetta is a great start.

I. **California as a Model**

You must win in California to be re-elected and you must be strong early because of the new March primary. You can win California because:

1. You have the ability to articulate a message in a powerful and effective manner. I've seen you do it many times.

2. You have tried to implement the necessary strategies.

3. The California economy is improving and you can/should take credit.

4. You and your team can develop and energize the necessary leadership in California.

Here's a suggested program:

Build on your successes

A. Jobs -- Jobs -- Jobs.

You have created jobs; the Republicans killed jobs. Make this the nexus of all the following issues. Always bring all issues back to the creation of jobs -- good paying jobs. In every speech, tell America the current number of new jobs until they get it.

B. <u>Reinventing Government (down-sizing)</u>.

1. You did it -- the Republicans talked about doing it.

2. Continue to reduce and tell America how much and what.

3. Find one key example of an agency and kill it in dramatic style. Watch out for constituency groups you need later.

4. Reducing government frees up more jobs in the private sector. Tell how many and what the relationship is.

C. <u>Budget deficit</u>.

1. You are the only President to make real progress on this. Continue and take credit.

2. Hold the Republicans to their own policy of balancing the budget. Throw their tax cut and spending programs in their face using the balanced budget amendment as the sling.

D. <u>International trade</u>.

No President has done more than you -- NAFTA - GATT.

Sell this as a jobs program, not a free trade program. No one cares about or understands "free trade" but they do know job loss/job gains. Be specific about how these treaties will build high value jobs -- use specific examples, i.e. in California the California Trucking Association opposed NAFTA as a threat to truckers but since NAFTA, they have increased international trade and domestic trucking (jobs.)

E. <u>Health care</u>.

1. Tell America what your goals were/are and then admit that you tried and failed but the problem persists and your reasons for trying to solve the problem still are valid. Now try a different play. They stopped your long pass play. Try short runs -- off tackle. Keep the goal in mind.

2. Put the issue back before Congress with encouragement of state initiatives and small group insurance reform as the first step towards your goals of controlling costs, universal access and prevention. Keep it simple. Big business and labor remain energized by this issue and will come on board.

F. Education.

1. Jobs, jobs, jobs. Always force the issue of education as preparing our children for tomorrow's jobs so that they can compete. "School to work" works. Use it.

2. Be bold. Shoot for the moon. A Kennedy program. "We'll land a man on the moon in ten years."

   A Clinton program, "America will invent and develop an advanced education system for the 21st century." No more blackboards and out of date text books with teachers trying to maintain control. A 21st century school; computers; interactive systems; multiple languages; hooked-up to home, library on the information highway; CD roms. The federal government will develop the technology and systems. A marriage of high tech, information super highway, entertainment industry and teachers organized into a real attack on the education crisis; a new industry and a new challenge for America.

3. Our education crisis -- challenge the Republicans. Don't waste our money on star wars. Let's use our money to create a 21st century education system for the next millennium.

   New jobs. New industry. Educating our kids.

II. **How to organize.**

1. You need to capitalize on your achievements. You've done much but few appreciate what you have accomplished. Organize those who benefitted. Listen to them when they gather.

2. Use your cabinet to organize real support groups around each of your efforts. Send them out; report back to you; i.e. trade. Mickey Kantor knows how to do this and who should appreciate your efforts.

3. Focus on the key states -- organize those first. Count your votes and go there.

III. **Get the message out.**

1. Every appointed official must be an apostle for you and your work and they must spread the word in the hinterland. They should use your name "Clinton" ten times in the first three minutes. I'm tired of hearing "we", "the administration", "the President". None of these names will appear on the 1996 ballot, nor will the names of your appointees. Your name will.

2. Every appointed official must be willing to get in the ring for you and slug it out. Nobody has challenged the radical right radio talk show hosts. Rush and crew must be challenged on their own shows. Appointed officials ought to be taking the blows that you now receive. Get into the face of the radical right. Do it well and with calm dignity, facts and wit.

3. Never give your opponent any running room unchallenged. Always, when on defense, attack the ball carrier -- better stay on offense.

4. The Democratic Party must be more than a fundraising operation. The DNC must carry your message, defend you and cleverly attack the Republicans. The morning fax is not enough. Use the free electronic media. The DNC chair must be your voice also.

5. You should, on every trip, arrange opportunities to energize the grassroots. A speech by you will do it every time. Invite the troops where ever you are speaking. State conventions will take place in the winter and spring -- why not go to the important states?

6. Raise money. Yes, yes, yes.

IV. <u>**A theme.**</u>

1. The Democratic Party has been and shall always be the party of working Americans and their families. All our policies must support those who work, want to work, have worked, and will work in the future.

2. We must constantly measure our programs against this goal. If we do, we will have a consistent theme, a real purpose and a powerful message for nearly all Americans.

You're a great President and at the moment you are running against all previous presidents, the memory of them, and the public's idealized perception of what a president should be. No man or woman can win against such an opponent. However, in a few months, you'll be running against a real person who has warts, flaws, scars, and problems. You'll do just fine against that opponent.

I'm in Washington, D.C. at 202/462-1024. Our new home is at 3030 Klingle Road, Washington, D.C. 20008. Contact me if you'd like.

Sincerely,

John Garamendi

JOHN GARAMENDI

JG:vog

THE PRESIDENT HAS SEEN
12-27-94

To Helen – fyi –
B

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
002. memo	Jeff King to Terry McAuliffe and Laura Hartigan re: Top States (3 pages)	12/19/1994	Personal Misfile

COLLECTION:

Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 4892

FOLDER TITLE:

December 25-31, 1994 [2]

2018-0662-S
rs3114

RESTRICTION CODES

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

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

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RR. Document will be reviewed upon request.

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b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

THE PRESIDENT HAS SEEN
12.27.94

DAWN STEEL

m ..... -cb

December 19, 1994

Dear Bill,

A wicked rumor has surfaced here in Los Angeles.

It goes like this! We of riot, earthquake, flood, drought and fire fame have not been designated an empowerment zone; that New York and Chicago have been chosen above us.

Since the ravages of the Los Angeles riots were used by the Clinton administration to sell and win approval for Empowerment Zone legislation in Congress, this cannot be true.

Say it ain't so, Joe.

Sincerely,

Dawn

Dawn Steel

VIA FAX

J Emerson

Pls call her +
Explain what happened
What we have done + will
do —
B

ATLAS ENTERTAINMENT
FAX TRANSMITTAL MEMO
PHONE (310) 724-7300
FAX (310) 724-7345

DATE: DECEMBER 20, 1994

TO: PRESIDENT CLINTON
C/O NANCY HERNREICH

FAX #: (202) 456-6703

FROM: DAWN STEEL

OF PAGES (INCLUDING THIS PAGE): 2

~~~~~~~~~~~~~~~~~~~~~~~~~~~~~

DEAR MS. HERNREICH:

I WOULD VERY MUCH APPRECIATE YOU PASSING THIS NOTE ON TO THE PRESIDENT.

THANK YOU .

SINCERELY,

Dawn Steel
~~~~~~~~~~~~~~~~~~~~~~~~~~~~~

Great news
Good work
Katie,

THE PRESIDENT HAS SEEN 12/27

THE WHITE HOUSE

WASHINGTON

94 DEC 23 P2:55

DECEMBER 23, 1994

MEMORANDUM TO THE PRESIDENT

FROM: KATIE MCGINTY Matthew M Smith for

CC: LEON PANETTA

RE: OEP WEEKLY REPORT

Northwest Forest Plan

This Wednesday, Judge William Dwyer ruled to uphold the Northwest Forest Plan. This decision is a significant victory and allows us to continue to move forward in pursuit of our commitment to the people of the Pacific Northwest and Northern California. In his opinion, Dwyer said, **"All claims and arguments asserted by plaintiffs...have been considered, and none would justify invalidation of the plan..."** Judge Dwyer also noted in his decision that **"given the current condition of the forests, there is no way the agencies could comply with the environmental laws without planning on an ecosystems basis."** In an affirmation of the balance struck between jobs and the environment he said, **"any more logging sales than the plan contemplates would probably violate the laws."** Finally, Judge Dwyer identified the true spirit of our efforts to reinvent government when he said, **"The FSEIS and ROD are the result of a massive effort by the executive branch of the federal government to meet the legal and scientific needs of forest management. They reflect unprecedented thoroughness in doing this complex and difficult job."**

The media response has been generally positive. Most reports make a special note of the fact that neither the timber industry nor the environmental community could prove the plan was illegal. Attached are a couple news clips.

Environmental Breakfast

On Thursday, the Vice President and members of the Cabinet held a follow-up breakfast with CEOs of the major environmental groups to discuss areas of cooperation in the coming year. The breakfast was generally successful in identifying potential issues and common responses. However, the CEOs also said they needed the following from the Administration as soon as possible: (1) a clear statement about its environmental priorities and principles; and (2) information about the adverse effects that the Contract with America would have on public health and the environment.

Strong
clear
unity

Vice President Hosts Environmental Political Appointees

On Wednesday, the Vice President hosted all the environmental political appointees at a reception to thank them for all the hard work they have done to date. The event was highly attended and very well received. The Vice President delivered a brief speech in which he recapped the environmental accomplishments of the past two years. Carol Browner, Dr. James Baker and I also delivered brief remarks commending the group on their outstanding work.

Positive Press

Attached are a couple of editorials giving praise to our Bay Delta settlement and Summit of the Americas.

E X E C U T I V E   O F F I C E   O F   T H E   P R E S I D E N T

21-Dec-1994 05:16pm

TO: Matthew M. Gentile
TO: Michael L. Davis
TO: Catherine R. Zoi
TO: Kathleen A. McGinty

FROM: Brian J. Johnson
Office on Environmental Policy

SUBJECT: JUDGE UPHOLDS CLINTON PLAN FOR MANAGING NORTHWEST'S FORESTS

Date: 12/21/94 Time: 15:36

Judge Upholds Clinton Plan for Managing Northwest's Forests

SEATTLE (AP) A federal judge upheld the Clinton administration's logging plan for the Northwest's national forests on Wednesday, saying environmentalists and the timber industry both failed to prove it was illegal.

''All claims and arguments asserted by plaintiffs ... have been considered, and none would justify invalidation of the plan,'' U.S. District Judge William Dwyer wrote.

Dwyer ruled in 1991 that the Bush administration was breaking U.S. environmental laws and ordered a halt to logging across millions of acres of national forests that contained the threatened northern spotted owl. That injunction was lifted earlier this year.

After the Clinton administration proposed a new plan, known as Option 9, both environmental and timber industry groups sued.

Clinton projected the plan would result in about 1 billion board feet of logging annually in federal forests in Oregon, Washington and Northern California, less than one-fourth the rate of the 1980s.

Conservationists said that was still too much and the plan violated federal laws and provided little assurance the owls or troubled fish species would survive.

The timber industry said the plan was illegally prepared in secret and should be thrown out so a new plan allowing more logging could be developed. Clarence Moriwaki, spokesman for the Office of Forestry and Economic Development in Portland, Ore., said the ruling acknowledges the plan is ''a desirable balance between protecting the environment and also providing economic opportunities for the region.''

Both sides predicted Dwyer would throw out the plan, based on questions he had posed to their lawyers last month.

''The question is not whether the court would write the same plan, but whether the agencies have acted within the bounds of the law,'' Dwyer wrote. ''On the present record the answer to that question is yes.''

He said if his order is upheld on appeal, it ''will mark the first time in several years that the owl habitat forest will be managed by the responsible agencies under a plan found lawful by the courts.''

Dwyer also said Option 9 contains the highest level of logging that would be allowed under the law, and that ''any more logging sales than the plan contemplates would probably violate the laws.''

Lawyers representing the environmentalists told Dwyer the best plan would be a variation of an option that government scientists projected would produce about 100 million board feet of timber annually.

That plan, known as Option 1, was the most restrictive of 10 proposals the Clinton administration considered. It would place about 11.4 million acres in new, no-logging reserves, compared with the 7.4 million acres proposed under Option 9.

APNP-12-21-94 1534EST

The Oregonian
THURSDAY

FIRST EDITION
DEC. 22, 1994
PORTLAND, OREGON
35 CENTS

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL

To Clarence Marinok	# of pages ▸ 2
Dept./Agency	From D. Klinger
Fax #	Phone # FWS
	Fax #

NSN 7540-01-317-7368 5099-101 GENERAL SERVICES ADMINISTRATION

U.S. judge upholds forest plan

■ District Judge William Dwyer rejects arguments by both environmentalists and the timber industry

The Associated Press

SEATTLE — A federal judge Wednesday upheld the Clinton administration's plan for managing national forests in the Northwest, saying environmentalists and the timber industry both had failed to prove it was illegal.

"All claims and arguments asserted by plaintiffs . . . have been considered, and none would justify invalidation of the plan or a remand" to the government agencies to rewrite it, U.S. District Judge William Dwyer wrote.

There was mixed reaction to the ruling from environmentalists, who wanted less logging than what Clinton's plan allows, and the timber industry, which wanted more.

Jim Pissot of the National Audubon Society in Seattle, one of the plaintiffs, said his group was "disappointed the judge didn't take stronger action in response to our complaint."

But, he added: "This does lift some of the smoke from this debate. It gives us a very clear signal to confer with colleagues regarding appeal and in the interim to insist as we have all along that implementaion meets the highest standards."

"It's business as usual. I'm sure industry will not take that lightly," said Bill Pickell, general manager of the Olympia-based Washington Contract Loggers Association, representing about 600 companies. "We see" Clinton's plan "from the logging side as extremely biased and put together by the government clones."

Dwyer was the judge who first ruled in 1991 that the Bush administration was breaking U.S. environmental laws by failing to protect the threatened northern spotted owl and other rare species. He ordered a halt to logging across millions of acres of national forests that contained the owl in Washington, Oregon and northern California.

In response, the government submitted its management plan in July 1993, and the no-logging injunction was lifted earlier this year.

But environmentalists and timber industry groups alike filed lawsuits challenging the plan, known as "Option 9." It would allow about 1 billion board feet of timber to be logged annually on those federal forests — one-fourth the rate of the annual averages of the 1980s.

"The question is not whether the court would write the same plan, but

Please turn to FORESTS, Page A20

Forests: Management gain seen

Continued from Page One

whether the agencies have acted within the bounds of the law," Dwyer wrote. "On the present record the answer to that question is yes."

Dwyer wrote that his order, if upheld on appeal, "will mark the first time in several years that the owl habitat forest will be managed by the responsible agencies under a plan found lawful by the courts."

"It will also mark the first time that the Forest Service and" Bureau of Land Management "have worked together to preserve ecosystems common to their jurisdictions."

Dwyer noted that Option 9 contains the highest level of logging that would be allowed under the law, and that "any more logging sales than the plan contemplates would probably violate the laws."

"Whether the plan and its implementation will remain legal will depend on future events and conditions," he wrote.

Clarence Moriwaki, spokesman for Clinton's Office of Forestry and Economic Development in Portland, said the ruling acknowledges that the plan is "a desirable balance between protecting the environment and also providing economic opportunities for the region."

"It gives us the chance to move this region forward and end 12 years of gridlock," he said. "At least we have now a predictable future that will move this region forward."

Conservationists had said the plan still would allow for too much logging in violation of a series of federal laws, providing little assurance the owls or troubled fish species would survive.

Industry lawyers said the plan was prepared secretly in violation of open meetings laws and should be thrown out so a new plan could be developed allowing for more logging.

Both sides had predicted Dwyer would throw out the plan, based on questions he had posed to the lawyers last month.

In response, lawyers representing several of the environmental plaintiffs had told Dwyer the best plan would be a variation of an option government scientists earlier projected would produce about 100 million board feet of timber annually.

That option, known as "Option 1," was the most restrictive of logging among the 10 options the Clinton administration considered last year. It would place about 11.4 million acres in new, no-logging reserves, compared with the 7.4 million acres Clinton proposed.

Dwyer had asked both sides whether "Option 1" would be acceptable.

aren't addressing layoffs that must be part of any

local self-government in this city.

Big Win in California

THE CLINTON administration keeps grinding out likely settlements to some of the nation's largest and longest-running environmental disputes. It deserves more credit for the mega-deals than it has received. In the Northwest, it proposed an old-growth timbering compromise that appears to be holding, though a federal judge has yet to rule on parts of it. In the southeast corner of the country, it has helped to put in place a restoration plan for not just the Everglades but the degraded environment of most of the southern third of Florida. Now, perhaps hardest of all, it seems to have brokered a plan for the allocation among competing users of the most valuable natural resource in all of California—water.

An agreement was announced last week. The administration of Gov. Pete Wilson (R) concurred in it, as—miraculously—did all the other major interest groups involved: agricultural, urban, environmental, the wetter northern part of the state that supplies the water and the arid central and southern parts that consume it. If it holds, it will end the largest and most important of all western water fights.

Most of California's surface water is in the north; the rivers arise in the mountains and come together in the San Francisco delta and bay. The federal and state governments years ago determined to move part of the water south to reclaim the central and southern deserts. They built an enormous system of dams, pumps and canals to do so. The desert prospered. The shifted water made California the nation's leading agricultural state and sustains in the desert one of the world's most extensive metropolitan areas. The bay and delta, however, have paid the price. Together they are or were a vast plant and animal breeding ground. But the pumping-away of so much fresh water allowed salt water to invade; spawning grounds have been harmed; fish stocks have dwindled, and some species have become endangered.

Federal law—the clean water and endangered species acts—requires that more fresh water be reserved in the north for environmental purposes. The state has primary responsibility for putting together a plan; states have traditional jurisdiction over water rights. Because the state had repeatedly refused, the Clinton administration last year found itself under a court order to do the job instead. The principal agencies involved, the Environmental Protection Agency and Interior Department, decided to coordinate their efforts—they called themselves Club Fed—and try to work out a comprehensive plan that might satisfy all statutory requirements at once and could last. They seem to have done so. All sides gave up some of what they wanted. The negotiations were helped along in part by a Standard & Poor's report last March warning that without a water settlement, the state's credit rating could suffer—and perhaps by the election results as well. The Endangered Species Act and other environmental statutes are under sharp attack. It's very much in the administration's interest to show that the laws can be enforced without the enormous disruption that their critics claim. That's just what this sensible settlement does show; it's a timely lesson all around.

The Good and the Bad of JOBS

ALMOST EVERY new report issued on the problems facing welfare recipients tells a story that few want to hear right now: that moving long-term welfare recipients into jobs is hard, complicated and costly. Welfare recipients who fall onto the rolls because of temporary setbacks usually get back to work quickly, and almost always within a couple of years. But people range of problems confronting so many of the country's poorest people? It ought not be a shock that scarce JOBS funds are more likely to be spent on recipients without this huge load of difficulties, since they probably stand the best chance of getting and keeping jobs. The GAO report covered 16 states containing most of the nation's teenage mothers on the Aid to Families

assessments—that the agency's participation in the process has saved U.S. taxpayers billions of dollars, contributed significantly to maintaining reasonable stability in the world balance of nuclear forces and made nuclear arms control agreements possible.

The point is not that CIA analysts

to justify sufficient superiorit
sure victory. But it is a clear c
more than enough to do the j
necessarily better. Indeed, at
tional policy level the DoD ap
military intelligence analysis
checked by the competitive analysis of CIA—as proposed

Orphanages: A Head Start

Richard Cohen is to be commended for his balanced view of "orphanages" for welfare children ["Orphanages: Giving Gingrich the Dickens," op-ed, Dec. 6]. If we describe them as 24-hour Head Start programs or kibbutzim, heads nod in approval. Yet all of these do the same thing: They take the child out of one environment and put him in another. The difference is in the quality and the psychology.

I am familiar with some spectacular results that have been obtained with this approach. For example, in Iran just after World War II, a free, voluntary 24-hour day-care center was set up to serve Jewish infants and children in the poverty-stricken ghetto of Tehran. Those still dwelling there were Iranian peasants, illiterate and without opportunity to improve their lives.

The goal of the center was to educate and prepare the children for eventual emigration to Israel. This day-care center provided all meals, clothes, health care and developmental education to the children, who spent their days in it and went home at night.

About 15 years later, I visited Tehran and met some of the first products of this program—young people who had been raised in it from infancy to about age 7. They were
finishing public school. Healt
ulate, literate in Hebrew as
their native Farsi, they wer
plete break from the past,
preparing for a future in Isra

In 1969 the psychologis
Bettelheim proposed this s
for welfare children. He wa
to point out the many probl
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These hazards and risks
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CLAIRE L

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This is in reply to Richar
column in which he discusses hi
life in "the home" and Newt
proposal to resume use of or
As Mr. Cohen wisely advise
hooves us all to approach
less-than-detailed proposal w
caution and lots of skepticism."

Newt Gingrich's War

On the sample page of Newt Gingrich's soon-to-be-published novel "1945" [front page, Dec. 2], there is the line: "The thundering diesel engines of the Tiger and Panther tanks . . ." World War II German panzer divisions were never equipped with diesel engines in their combat tanks, to

Monumen

The proposal to erect a
tennis star Arthur Ashe alon
memorials to Confederate ge
Richmond's Monument
["Richmond is Still Not at Pe
Its Monumental Past," Metro,
would honor a man whose
tions were undeniable. But th
view a Civil War museum as
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Americans do a great disservi
200,000 men of African desc
fought for freedom and the
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L.A. Times

EDITORIALS

Saving the State's Lifeblood: That Historic Water Accord

How the embattled Endangered Species Act helped force the big delta deal

The 20-year-old Endangered Species Act has long been a target for those who denounce many of its provisions as too inflexible. But last week's historic accord on the use of fresh water from San Francisco Bay and the Sacramento-San Joaquin Delta demonstrates anew why America is better off with it and why Congress should not eviscerate it, as some congressional Republicans have suggested.

The agreement, signed by California and the federal government, will protect the bay-delta estuary ecosystem, yet provide reliable water supplies to farms and cities across the state. The accord ends decades of conflict among water users and environmentalists and follows a year of often-intense negotiation involving municipal and agricultural water users, environmental groups and government officials.

The pact covers the delta inland from San Francisco Bay to the confluence of the Sacramento, the San Joaquin and a host of smaller Northern California rivers. It establishes limits on how much fresh water can be diverted from the estuary to agriculture and municipal water users. The accord aims also to protect imperiled fish species by ensuring that the young survive migration through the delta and that diversions do not make breeding waters too salty.

The delta is perhaps the state's most important water resource. The largest wetland habitat in the western United States, the delta collects half of the state's annual runoff, provides 60% of the fresh water used in California and is the source of irrigation water for almost half of the nation's fruits and vegetables. But population growth, urbanization and water-intensive crops, combined with a string of drought years, have degraded water quality in the delta and threatened some of the more than 120 species of fish that live there.

Four federal agencies stepped in a year ago and said they would impose a water quality plan on the whole region unless state and federal officials could agree on an alternative to continuing water diversions. That alternative was unveiled last week.

The bargaining that produced the pact took place in the shadow of a sword of Damocles: the Endangered Species Act. No one wanted the onerous restrictions that would follow if that act were invoked now or later on behalf of an endangered species such as the delta smelt. Thus the accord was designed to safeguard the entire delta habitat as well as the individual species currently at risk. It forced dialogue, compromise and, most important, a truce among water users that is in everyone's long-term interest. That is the way the act works best—as a threat of tough and arguably punitive action to save endangered species.

The act must have real teeth to do that. Defanging it would strip away incentive to compromise and certainly end its value as a last-ditch tool to protect threatened wildlife.

Because application of the Endangered Species Act is cumbersome, it has become a lightning rod for those who desire a less intrusive federal presence. But undeniably, the threat of its invocation in the delta case worked.

Some years back, the writer Wallace Stegner pondered: ". . . What do you do about aridity if you are a nation accustomed to plenty and impatient of restrictions and led westward by pillars of fire and cloud? You may deny it for a while. Then you must either try to engineer it out of existence or adapt to it." We in California have done as much engineering as anywhere, witness the massive pumps and aqueducts that carry fresh water hundreds of miles from the delta to Southern California and the Central Valley. Now, with more than a nudge from the Endangered Species Act—and some good will and hard work among the negotiating parties—the bay-delta accord stands as a signal that we have, at last, begun to adapt.

Delta Agreement

State and federal officials announced a plan to restore the environmental health of the estuary that stretches from San Francisco Bay to the Sacramento-San Joaquin Delta.

Los Angeles Times

Central America's tree hug

IN PRO-NATURE PACT

To enhance its free-trade prospects, Central America pledges to work hard at improving its natural environment.

One of the most promising agreements reached at Miami's Summit of the Americas pertains to the environment. Hemispheric leaders vowed to work together to "guarantee sustainable development" and "to preserve the environment for future generations."

Environmental abuse is a universal problem; it demands universal solutions. In this hemisphere, that problem has been exacerbated by decades of wars in Central America. They have taken a huge toll not solely on human lives but on all forms of natural life.

Hence the pro-environment awareness that resulted from the Miami gathering is quite welcome — especially hemispheric leaders' support for Central America's badly mistreated ecosystem. The 34 heads of states approved that region's Alliance for Sustainable Development, an accord signed by Central American and U.S. officials in Managua in October.

This agreement calls for Central American governments to protect the environment through new laws and concrete actions, and for Washington to help them in that effort with financial aid and technical know-how. In Miami, other countries such as Canada pledged to support the environmental crusade in Central America.

One crucial question remains unsettled, however. Some Central Americans apparently don't think that the Miami accords link environmental protection with their nations' prospects for joining a hemispheric free-trade zone. Says Honduras's President Carlos Roberto Reina: "There is not any link between free trade and the environment" in the Miami accords.

Washington rightly disagrees. Indeed, any nation hoping to join the hemispheric free-trade zone needs to develop a sensible plan to restore and protect the environment so that its exportable goods conform to international safety standards. With due diligence and enough goodwill, every hemispheric government should be able to meet that reasonable requirement by 2005.

Miami Herald
12/16/94