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February 5-11, 1995 [1]

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

Chron

THE WHITE HOUSE

WASHINGTON

January 31, 1995

Mr. Nick Franklin
Senior Vice President
Public Affairs
FHP International Corporation
9900 Talbert Avenue
Fountain Valley, California 92708

Dear Nick:

Thank you for writing to me about FHP's Medicare program. I enjoyed meeting you at the recent breakfast at the White House, and I appreciate your following up on our discussion. I've asked Carol Rasco to look into the issues you raised and have passed along your invitation to my scheduler for consideration.

As we continue working to improve our health care system, I am grateful for your support. I hope you'll stay involved.

Sincerely,

Bill Clinton

Your letter was great
Thanks—

cc: Carol Rasco
Billy Webster

cc this letter to
HRC, Erskine, Leon
B

FHP
HEALTH CARE

FHP International Corporation
Public Affairs Department
9900 Talbert Avenue
Fountain Valley, CA 92708
714.378.5767

January 12, 1995

William Jefferson Clinton
President of the United States
The White House
Washington, DC

Dear Mr. President:

I enjoyed the opportunity to meet you at the breakfast you hosted for members of the Democratic Leadership Councils at the White House on December 7, 1994.

You asked me to write to you and let you know how FHP is able to save Medicare beneficiaries and the federal government money under FHP's Medicare risk contract with the Health Care Financing Administration (HCFA), while providing beneficiaries with a broader range of benefits, including prescription drug coverage. I trust the following provides the information you requested.

I should begin with a brief background of the Company and its Medicare business. FHP International Corporation is a federally qualified health maintenance organization which began 33 years ago in Long Beach, California. Over the years, the Company has expanded and now serves people in 11 states and the Pacific Islands of Guam and Saipan. Over 1.7 million individuals today receive all of their health care from FHP. Our customers, or members, include the employees of over 5,000 small, medium, and large corporations; Medicaid recipients; military dependents; federal, state, county, and city employees; and nearly 350,000 Medicare beneficiaries.

FHP receives a capitated payment, a fixed amount of money every month, for each of its members and in return contracts to provide all of that member's health care needs irrespective of the cost or intensity of care. Approximately 20% of our members receive their care through our staff-model network of over 60 company-operated medical centers and five hospitals. The balance of our members receive their care through private physicians and hospitals with whom FHP has contracted.

Under our Medicare contract with the federal government, HCFA pays FHP an amount equal to 95% of what HCFA would otherwise pay to the fee-for-service physicians and hospitals in that geographical area. FHP in turn provides all of the benefits required under Medicare.

In addition, FHP provides outpatient prescription drugs and other benefits not covered by Medicare, including covering hospital and physician deductibles. For this FHP charges $5 for a prescription, $5 for an office visit, and charges no premium. The results are impressive. For example, the 5% savings to the federal government for our 350,000 Medicare members amounts to more than $60 million per year. Because FHP charges no premium and adds benefits over and above the standard Medicare benefits, we save each of our 350,000 Medicare members an average of more than $1,200 a year. These direct savings to our Medicare members total more than $348 million a year.

Through these efficiencies, FHP is removing over $400 million a year of unnecessary and wasteful health care costs from the health care system for our Medicare members alone. As evidence of the senior population's acceptance of this program, our Medicare membership grew on average 21% each year over the last five years.

We are able to accomplish these results by applying a series of basic principles which we have learned over the years, and which are readily applicable to the nation as a whole as we seek to provide health care to all Americans in a cost-effective way:

I. We remove the financial barriers to seeking early care. We know that if there are limited benefits, pre-existing condition exclusions or deductibles, many people will defer seeing the doctor until the disease or problem becomes unbearable. By the time they see the doctor, it is likely that more expensive procedures and possible hospitalization will be required. We know that if we remove the financial barriers to seeking early care we are often able to stabilize or correct the problem before it gets out of hand, and thereby avoid more expensive treatment later on. Not only does this save money, but it is a higher quality of medical care since no one wants to be sick or in the hospital if he or she can avoid it. The use of a hospital is the most expensive part of medical care, and FHP's use of hospital bed days is one of the lowest in the country.

II. Access to an individual's primary care physician on weekends and in the evenings is very important to the control of health care costs. If their doctor is not available, then typically, the patient will wind up in the emergency room of a hospital. Emergency room care is very expensive and is used by hospitals as a major source of admissions. Many of FHP's medical centers are open in the evenings and on the weekends. The centers are full-service medical centers which include both primary care doctors and specialists, a pharmacy, minor surgery, laboratory, x-ray, physical therapy, and even child care while the patient is receiving medical care.

III. Under the HMO Act, every federally qualified health maintenance organization must provide a minimum level of benefits as prescribed in the act. Except for outpatient drugs, this benefit level is all inclusive; but FHP adds prescription drugs to every one of its benefit packages. This is particularly important for Medicare beneficiaries since many do not have the funds to fill a prescription. Without a drug benefit, the prescription would likely either not be filled or would be filled and spread over a longer period of time than is therapeutically required to cure the illness. From experience we know that the additional cost of a drug benefit is more than offset by lower hospital use and lower utilization of health care.

IV. The incentive for the physicians must be aligned with the HMO's and the nation's incentives to reduce costs while simultaneously improving quality. Under the fee-for-service system, providers are paid based on services performed. This incentive has lead to abuses and over utilization. At FHP, our staff and contract physicians have incentives to provide members with rapid access and to deliver high quality care. These incentives not only control costs, but also enhance quality—to do otherwise would result in lawsuits and loss of members. Holding back on appropriate utilization would also, as discussed earlier, actually result in eventual higher health care costs.

Our efforts to control costs while delivering high-quality care have had impressive results. Over the past months, our efforts to assure the highest standards of quality have been recognized by a number of organizations. The National Committee for Quality Assurance has awarded our plans in Arizona, New Mexico, Southern California, and Utah with unqualified certifications of quality care. The American College of Surgeons recognized FHP's exceptional quality of care in treating our members who have cancer.

V. FHP's Medicare program is community rated. This is an essential part of the program's success. Under a community rating system, HCFA pays FHP the same monthly amount, adjusted for age, for each member in each geographical area served by FHP, irrespective of the Medicare member's health. At any time, some of our Medicare members will be sick and some will be well. The key is that we have enrolled a large number of Medicare beneficiaries so that the cost of caring for the ill members can be spread over our entire 350,000 Medicare population, making health care on average affordable for any one individual.

VI. Physician choice is important, but not in the way most people think of it. Having the absolute, unchecked freedom to seek the services of any doctor, including expensive specialists, at any time and at any frequency, is not a prerequisite to receiving quality health care. One of the reasons FHP is so popular with its Medicare members is that we have carefully screened, credentialed, and regularly recredential each of our in-house and contracted physicians. We inquire into their malpractice history, their technical competence, where they went to school, where they trained, the amount of their training and experience, and the status of their licensure. When an FHP member selects one of our physicians, the member can have confidence in the level of care they will receive. This is not necessarily the case in the unmanaged, fee-for-service system.

Mr. President, my colleagues at FHP and I are convinced that HMOs offer the best solution to controlling the growing cost of health care, generally, and Medicare, in particular, while assuring coordinated high-quality care. The number of Americans in HMOs has grown steadily in recent years with more than 25 percent of Americans receiving health care through a managed care plan. The savings to the private sector have been significant, with health costs growing at the lowest level in years (indeed, for many employers, costs have actually declined with no loss in quality). Yet only some ten percent of Medicare beneficiaries receive their care through HMOs.

FHP is convinced that the Medicare program and beneficiaries can realize similar cost savings while assuring coordinated quality of care. We have been excited by the recognition managed care has been receiving from Members of the Congress as a way to address the Medicare programs problems. The biggest challenge will be to encourage beneficiaries to try something which for many of them will be new.

Our surveys, like those of the other Medicare HMOs, demonstrate enormous satisfaction by our Medicare patients with the quality, cost and additional benefits they receive. We are sure, given the chance, other beneficiaries would be similarly satisfied.

We would be pleased to work with you and others in your Administration to bring the beneficial cost and quality results of managed care to a greater number of Medicare beneficiaries. Also, we would be delighted for you to visit our medical and corporate headquarters campus in Southern California the next time your travels bring you to the West Coast. I think you will be very impressed with what you see.

Thank you for asking me to provide you with this information and for your leadership on health care issues. If you have any questions or if I can be of any further assistance, please do not hesitate to call me directly at: 714-378-5631.

Sincerely,

Nick Franklin
Senior Vice President,
Public Affairs

cc: Carol H. Rasco, Assistant to the President for Domestic Policy

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THE PRESIDENT HAS SEEN
2-10-95

2-10-95

THE WHITE HOUSE
WASHINGTON

Hillary

See me re:

Wayne Fulmer Fla.
David Shaw NYC
NYC/Hugh/HRC—

Be

chron

THE PRESIDENT HAS SEEN
2-10-95

cc: VP
Rasco
Bill Curry (Bill Curry) DPC

FYI — can we clean up some of this? eg 3 days notice?

The Washington Post Thursday, February 2, 1995

INS 'Enforcement Deficit' Tied to Law

Voluntary Compliance Provision Fails to Deter Hiring of Illegals

By Roberto Suro
Washington Post Staff Writer

NEW YORK—On one side of the battle are the factories, shops, restaurants and families that employ some 200,000 illegal immigrants here. Facing them are just 18 federal immigration officers enforcing the law prohibiting that employment.

These officers are up against more than just numbers. Their regulations require them to give businesses three days' notice before they can inspect employment records and, in all but rare cases, they interview workers only after receiving an employer's permission. About 40 percent of their work involves spot checks on businesses randomly selected by a computer with no reason to assume anything is amiss. Such visits produce few violations.

"I'd guess you'd have to say this is an unusual form of law enforcement," said Demetrios Georgakopoulos, who is in charge of enforcing the employment law at the Immigration and Naturalization Service's (INS) New York office. "Our goal is to bring about the highest rate of compliance possible. We do not measure our success by the number of fines we issue or the number of aliens we detain."

Most laws create enforcement mechanisms and set out punishments on the assumption that some people will break the rules. But the 1986 federal law prohibiting employment of illegal immigrants is different: It assumes that if employers are given enough information and encouragement, they will obey. And although policymakers generally agree this strategy has failed to halt the flow of illegal immigrants to the United States, the Clinton administration and leading Republicans in Congress have reaffirmed their commitment to it as they plan a new assault on illegal immigration this year.

Congress is expected soon to take up proposals for a computerized registry of eligible workers that is designed to make it more difficult for illegal immigrants to find work. But critics argue this approach will not begin to solve the problem for the same reason the voluntary approach has not succeeded: It will not deter businesses that deliberately employ illegal workers because they work for substandard wages.

"Businessmen owners are not scared of the INS because it is never around," said Wilfredo Larancuent, director of organizing for the Amalgamated Clothing and Textile Workers Union in New York, adding. "It is not a threat, and that makes the whole thing a joke. If a guy running a sewing loft or a laundry or a restaurant needs to cut labor costs, he knows he can hire a few illegal workers, pay them less than the minimum wage and get away with it."

At the INS, enforcement of the employer sanctions law has become a low priority item. Since 1989 the number of agents assigned to enforcement has dropped by more than half, as has the number of fines issued. While the INS is getting more than 2,000 additional personnel this year, only 38 are projected to be added to the staff investigating violations of the law.

Despite an illegal immigrant population nationwide of an estimated 4 million, the INS completed only 1,761 cases producing fines against employers in 1993, the last year for which figures are available, and it had only 318 people assigned to enforcement. By comparison the Border Patrol now employs nearly 5,000 agents.

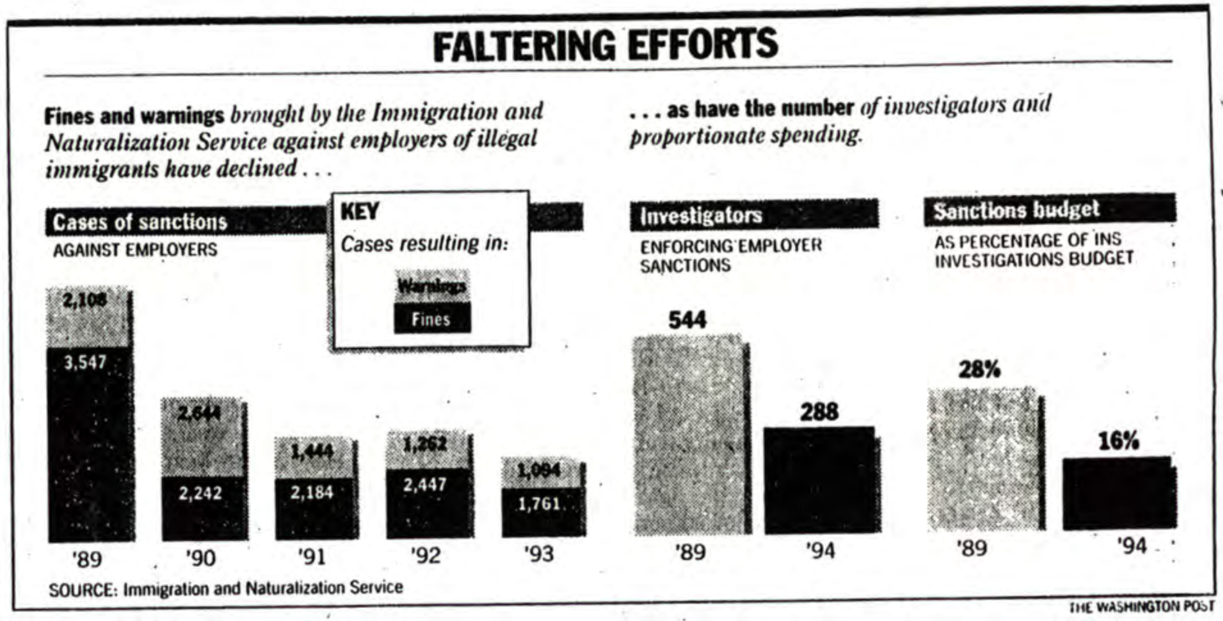
As resources have dwindled sharply, more cases have gone uninvestigated. By last September the INS had accumulated a backlog of 36,000 leads on possible violations it had been unable to check out, according to a report by the General Accounting Office.

INS Commissioner Doris Meissner conceded, "We have a substantial enforcement deficit because our resources have steadily declined in this area just when we needed to be boosting them." She blamed Congress for scaling back administration requests for additional investigators in recent years even as it mandated new tasks for them to take on.

There is a consensus among policymakers that the flow of illegal immigrants to the United States has reached troubling proportions. In his State of the Union address last week President Clinton spoke of the need to halt "the kind of abuse of our immigration laws we have seen in recent years," and endorsed plans to begin work on the computerized workers' registry and on improved identity documents.

The administration is expected to unveil a detailed initiative and spending proposals within a few days. Sen. Alan K. Simpson (R-Wyo.), chairman of the Senate Judiciary immigration subcommittee, introduced a bill last week that would also create a computerized verification system for workers.

Under the 1986 law employers are required to ask job applicants for documents showing they are authorized to work, but employers are not required to verify the documents' authenticity. As a result, many illegal immigrants use counterfeit papers to get work, and their employers are deemed blameless.



The proposed registry and improved documents are designed to make it more difficult for illegals to use fake identities.. But critics of the But critics of the voluntary compliance strategy argue the new proposals will not affect the substantial number of employers who knowingly violate the law. Although the majority of employers want to comply, "it's not them you have to worry about, it is the others," said Saskia Sassen, professor of urban planning at Columbia University.

Those employers belong to the shadow world of the underground economy that Sassen has chronicled in several books. "These employers violate all kinds of laws when it comes to their workers whether it be laws on overtime, the environment or safe working conditions, and hiring illegal workers is just one of many irregularities," she said. "No computer registry will make a difference in these cases because these employers are not looking for easier ways to comply. On the contrary, these workplaces can only exist under an umbrella of violations."

The rapid expansion of the service industries, competition from national chains in areas such as food services and retailing, global competition in many areas of manufacturing and economic downturns have all helped create a sector of the economy that operates on thin profit margins and employs large numbers of low wage workers.

Secretary of Labor Robert E. Reich recently described this way of doing business as "the low road to competitiveness . . . hiring illegal immigrants, paying them very little in conditions of squalor and lack of safety that rival conditions in the Third World."

Just how big a chunk of the workforce is employed in this sector of the economy—and how big a challenge it poses in the enforcement of immigration law—is a sharply disputed issue even within government.

According to the INS, 90 percent of all employers are in compliance with the law. But the Labor Department, which inspects four times as many business each year as the INS, puts compliance at a mere 47 percent. One reason for this discrepancy, administration officials said, is that Labor Department officers judge compliance when they conclude their inspection, while the INS defers a decision until it has given an employer "educational assistance" and opportunities to correct mistakes.

The INS is reevaluating its enforcement strategies and said it intends to target sectors of the economy known for consistent violations. But even this initiative is based on increasing voluntary compliance with the creation of a new verification system that is expected to take several years.

"The way you go after the bad guys is by promoting compliance," said Meissner, the INS commissioner. "You get as much compliance as possible so you can target resources at the problem areas."

THE PRESIDENT HAS SEEN
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Erskine

These are bus. leaders we should touch → they should be sympathetic with our policies

BC

THE WALL STREET JOURNAL
TUESDAY, JANUARY 24, 1995

Inflation Calculus

Business and Academia Clash Over a Concept: 'Natural' Jobless Rate

Debate Matters Because It Involves How Fed Moves Affect Economy's Course

The Factory Meets NAIRU

A1

By AMANDA BENNETT
Staff Reporter of THE WALL STREET JOURNAL

Are too many Americans at work these days for the economy's own good?

Absolutely, says Martin Feldstein, a Harvard University professor and former head of the Council of Economic Advisers under President Reagan. By Mr. Feldstein's calculations, unemployment already has fallen way below the level he believes is sure to trigger steadily rising inflation — even if the economy begins slowing soon on its own. "We are . . . into the danger zone," he says.

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Nonsense, retorts Dana Mead, chairman of Tenneco Inc. in Houston. Economists who talk that way, he maintains, just don't understand how American companies have tied wage increases to productivity gains, shifted work overseas and learned to produce more with fewer people. Even if the expansion continues, he says, "companies are not going to be in as hot competition for workers as pure economic theory might suppose."

So Who Is Right?

As the economy continues heating up, so too does the battle between the ivied halls and the factory floor. On one side, the weapon is economic theory. On the other, day-to-day experience. Much hangs in the balance: If theory bears out, the Federal Reserve Board courts inflation if it keeps interest rates too low; if many businesses' observations are correct, the Fed risks choking off the economic expansion by raising rates too high.

The economists who say unemployment is too low maintain that it will be months, or even years, before the proof that they are right rolls in. For the moment, however, the evidence is stacked against them. While some observers detect spotty increases in wages in particularly tight labor markets, those aren't yet working their way up to many of the country's biggest employers — or into the nationwide statistics.

"We aren't feeling pressure," says Kelly Ritchie, vice president of human resources at Lands' End Inc., in Dodgeville, Wis. Last Christmas, the catalog retailer had no trouble hiring 2,200 additional people for peak-season help, without raising pay rates; neither did Sears, Roebuck & Co., which hired nearly 40,000 Christmas workers. MCI Communications Corp. has been hiring 10,000 to 15,000 people a year at about the same pay range for the past two years. "We don't see any need to make any major changes," a senior MCI official says.

Stable Pay Increases

Even as the U.S. unemployment rate fell to 5.4% at the end of last year, from 6.7% at the beginning, employee wage and benefit costs remained flat, as did the rate of rise in the consumer price index. "We keep waiting for the other shoe to drop, and it never does," says Donald Wood, chief of the division of employment cost trends at the Bureau of Labor Statistics. "It's strange."

So strange, in fact, that in the past few months it has prompted several economists — including a couple of the profession's most prominent defenders of the notion that unemployment had dropped too low — to lower their estimates of the natural rate. Perhaps, they now concede, their calculations were overly pessimistic.

"The danger zone for unemployment seems . . . to be lower than I had been previously estimating," says Robert Gordon, a professor of economics at Northwestern University. As recently as last month, Prof. Gordon advised the Federal Reserve Board that the inflation trigger was an unemployment rate that was probably 6%, and possibly as high as 6.5%. "I am the guy who sold 6% to the world," he says. Today, he thinks that trigger point is probably closer to 5.5% — and could be as low as 5%.

Creating Jobs

By Prof. Gordon's earlier reckoning, the economy tripped the inflation switch as early as last March; according to his new calculations, trouble could still be a way off, and hundreds of thousands more people could go back to work before serious inflation rears its ugly head. "I've just created 600,000 jobs," he quips.

Of course the Federal Reserve Board and the bond market aren't ready to declare inflation buried just yet. Commodity prices are rising, and the effect is working its way up into the prices of final products. What's more, with the CPI growing at its second lowest rate in nearly three decades, 2.7% for 1994, almost everyone expects some pickup this year. The average of forecasts of 53 economists surveyed by Blue Chip Economic Indicators in Sedona, Ariz., is that inflation will pick up to a 3.3% annual rate by the end of this year. A further Fed tightening of short-term interest rates is widely expected next week.

The question, though, remains: Does the rise expected this year in the consumer price index represent simply a mild bouncing back from an unusually low bottom, or is it the first step on an inflationary escalator that will keep on rising until unemployment swells again?

To understand the roots of the debate, it helps to look at an arcane economic concept developed back in the late 1960s by Edmund Phelps, now a professor of economics at Columbia University, and by Milton Friedman, the Nobel Prize-winning economist. It is called the Non-Accelerating-Inflation Rate of Unemployment — NAIRU — or the "natural" rate of unemployment.

With labor costs making up overall about 70% of business costs, the natural rate is an important concept to economists — including those at the Fed — because it indicates when wages are likely to rise as a result of the demand for labor outstripping supply.

Most economists have long agreed that some unemployment is inevitable because some people will always be between jobs or out of work because their skills don't immediately fit the jobs available. That transitional unemployment is the natural rate.

But before the work of Profs. Phelps and Friedman, economists thought that by speeding up economic growth they could engineer an even tradeoff between inflation and unemployment — say, a one-percentage-point increase in inflation, which would yield a one percentage point drop in the unemployment rate.

Prof. Phelps concluded instead that if unemployment falls below the natural rate, inflation won't stop rising until the jobless rate retreats. "If the labor market stays over-tight, each year there will be another point added to the inflation rate," says Prof. Phelps. "It will go on rising, up and up and up higher and higher."

What's more, once that inflation is embedded in the economy, it won't go away on its own, these theorists maintain. Instead, the theory holds that only a period of high unemployment will help. The rough economic rule of thumb: If unemployment stays one point below the natural rate for two years, it will cause a permanent one-point rise in the inflation rate — that only two years of unemployment one point above the natural rate will root out.

To business people's reports of lack of wage pressures so far, these economists reply: So what?

The economists say that history shows inflation does sometimes occur immediately after the natural rate has been breached, says Stuart Weiner, an economist at the Federal Reserve Bank of Kansas City. There also have been times, however, when it took nearly two years to become apparent, he adds.

Frederic S. Mishkin, executive vice president and director of research at the Federal Reserve Bank of New York, says businesspeople are indulging in wishful thinking. "There really is no evidence that [they] can point to except to say 'Gee, we haven't seen inflation yet,' and that's no evidence at all. People keep on making this mistake over and over again," he says.

Business counters: It is economists who repeat their own mistakes, because their calculations are looking at the world through a rearview mirror. Economists are "fighting a nuclear war with conventional weapons," says Robert Cizik, chairman and chief executive of Cooper Industries Inc., a Houston manufacturer. "My concern is that we are using data and statistics and rules of thumb that come from a different business environment than now exists." (2)

Businesses Changed

They describe the change in two words: productivity and competition. Both, they say, wring out inflation and enable them to increase production and hire more people without raising wages, and without putting pressure on their own prices.

Over the past two years, Mr. Mead at Tenneco says the company increased output without increasing wages by moving some automotive production to under-used

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(3) Kelleher

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Inflation Calculus: Business and Academia Clash Over Economic Concept of 'Natural' Jobless Rate

capacity in Europe. Moreover, by negotiating changes in union work rules, the company's packaging business has achieved 3% productivity gains, more than offsetting the 2.5% annual pay increases. Partly as a result, he figures the rates of price increases for all his company's products will be staying the same or declining this year.

Stephen S. Roach, an economist at Morgan Stanley, estimates that as a result of such changes, businesses' unit labor costs—that is, total compensation adjusted for productivity—rose by only 1% last year. He is forecasting an increase of 2% this year but says that is still very low by historical standards. "Normally at this stage of the cycle, that number would be in the 5% to 6% zone. That tells you what an extraordinary job corporate America has done in holding the line in labor costs."

Service Sector

It isn't only manufacturing, either. In December last year, the services component of the consumer price index rose 2.9%, Mr. Roach notes. At the equivalent point in the last recovery, the number was 4.9%. He maintains that the service industry is in the throes of the same kind of cost-cutting that manufacturing began five years ago. That, he maintains, will keep on holding down wages and inflation longer than usual.

Southwest Airlines, for example, just negotiated a novel, 10-year contract that gives its 2,000 pilots shares in its company's stock but no cash pay increase for five years. The company says the contract helps keep its costs at least 20% below its competitors' and helps restrain price inflation in general.

None of these arguments impresses the high-NAIRU camp.

"Serious students of the issue of measuring the natural rate don't find [business's argument about productivity] convincing," says Mr. Mishkin at the New York Fed.

Many economists do say that the natural rate has changed in the past, going from about 5.4% in the 1960s, to just above 7% in the 1970s, and declining to about 6.4% in the 1980s. They say these changes were related mainly to demographic shifts, mostly when less-employable groups began entering the work force. These shifts in the makeup of the labor force include the entry of more women, the big influx of young people in the 1960s and 1970s as the baby boom matured and, more recently, the larger number of nonwhite workers. As these groups, which traditionally have had higher unemployment rates, enter the work force, the natural rate rises; when they become absorbed in the work force, the natural rate declines again.

Economists themselves suggest other possibilities for why the natural rate may have dropped recently: Prof. Gordon at Northwestern says his original calculations were based on changes in the gross-national-product deflator, another measure of inflation, and not on the more widely watched consumer price index; moreover, since inflation has been so slow to appear, he is willing to entertain businesses' arguments that productivity gains and the weakness of labor unions have had an effect.

Reading the Signs

Prof. Phelps says he has lowered his own estimate of the natural rate—which is still high — to 6% from 6.5%. He suggests that the per-person dollar value of a range of public-assistance programs has declined, giving some marginal workers more incentive to go to work. The fact that the minimum wage hasn't been raised in some time, too, he thinks could help lower the natural rate. Some economists think that a too-high minimum wage prevents employers from hiring more low-wage workers. A lower minimum wage, Prof. Phelps suggests, "would be a barrier to entry into the labor force for fewer people."

Meanwhile, economists don't even agree among themselves on how to read the few possible signs of wage inflation that are emerging. Manpower Inc., the big temporary-help agency in Milwaukee, had its first across-the-board wage increase in several years last year — averaging about 4% — and expects another this year. One group of economists sees that as a sign of incipient inflation, since wage increases typically begin at the lower end of the salary scale. The other group disagrees: Demand for temporary help is buffering the economy from even-larger wage increases, says Gail Fosler, chief economist at the Conference Board.

In addition, one group maintains that any sign of inflation turning up this year means that unemployment has dropped well below the natural rate. "Natural-rate theory says that if you aren't at the natural rate, not only would you not expect to see inflation rising, but you would expect to see it declining," says Mr. Weiner of the Kansas City Fed.

"That's completely wrong," says Gordon Richards, chief economist for the National Association of Manufacturers. Inflation isn't affected just by wages, and can rise even if the economy hasn't yet passed full employment, he says.

As for Milton Friedman, the other father of natural-rate theory, he has completely disavowed the forecasting use to which his creation has been turned. "I don't know what the natural rate is, neither do you, and neither does anyone else. I don't try to forecast short-term changes in the economy," he says. "The record of economists in doing that justifies only humility."

Autotote Acquisition

NEW YORK — **Autotote** Corp. acquired certain assets of **IDB Communications Group** Inc.'s broadcast division for $13.5 million in cash and subleases for satellite transponders, or channels.

Autotote, which supplies wagering systems, said the transaction will allow it to telecast simultaneously races from more than 60 horse and dog tracks in North America.

A spokesman for the company said the subleases would cost $1.5 million through the end of leases. IDB Communications is a Culver City, Calif., communications company in the process of selling its assets.

THE PRESIDENT HAS SEEN
2 10 95

Leon
Sue Nelson
Joe Biden in these
decisions
BC

SCHEDULE FOR CRIME STRATEGY

A. PROPOSED SEQUENCE OF ACTIONS

1. THE PRESIDENT CALLS DEMOCRATIC LEADERSHIP TO THE WHITE HOUSE TO ANNOUNCE HIS CRIME STRATEGY

2. AT THIS MEETING THE PRESIDENT LAYS OUT HIS SCHEDULE FOR ACTION, INSISTING ON RAPID ACTION BY THE HOUSE OF REPRESENTATIVES IN ORDER TO:

   * lock in the Trust Fund vehicle for paying for the crime initiatives before the budget resolution is considered (at which time the funds could be hi-jacked for other purposes)

   * reduce opportunities for Republicans to shape the bill with counter-productive provisions

   * complete work on crime bill before the Congress moves to consideration of health care reform, which will consume attention for several months

3. THE PRESIDENT OR HIS SPOKESPERSON FORMALLY ANNOUNCES THE STRATEGY AND SCHEDULE

4. BIDEN MEETS WITH HOUSE DEMOCRATS TO HELP SPEED COMPLETION OF WORK ON THE BILL

5. THE PRESIDENT WEIGHS IN STRONGLY WITH THE HOUSE TO ENSURE TIMELY COMPLETION OF THE BILL

6. BIDEN PROTECTS THE STRATEGY THROUGH THE SENATE/HOUSE CONFERENCE ON THE BILL

THIS STRATEGY PERMITS US TO:

* MAINTAIN CRIME AS A DEMOCRATIC INITIATIVE

* CONTROL AGENDA FOR THE REMAINDER OF THE YEAR

* VASTLY IMPROVE CHANCES OF PASSING BILL THAT MEETS MAJOR INITIATIVES OF ALL SECTORS OF THE PARTY

B. PROPOSED SCHEDULE

1. LAY OUT OVERALL STRATEGY -- JANUARY

   * ANNOUNCE FOUR PART PROGRAM TO DEAL WITH CRIME

     ** CRIME BILL

     ** DRUG STRATEGY AND IMPLEMENTING LEGISLATION

     ** GUN REGULATION PACKAGE

     ** LONGTERM INITIATIVES -- "INVEST IN CHILDREN"

2. WORK FOR RAPID ENACTMENT OF CRIME BILL -- JANUARY/FEBRUARY

   * PROTECT THE $22 BILLION TRUST FUND

   * PROTECT THE KEY PROVISIONS FROM NEGOTIATED BIDEN/CLINTON BILL

   * CLARIFY SUPPORT FOR A THREE TIME LOSER PROVISION THAT CONTAINS THE FOLLOWING ELEMENTS --

     ** EACH CONVICTION MUST BE FOR VIOLENT FELONY AGAINST A PERSON, PUNISHABLE BY 10 YEARS OR MORE

   * PROTECT POSITIVE SENATE AMENDMENTS LIKE THE ASSAULT WEAPONS BAN

   * OPPOSE NEGATIVE SENATE AMENDMENTS LIKE THE FEDERALIZATION OF ALL GUN MURDERS

3. RELEASE NATIONAL DRUG STRATEGY -- FEBRUARY

   * RELEASE $13.5 BILLION STRATEGY CALLING FOR FOCUS ON HARD CORE USERS, TREATMENT AND EDUCATION, AND STREET LEVEL ENFORCEMENT

   * BIDEN HOLD HEARINGS TO SUPPORT STRATEGY -- FEBRUARY

   * INTRODUCE LEGISLATION -- FOLLOWING ENACTMENT OF CRIME BILL

* WORK FOR CONGRESSIONAL PASSAGE OF DRUG BILL -- SUMMER

4. INTRODUCE GUN REGULATION PACKAGE -- SPRING/SUMMER

5. LONG-TERM CRIME FIGHTING INITIATIVES -- SUMMER/FALL

   * INTRODUCE PACKAGE OF ECONOMIC AND SOCIAL INITIATIVES FOCUSED ON INVESTING IN AMERICA'S FUTURE -- ITS CHILDREN

   * PROVISIONS COULD INCLUDE PROGRAMS SUCH AS HEAD START, DEAD BEAT PARENTS PROGRAMS, EDUCATION AND JOB TRAINING

CRIME STRATEGY

ANNOUNCE A FOUR-STEP CRIME STRATEGY TO MAINTAIN CONTROL OF THE ISSUE THROUGH THE 1994 ELECTIONS:

I. **CALL FOR RAPID ENACTMENT OF THE BIDEN/CLINTON NEGOTIATED CRIME BILL**
(to reinforce that this is a Democratic initiative)

A. IDENTIFY THE KEY PROVISIONS OF THE DEMOCRATIC BILL AS NEGOTIATED BETWEEN BIDEN AND THE ATTORNEY GENERAL PRIOR TO INTRODUCTION OF THE BILL IN THE SENATE AND THE HOUSE OF REPRESENTATIVES.

Acknowledge that the Congress will help shape the final bill but that these are "must-have" provisions.

THE CORE PROVISIONS INCLUDE:

1. COMMUNITY POLICING --
100,000 new police officers to prevent crime and apprehend criminals

2. DRUG COURTS AND TREATMENT FOR ARRESTEES, PROBATIONERS, AND PRISONERS --
helping young, first-time offenders overcome addiction, get jobs, and turn their lives around

3. PUNISHMENT THAT FITS THE CRIME -- PRISONS FOR VIOLENT OFFENDERS AND BOOTCAMPS FOR NON-VIOLENT OFFENDERS --
taking chronic, violent predators off the streets, while making more cost-effective incarceration available for non-violent offenders

4. YOUTH VIOLENCE INITIATIVES -- support for anti-drug and gang efforts including programs to keep guns away from kids and kids off the streets

5. **VIOLENCE AGAINST WOMEN --** improving law enforcement, victim services, and prevention and education efforts

6. **RATIONAL GUN REGULATION --** including Senator Kohl's ban on giving guns to juveniles, Senator Feinstein's assault weapons ban, and tightening federal firearms regulation

THESE PROVISIONS TOGETHER FORM A BALANCED APPROACH COMBINING BOTH ENFORCEMENT AND PREVENTION MEASURES TO EFFECTIVELY FIGHT CRIME

B. ENDORSE THE ESTABLISHMENT OF A $22 BILLION TRUST FUND FROM THE SAVINGS GENERATED BY TRIMMING THE FEDERAL WORKFORCE TO FUND THE CRIME INITIATIVES IN THE DEMOCRATIC BILL

C. ACKNOWLEDGE THAT AMONG THE AMENDMENTS TO THE CORE BILL ARE THOSE DESERVING SUPPORT AND THOSE THAT ARE OPPOSED

GIVE ILLUSTRATIONS OF EACH --

Support positive amendments such as Senator Feinstein's ban on assault weapons, Senator Kohl's ban on giving guns to juveniles, Senator Domenici's aid to federal law enforcement and judiciary

Oppose counterproductive amendments such as the expansion of federal jurisdiction to all gun murders

II. RELEASE A NATIONAL DRUG STRATEGY AND, FOLLOWING ENACTMENT OF THE CRIME BILL, INTRODUCE A DRUG CONTROL, PREVENTION, AND TREATMENT ACT

A. Announce that Drug Director Brown will release the Administration's drug strategy in February, and that the Senate Judiciary Committee will hold hearings on the strategy

B. Emphasize that reducing crime is dependent on controlling the drug problem -- approximately 40% of all crime in the United States is drug-related

C. Introduce a Drug Control, Prevention, and Treatment Act, following enactment of the crime bill -- which contains the first set of measures aimed at controlling drug-related crime like the Drug Court Title

This bill will implement the administration's drug strategy, the key features of which are:

-- shift focus to hard-core users

-- expand treatment and education

-- expand street level enforcement efforts and reduce unproductive interdiction efforts

III. INTRODUCE PACKAGE OF RATIONAL GUN CONTROL MEASURES

Announce that the Attorney General will draft a package of needed gun reform measures

IV. INTRODUCE THE "INVEST IN CHILDREN ACT"

Focus on longterm crime reduction by strengthening the family and community, improving education and job training, and spurring economic development

THESE INITIATIVES COULD INCLUDE:

-- EXPANDING HEAD START

-- ENFORCING CHILD SUPPORT (Deadbeat Parents)

-- FIGHTING TEEN PREGNANCY

-- IMPROVING EDUCATION AND JOB TRAINING

GOALS SERVED BY THE STRATEGY

-- REINFORCES COMMITMENT TO KEY CLINTON PLEDGES ON CRIME

-- EMPHASIZE AND MAINTAIN DEMOCRATIC LEADERSHIP ON THE CRIME ISSUE

-- MAINTAIN CONTROL OF CRIME AGENDA FOR ENTIRE YEAR

-- OVERALL STRATEGY MEETS THE MAJOR INITIATIVES OF ALL SECTORS OF PARTY

CRIME LAW PRIORITIES

1. 100,000 COPS

2. ASSAULT WEAPONS

3. DRUG COURTS

4. PREVENTION PROGRAMS THAT WE KNOW WORK:

    -- COMMUNITY SCHOOLS/FACES ($800 MILLION)

    -- DRUG TREATMENT IN STATE PRISONS ($270 MILLION)

    -- G.R.E.A.T. PROGRAM ($45 MILLION)

    -- RESIDENTIAL FACILITIES FOR VIOLENT JUVENILES ($36 MILLION)

    -- KEEP OUR "PURPOSES" FOR BLOCK GRANTS, WHICH INCLUDES BOYS & GIRLS CLUBS, ATHELETIC LEAGUES, AND OTHER CHILD-FOCUSED EFFORTS

5. PRISONS

THE WHITE HOUSE
WASHINGTON

2/10

[illegible]

I sent you Cisneros'
memo re: Boxer -
Had a similar talk
w/ [illegible] → ~~[illegible]~~
we need to discuss
that too

BC

■ THE PRESIDENCY

THE PRESIDENT HAS SEEN
2/10/95

A Thing Called Hope

As the Clinton campaign starts gearing up for 1996, the First Lady re-emerges as a powerful influence

By MICHAEL DUFFY

HAROLD ICKES DOESN'T LEAVE THINGS to chance. While he was running the Democratic Convention in New York City in 1992, he insisted the cashier's check for the confetti vendor be held in escrow in case the climactic balloon drop following Bill Clinton's acceptance speech flopped. Ickes' tactic forced the balloon man to climb into the rafters to cut the netting with a large knife. The sight of an armed man climbing through the lights at Madison Square Garden drove Clinton's security detail to distraction. "The Secret Service guys nearly shot the guy out of the rafters," recalled a White House aide, "all because of Harold."

Ickes' ruthless attention to detail is the main reason the Clintons have tapped the deputy chief of staff to take control of the President's re-election campaign. The team Clinton chose last week to run the Democratic Party was specially designed by Ickes to prevent any challenges to Clinton from inside the party. And Clinton has begun quietly to hire people for his re-election campaign. The President held his first meeting on the campaign last week, and top aides are busy seeking outside advice on how to remind middle-class Americans of Clinton's accomplishments. Ickes' role in the campaign signals something else: the close involvement of the First Lady. Ickes, more than anyone else, operates as her agent.

The new resolve, paced by Clinton's steady move to the center, seems to be working. In a TIME/CNN poll last week, Clinton had a 49% job-approval rating, up from 41% a month earlier. "It's getting better," said senior adviser George Stephanopoulos. It couldn't have got much worse. In the weeks after the mid-term elections, the Clinton White House had been in mourning, with top officials from the President on down trying out theories of "what happened" on one another. The soul-searching has ended, and no one sped the change more than Ickes. Last week, backed by Mrs. Clinton, he worked out the arrangement by which Senator Christopher Dodd of Connecticut and Don Fowler, a longtime party operative from South Carolina, will take over as co-chairmen of the party this week. Dodd will be the outside man, talking on television, taking on Newt Gingrich and defending the President on Whitewater, as necessary. Fowler, a close friend of Ickes', will try to resurrect the Democratic National Committee, which is a nightmare to manage and is $5 million in debt.

CYNTHIA JOHNSON FOR TIME

A ROLE REDISCOVERED: Hillary Clinton, shown with the President in Florida last month, urged him to propose his middle-class tax cut

The arrangement will give the White House better control of the political operation as it heads toward 1996. Some party leaders are worried that Dodd-Fowler team is too liberal, but that was deliberate. Dodd has ties to the party's left, which Clinton needs to hold down, especially in a three-way race. Meanwhile, Ickes and Fowler are both aficionados of party rules, obsessed with delegate-filing deadlines and renowned for tying conventions up in arcane procedural fights. With both men on Clinton's team, the thinking goes, it will be harder for someone like Senator Bob Kerrey to challenge the sitting President.

At the moment the White House isn't worried so much about Kerrey as it is about House minority leader Richard Gephardt. Less than a month after Gephardt upstaged Clinton with a tax-cut proposal of his own, the Congressman won considerable attention last week for proposing a two-tiered flat tax starting at 11%. That move angered some at the White House, who may not realize that Gephardt was working on tax reform when many of them were still in school.

While the Missouri Congressman is unlikely to run, rumors of a challenge have the White House oddly spooked. Vice President Al Gore opposed the idea of having New Jersey Congressman Bob Torricelli head the Democratic Party because Gore feared, in part, that Torricelli might be a Gephardt mole. Still, Clinton is about to promote an old Gephardt hand: Terry McAuliffe, the D.N.C. finance chairman, will take over as finance director of the Clinton re-election campaign in March. McAuliffe raised most of Gephardt's money in 1988; his promotion alone makes a Gephardt run more difficult.

The White House constellation is shifting in other ways as well. Clinton has made no secret of his displeasure with pollster Stan Greenberg for misjudging the mood on health care, nor of his unhappiness over media adviser Mandy Grunwald's ads that too directly linked the G.O.P. Contract with America to Reaganomics. Consultant James Carville has been absent too long to be suddenly "out of favor," and strategist Paul Begala probably retains the strongest ties to the President from the old Gang of Four. Still, new stars may be rising in their place: Clinton has consulted Gore's favorite pollster, Mark Mellman, consultants David Doak and Bob Shrum and other longtime Democratic hands. All this strengthens Ickes' position inside the White House. So does his direct line to Hillary Rodham Clinton. Though she told nearly a dozen food writers, gossip columnists and even Ann Landers this week that she had been "naive and dumb" about politics last year, she is as influential as ever behind the scenes. Hillary Clinton urged her husband to back the tax-cut proposal in December, seek advice beyond the Gang of Four and turn Ickes loose on presidential politics. "Harold *is* Hillary," said an Administration official. "And they're finally putting her on the one project that she's best suited for: his re-election." *—With reporting by James Carney/Washington*

Ickes
Senn McTio
B.

THE WHITE HOUSE

WASHINGTON

February 8, 1995

The Honorable Michael D. Schattman
District Judge
Tarrant County Justice Center
401 West Belknap
Fort Worth, Texas 76196-0281

Dear Mike:

Thanks so much for your letter. It is always good to hear from you.

I appreciate your letting me know about your interest in serving on the Federal bench. I've shared your letter with my counsel, Abner Mikva, and asked him to give your suggestion careful consideration.

Please give my best to Mary Ellen and the kids.

Sincerely,

Bill Clinton

Vicki:

Vicki

Can we do this?

B.

cc: VICKI RADD

MICHAEL D. SCHATTMAN
DISTRICT JUDGE
348TH JUDICIAL DISTRICT OF TEXAS
TARRANT COUNTY JUSTICE CENTER
401 W. BELKNAP
FORT WORTH, TEXAS 76196-0281
(817) 884-2715

JUDY SIMS
COURT COORDINATOR
(817) 884-2715

LESLIE WEBB
COURT REPORTER
(817) 884-1790

January 28, 1994

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

Dear Mr. President,

I would like to formally request that I be considered for appointment to be a federal judge. The recommendation of former Senator Bob Krueger for the current vacancy on the United States District Court for the Northern District of Texas has been pending for some time. Should that recommendation not move forward, I would like to be considered for that bench.

As you know, my qualifications include 16 years experience on the trial bench in Texas. I have now been elected to judicial office five times, the last three unopposed. Being a federal judge is both a responsibility and an honor. I am more than ready for the responsibility. It would be a pleasure if the honor came from a President I know, especially one who esteems the role judges play in our democracy.

Sincerely,

Mike

Michael D. Schattman

MICHAEL D. SCHATTMAN
District Judge

Office: 348th District Court
Tarrant County Justice Center
401 West Belknap
Fort Worth, Texas 76196
(817) 884-2715

Residence: 501 High Woods Trail
Fort Worth, Texas 76112
(817) 496-6088

PROFESSIONAL EMPLOYMENT:

District Judge, 348th Judicial District of Texas, 1983-present. Appointed 1983; re-elected 1984; re-elected 1988; re-elected 1992. A general jurisdiction trial court specializing in the trial of civil lawsuits: deceptive trade practices; contract disputes; professional negligence by doctors, engineers and lawyers; personal injury; wrongful death; products liability; election contests; injunctions; condemnation; partition and title to real estate; insurance coverage and fraud. Notable cases include: the expansion of the Ft. Worth Zoo; county jail over-crowding; false imprisonment of a deaf customer at an automobile dealership; claims arising out of crashes in Brazil of Texas-manufactured helicopters; suit by Burlington Northern Railway against over 60 insurers concerning a coverage dispute involving anti-trust issues; suit between cities of Ft. Worth and Arlington over contractual obligations under state and federal law concerning sewage treatment services; sexual abuse of children in day-care facilities and recreational programs; and dispute over broadcast rights to Texas Ranger baseball.

Judge, County Court at Law No. 2, Tarrant County, 1979-1983. Elected 1978; re-elected 1982. A court of limited jurisdiction trying civil suits up to $30,000 and workers' compensation appeals. From 1979-81 had probate jurisdiction and presided over all civil commitments for mental illness, these involved both jury and non-jury trials.

Attorney in private practice in Fort Worth, 1973-79, involved in civil litigation and appellate work. Admitted to practice in Texas 1971. Also admitted before the U.S. District Courts for the Southern and the Northern Districts of Texas, and the U. S. Court of Appeals for the 5th Circuit in 1973. In 1977 admitted to the bar of the U.S. Supreme Court. Successfully represented the government of Mexico in litigation in Texas courts over Mexico's expropriation of land from an American national under the Agrarian Reform laws when the former landowner sought to obtain a judgment to support seizure of valuable pre-Columbian artifacts owned by Mexico but then in the United States. Argued case before the Texas Supreme Court which brought an end to these proceedings in Mexico's favor.

Law clerk for U.S. District **Judge Woodrow B. Seals**, Houston, Texas 1971-73. Major cases included desegregation of Corpus Christi public schools and United Farm Workers organizational case in Rio Grande Valley.

PROFESSIONAL SERVICE:

Board of Directors, Texas Center for the Judiciary, Austin, Texas,1990-1993. The Center is a non-profit, tax-exempt corporation which organizes and presents continuing legal education programs for the state's judiciary. The board supervises the Center's staff and budget. It reviews the content and format of the courses which are offered to Texas' trial and appellate judges at conferences in March and September of each year.

Member, Texas Supreme Court Task Force on Judicial Appointments 1991-1993. This twenty member task force was appointed by a unanimous Supreme Court in September 1991 to investigate reports about abuses in the selection and pay of persons appointed to act in special capacities in judicial proceedings: trustees, masters, attorneys-ad-litem, mediators, condemnation commissioners, etc. The members served without compensation and at their own expense. The task force conducted a series of hearings throughout the state taking testimony from judges, lawyers, mediators, litigants, and laymen. This investigative process formed the basis for the task force's conclusions: that there had been isolated instances of abuse; that there was confusion on the part of lawyers and judges as to the appropriate role of various appointees; that this was aggravated by vague, confusing and sometimes contradictory statutes and rules of procedure; and that this could be addressed by specific amendments to these laws and rules and by the addition to the continuing education curriculum of lawyers and judges of courses on the necessity, timing, pay and selection criteria for court appointees. These recommendations were forwarded to the Supreme Court for implementation in February 1993.

Chair, Tarrant County Juvenile Board, 1992. The Juvenile Board exercises statutory responsibility over the services provided by the county for youthful offenders. This includes detention facilities and probation supervision for adjudicated juveniles as well as temporary shelter and emergency care to runaways and abandoned children. The juvenile department provides educational services to incarcerated juveniles as well as drug counselling. While chair, the department embarked on an aggressive program of identifying youthful offenders and providing community based mentors to them in an effort to interrupt gang and individual criminal activity and to divert children from the juvenile justice system.

Chairman, Board of District Judges, Tarrant County, 1991. The district judges act as a collegial body to perform specified statutory tasks including the appointment and supervision of the County Auditor and County Purchasing Agent. The district judges are responsible for approving the budgets of these offices of the county government as well as reviewing personnel decisions made by the agency chiefs. Matters concerning the administration of the local courts and coordination with the sheriff, county commissioners and clerk are the responsibility of the district judges.

Chair, Local Civil Rules Committee, Tarrant County, 1987-1990. In order to carry out statutory mandates the Texas Supreme Court ordered that all local court rules be reviewed, rewritten where necessary and submitted to that court for its approval. Served as chair of a committee of lawyers and judges appointed for this task. Directed the committee to gather the existing written local rules, the unwritten practices which had developed since local rules were first adopted, the local rules of neighboring counties and of similarly sized counties, and the rules of federal trial courts in Texas. These were reviewed for logic and efficiency in light of changes in technology and the practice of law. Local rules, customs or practices which deviated from or frustrated the Texas Rules of Civil Procedure or the Texas Rules of Evidence were identified so they could be eliminated. Similarly, customs and practices which promoted efficiency were identified so that they could be codified into new written rules. The rules of other jurisdictions were examined and those judges interviewed for insights and innovations which could be adapted to local conditions. Various drafts were written and submitted to the judiciary and bar for comments and criticism. The drafts were rewritten and public hearings conducted. A final draft was written, circulated for comment and then adopted in October 1990.

Member, State Bar Committee on the Administration of Justice, 1985-88. This committee (since renamed) serves as the State Bar's first level of review for proposed changes to the Texas Rules of Civil Procedure. During this period the committee focused primarily on the rules as they related to the methods of discovery, to reports of discovery abuse, and to corrective measures. Committee recommendations were sent to the Supreme Court Advisory Committee for consideration by that body prior to any action by the Court.

CIVIC INVOLVEMENT:

Board of Directors, St. Francis Village Retirement Community, 1993-present.

Delegate, Democratic National Convention, N.Y., N.Y., 1992.

Board of Directors, National Conference of Christians and Jews, Fort Worth, 1988-present.

Fellow, Texas Bar Foundation, 1985-present.

Board of Directors, Catholic Social Services, Diocese of Fort Worth, 1987-1992.

Board of Directors, Circle-T Girl Scout Council, 1980-86.

Board of Directors, Tarrant County Medical Education and Research Foundation 1980-84; president 1983-84.

School Board, Msgr. Nolan High School, Ft. Worth, 1979-85; president 1983-84.

Tarrant County Democrats, chairman, 1977-78.

Withdrawal/Redaction Marker
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. resume	[Personally Identifiable Information] [partial] (1 page)	02/00/1995	b(6)

COLLECTION:

Clinton Presidential Records
Staff Secretary
John Podesta (Chron Files)
OA/Box Number: 5951

FOLDER TITLE:

February 5-11, 1995 [1]

2018-0662-S
rs3118

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]

EDUCATION:

J. D. With Honors, 1971, University of Texas School of Law, Austin, Texas; Articles Editor, Texas International Law Journal, 1970-71.

B.A., 1968, Georgetown University, Washington, D.C.

PERSONAL:

Born (b)(6)

Married to Mary Ellen Schattman, Director of Government Relations, Tarrant County Hospital District; three children.

[redacted]

Office of the Mayor
Joseph P. Sulzer
Administration Bldg.
35 South Paint St.
Chillicothe, Ohio 45601

Vicki Rodd

THE PRESIDENT HAS SEEN 2/9

The Honorable Bill Clinton
President of the United States

[redacted]

[redacted]

[redacted]

January 30, 1995

Dear Mr. President:

Realizing that you are extremely busy and besieged with many requests I was hesitant to write this letter to you. But I do indeed need your assistance and consideration.

I am very interested in and seek your nominating me to the judgeship for the U.S. District Court, [redacted] Southern District of Ohio. I have spoken to Senator Glenn's staff regarding the appointment.

Your help and consideration will be appreciated.

You are doing an outstanding job! Joe Sulzer

[redacted]

THE WHITE HOUSE

WASHINGTON

Dear Sam:

Thank you very much for your letter and the letters from Saint Mary's Home and the Commissioners of Chatham County.

I was, of course, delighted to receive these letters regarding Savannah, one of our nation's most beautiful cities. And, while General Sherman's message to President Lincoln presenting Savannah to the President as a Christmas gift in no way changed the legal status of the city, I certainly appreciate the heartfelt convictions with which these residents are pursuing this cause. I do commend them, especially the children of Saint Mary's Home, for their dedication to this great city.

As you know, in President Lincoln's response, he thanked General Sherman for the "Christmas-gift -- the <u>capture</u> of Savannah." He therefore understood the gift here to be the capture of the city rather than the city itself.

Although the city is not subject to any unique Presidential authority as a result of General Sherman's message, I can assure you that if it were, it would be my honor to relinquish any such authority and "return" the city to its residents. The level of commitment of Savannah's citizens to their community should serve as an inspiration to all Americans.

With best wishes,

Sincerely,

Bill

The Honorable Sam Nunn
United States Senate
Washington, D.C. 20510

THE PRESIDENT HAS SEEN
2.9.95

Marcia,
The original ltrs ~~is~~ are being held in Podesta's ofc.

<u>Marcia Hale</u>
call me re this
<u>before</u> mailing
B

United States Senate

COMMITTEE ON ARMED SERVICES
WASHINGTON, DC 20510-6050

December 21, 1994

The Honorable William Jefferson Clinton
The White House
Washington, D.C. 20500

Dear Mr. President:

I am writing to reaffirm my interest in an issue that was brought to your attention last year by the Chairman of the Chatham County Commission in Savannah, Georgia (letter attached).

As you are aware, the City of Savannah was occupied on December 21, 1864, by Union General William Tecumseh Sherman and 62,000 troops under his command. The following day, General Sherman wrote to President Lincoln: "I beg to present you as a Christmas gift the city of Savannah, with one hundred and fifty guns and plenty of ammunition, also about twenty-five thousand bales of cotton." One hundred and thirty years later, this remains something of an issue with many local citizens who are students of history. No reference can be found that President Lincoln or subsequent Presidents ever restored the city to local ownership.

My interest in this matter was recently renewed by the enclosed letter which I convey to you from the children of Saint Mary's Home in Savannah. These children, like many members of the Savannah community, are requesting your assistance in restoring "ownership" of the city to its residents.

Savannah is a proud city -- its natural beauty, renowned historic district, and architectural masterpieces will make it an ideal host for the 1996 Olympic Yachting events. On the 130th anniversary of General Sherman's offering, I believe it would be appropriate for you to "return" the city of Savannah to its residents.

Sincerely,

Sam

Sam Nunn

Enclosures

COMMISSIONERS OF CHATHAM COUNTY

JOSEPH E. MAHANY
Chairman

Chatham County Courthouse
Post Office Box 8161
Suite 210 - 124 Bull Street
Savannah, Georgia 31412

(912) 652-7878

December 14, 1993

The President
The White House
Washington, D.C. 20025

CERTIFIED MAIL

Dear Mr. President:

As you are aware, the City of Savannah was occupied on December 21st 1864 by four Corps of the United States numbering 62,000 infantry, artillery, engineers and cavalry under the command of William Tecumseh Sherman. General Sherman on December 22nd 1864, wrote to President Lincoln the following holiday greeting:

> Savannah, Georgia, December 22, 1864
> To His Excellency President Lincoln, Washington, D.C.:
>
> I beg to present you as a Christmas - gift the city of Savannah, with one hundred and fifty guns and plenty of ammunition, also about twenty-five thousand bales of cotton.
>
> W. T. Sherman, Major-General

General Sherman and his army marched north with the New Year leaving behind a garrison of U.S. soldiers who were finally removed from Savannah in 1876.

The citizens of Savannah and Chatham County have since that time had the undisturbed use of the city; however, the question of ownership has emerged. While the gift of the city to the President is quite well documented, we can find no reference that President Lincoln or subsequent Presidents have restored the city to local ownership. The community leadership feels that over the years it has done a commendable job in improving the President's property; however, there has been a lack of guidance from the Oval Office as to what overall direction to take in the management of this Presidential Estate and specific instructions have been completely lacking.

The President
December 14, 1993
Page Two

While the residents of Savannah and Chatham County realize that there are much more important affairs to occupy your time than the fate of a 129 year old Christmas gift, it is disturbing to have this matter unresolved. To end this ambiguous situation, I would like to suggest that you return the gift of Savannah to the citizens who have cared for it so well for the last six score and nine years. You may keep the guns, ammunition, and cotton.

Respectfully,

Joseph E. Mahany, Chairman (D)
Chatham County Commission

JEM:gfg

cc: Senator Sam Nunn (D)
Senator Paul Coverdell (R)
Representative Jack Kingston (R)
Congresswoman Cynthia McKinney (D)

THE WHITE HOUSE

WASHINGTON

Dear Felicia:

Thank you very much for your letter. One of the joys of being President is the privilege of hearing from children all over our great nation. And your letter was indeed a pleasure to read.

While General Sherman's message to President Lincoln presenting Savannah to the President as a Christmas gift in no way changed the legal status of the city, I certainly appreciate the heartfelt convictions with which you and the other residents of Savannah have pursued this cause. As you may not know, in President Lincoln's response, he thanked General Sherman for the "Christmas-gift -- the capture of Savannah." He therefore understood the gift to be the capture of the city rather than the city itself.

I can assure you that if Savannah were subject to any unique Presidential authority, it would be my honor to relinquish any such authority and "return" the city to its residents.

Thank you, again, for writing. Best wishes to you and all the children of Saint Mary's Home.

Sincerely,

Miss Felicia L. Smith
Saint Mary's Home
2170 East Victory Drive
P. O. Box 3627
Savannah, Georgia 31414

Saint Mary's Home
2170 East Victory Drive
P. O. Box 3627
Savannah, Georgia 31414

December 5, 1994

President William Clinton
The White House
Washington, DC

Dear President Clinton,

Hello. My name is Felicia Lorraine Smith and I live at Saint Mary's Home for Children in Savannah, Ga. I hope this letter finds you in the best of health.

I am writing to you on behalf of the entire City of Savannah as well as the State of Georgia.

In the late 1800's our beautiful city of Savannah was given by Gen. William T. Sherman to President Lincoln as a Christmas gift.

Although he was given orders to burn everything in his path from Atlanta to Savannah, he could not bring himself to destroy a place as beautiful as Savannah. Instead, he wrote a letter to President Lincoln expressing his feelings toward the city. He presented this gem to the Present undamaged.

Now many years later, we, the citizens of Savannah, feeling like dispossessed people, are asking you to please allow us to have our City back so we can again feel that we are in our own hometown. Savannah is not just another city in the South to us. It is our home where our ancestors were born and bred so please, President Clinton, allow us to have our city back. The North should not need this lovely piece of the South to enhance its own beauty any longer.

As the Christmas time approaches again, this is the appropriate time to set the record straight and return our lovely City to its rightful owners.

God bless all and a Merry Christmas!

Sincerely yours,
Felicia L. Smith

Felicia Smith and all the
children of Saint Mary's Home

Saint Mary's Home
2170 East Victory Drive
P. O. Box 3627
Savannah, Georgia 31414

Wesley Jackson

Mabel Duque

Miss Teresa

Michael Hunt

Saint Mary's Home
2170 East Victory Drive
P. O. Box 3627
Savannah, Georgia 31414

MISSION STATEMENT

Saint Mary's Home is a Licensed Residential Child Care Facility operated by the Sisters of Mercy for the Catholic Diocese of Savannah. The Board of Directors and the Sisters, with their lay counterparts, provide a nurturing and therapeutic environment for children with special needs.

As a full time residential facility, Saint Mary's offers through a Christian environment care and treatment services for children who cannot be cared for in their own homes or in foster family homes. Children are accepted from both public and private agencies, as well as from individuals seeking help for their own children and/or themselves, regardless of race, creed, sex, or environmental background.

Because of the unique nature of each family unit, the therapeutic healing process must be individually planned with each family member viewed as an important and integral link in building lasting family relationships.

To address the total needs of these children and thus assist their families the Home offers the following services on a year round basis: creative group living; spiritual guidance; medical, dental, psychiatric, psychological services; casework; educational and recreational programs. Saint Mary's also has an After Care program which involves the family as well as the child. Non-residential (Latchkey Program) children are accepted to help families before small problems become unmanageable.

Underlying the Christian philosophy of Saint Mary's Home is the assumption that each child is born worthy of love, respect, and a feeling of security. When deprived of these they build a wall about themselves that impedes their growth and development. It is the task of the staff to loosen the bonds that bind the children to their defenses, fears, anxieties, and mistrust. Through encouragement, understanding, and guidance the staff will help the youngsters to make the best use of their potentials and to develop their capabilities to the maximum. Through this mileu one can learn to see self as a person of worth and dignity.

From their experience at Saint Mary's children as well as their families will be helped to find their place in the plan of creation and to realize that no one else can make a specific and special contribution to life. As C. S. Lewis states, "God makes each soul unique. If He had no use for all these differences, I do not see why He should have created more souls than one."

MEMBER

Catholic Charities
USA

HISTORY

1875 Three Sisters of Mercy and 25 parentless young girls took up residence in the country home of Mrs. J. Lama on White Bluff. This became the first St. Mary's Home..

1877 Female Orphan Benevolent Society was established by the Catholic laity to relieve the Sisters of the financial strain connected with the maintenance of the girls.

1883 As the population of the Home grew so also did the need for a larger residence. Through the generosity of Captain Henry Blun, an officer of the Society and subsequently its president, lots in the 1600 block of Habersham Street were donated to fulfill this need.

1887 Female Orphan Benevolent Society was chartered and placed on file — Jan. 20.

1898-1906 Additions were made to accommodate the increasing number of referrals.

1936 A real need arose for a new and larger home. This was made possible through the generosity of Catholics, Protestants, and Jews.

1938 Sisters and children moved into their new Home at 2170 East Victory Drive.

1950s St. Mary's ceased to be an orphanage and became a home away from home.

1967 Boys were accepted.

1968 Houseparents no longer taught school but devoted themselves fulltime to the ministry of Child Care and Social Service.

1969 New Board of Directors was established, St. Mary's relicensed by the State, and admission policies refined.

1972 Student Government Committee was organized.

1973 Visiting Family Program was developed and implemented.

1977 On-campus summer program becomes a reality.

1980s & 1990s Policies continue to be revised, programs updated, and building renovated to meet the needs of the children and families served by St. Mary's.

CURRENT PROGRAM

St. Mary's, a Child Care Home under the auspices of the Catholic Diocese of Savannah, is a full time residential group care facility, offering care and treatment services to children who cannot be cared for in their own homes or in foster family homes. Children are accepted from both public and private agencies - as well as from individuals seeking help for their own children and/or themselves, regardless of creed, color or background.

To meet the total needs of these children and their families the Home offers the following services: creative group living; spiritual guidance; medical, dental, psychiatric, psychological services; casework; educational and recreational programs. During the summer months this therapeutic milieu is extended to include arts and crafts as well as physical education. St. Mary's Home also has an after care program which involves the family as well as the child.

As a diocesan child-care center covering 90 counties of South Georgia, St. Mary's has a capacity for approximately 35 school-age boys and girls who attend both public and private schools.

The staff, who work most directly with the boys and girls, has the training and experience adequate to prepare them for understanding groups of children and in bringing the strengths of the group to bear upon the individual needs of each child. At present, all of the staff has had a formal, as well as informal, education and training in child care, psychology, and special education.

The children are very much a part of parish, school and local community activities. The older children are encouraged to seek part-time employment, thus acquiring not only a sense of independence, but a sense of values. As a means of trying to create and maintain a family semblance opportunity is provided for the children to visit in their own homes and the homes of their friends, and to have their friends visit them at St. Mary's.

ADMISSION PROCEDURES

Referrals are accepted from private and public agencies for school-age children regardless of race, color, or creed who are not physically handicapped or severely disturbed.

After an agency or an individual has made a referral and received the necessary application the following procedure is followed:

(1) An agency should send St. Mary's any background information compiled on the child and his family or if private placement the Social Service Administration is responsible for the intake. A medical examination, signed by a competent physician, should also accompany this material . . . as well as up-dated immunization records.

(2) The referring agent should have the child's academic records sent to the Home in order to insure proper placement in school.

(3) A psychological evaluation is required.

(4) The referring agency or parent must submit a copy of the court order showing the determination of custody.

(5) The Admissions' Committee reviews the information, and if necessary, this Committee seeks the professional assistance of a psychiatrist or a psychologist before making a final decision.

(6) After a decision is made, the agency, parent, or guardian is notified and a preplacement visit is scheduled for the child.

(7) If the child is accepted a written contract between agency and/or parent and St. Mary's is signed. This will insure a Plan of Care for the child/children being placed.

For more information please contact:

Administrator
St. Mary's Home
2170 East Victory Dr.
Savannah, Georgia 31404

(912) 236-7164

cc Erskine
Leon
Kerr

Park letter

THE WHITE HOUSE

WASHINGTON

February 3, 1995

Mr. Richard S. Park
Chairman of the Board
U.S. Woopon Company, Inc.
851 South Western Avenue
Los Angeles, California 90005

Dear Richard:

Thanks so much for your letter and your candid advice.

As my Administration continues working to move our nation forward, I am grateful for your commitment to helping us. We have a lot of work to do in the months to come, and I'm confident that we are moving in the right direction.

Your support, your encouragement, and your friendship mean a lot to me, and I hope you will keep in touch.

Sincerely,

Bill Clinton

We are making some changes and improvements on the judgeships. You should know that last year I appointed the largest number of judges of any President in 17 years and that a larger percentage were rated "well qualified" than were the appointees of the last three Presidents. But we must do better.

Rec'd 1/22/95
call to
KC 1/22/95

韓美政經協會
KOREA AMERICA ECONOMIC INSTITUTE
611 SOUTH KINGSLEY DRIVE 405, LOS ANGELES, CALIFORNIA 90005 U.S.A.
TELEPHONE: (213) 386-5449 FACSIMILE (213) 380-2278

December 29, 1994

Personal

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

Dear Mr. President:

As the magic of the holiday season pervades the country, my thoughts have turned to the one person who has made the progress of our country possible, that is you Mr. President. With warm thoughts I hope that you and your family have enjoyed this holiday season.

The end of the year is always a good time for reflection, with the new year being a time for enthusiasm and excitement. As your longtime friend and supporter, I took this time to seek feedback from my community to help reflect on the past.

The main concern of my community has been the effectiveness of the staff within the White House and the DNC. It is perceived that your subordinates appear to be inexperienced, self-consumed and disloyal. For example, sadly but true, your Presidency has never had a honeymoon period. You were attacked and forced to be on the defensive from the moment you entered the Oval Office. An experienced staff, would have worked the media and congress to allow you some initial breathing room to get things organized.

Another example, results from many people who have visited either the White House or the DNC. The cumulative perception is of utter chaos and disorganization. The White House and the DNC are filled with young and overly ambitious staffers, who are more concerned with laying foundations for their futures, rather than uniting to work as a team to promote the President. There needs to be a serious re-evaluation of your staff. Loyalty comes from the heart and is extremely hard to perceive. Maybe you should try looking straight into the eyes of every member of your staff? Look deep into their souls to determine their loyalty.

In sum, the cumulative effect of the above perceptions appears to be a delay in decision-making. In other words, indecisiveness prevails because lower aids are unable to give you quick and well reasoned recommendations. You should be immediately and thoroughly briefed on every decision awaiting you, whether perceived to be of vast public interest or of no public interest. An example, is the long delay in lower judicial appointments. Your perceived minor decisions can be major to your re-election because there is much interest at the grass roots level in these decisions. A prolonged delay hurts the community support that you could receive.

Mr. President, you were elected because the public believed in you. You need to boaster that belief. You have achieved much in the first half of your term by combating crime, making great inroads towards economic recovery, and increasing the level of education and job training. But your staff has not adequately conveyed this message to the public. The reason for this is that your staff is failing to reach out to the public at the grass roots level.

I urge you to re-evaluate the loyalty of those around you. Your strongest asset is your ability to talk in a forum setting. This is because your genuineness and honest concern is conveyed through your speech and mannerisms. A loyal staff should be able to package and deliver to the public, your genuineness and honest concern combined with quick and decisive decisions.

The next two years will be vital towards your future. As your longtime friend and supporter, I will do everything in my power to assist you.

Sincerely,

Richard S. Park

RP:ct

[redacted]

THE PRESIDENT HAS SEEN
2.9.95

To H Ickes/Erskine
need to meet on ASAP
B.

[redacted]

[redacted]

THE PRESIDENT HAS SEEN
2-9-95

Mr. President: These are ideas for strengthening our minority base which we discussed by telephone on Sunday. It is possible that we need someone like Andy Young or Maynard Jackson to run an effort like this at the Re-elect Committee.

Henry

February 6, 1995

MEMORANDUM FOR: President Clinton

FROM: Henry G. Cisneros

SUBJECT: Ideas for Engaging the Minority Communities in Support of President Clinton

Use Minority Appointees in the Administration and Cabinet Department Capabilities Better

1. Activate the network of political appointees in the Administration and specifically designate appointees as assigned liaisons to African-American and Latino groups. Assign appointees to cities, associations and interest groups.

2. Keep the pressure on for minority appointments. The scarcity of high level minority faces in the White House sends a message in and of itself.

3. Set up a White House-directed speakers stable so that Cabinet and sub-Cabinet officials, especially minority officials, are scheduled at every minority convention and organization over the next two years.

4. The federal departments must be pushed to do a better job of employing minority contractors. There is a sense that the Republicans work very hard with their allies in the minority business groups when they are in power. It is generally perceived that they do a better job than we do. Our departments have been notably weak in minority outreach.

Help the President to Keep in Contact with Minority Influentials

1. Invite groups of minority leaders as well as mayors and union officials in to see the President on a pre-decisional basis. This is distinct from simply scheduling Presidential speeches before minority audiences where the President speaks but has little opportunity to engage or hear from the audience. A visit to the White House matters a great deal.

2. Bring in regular groups of African-American ministers and other minority religious leaders. Consult them instead of simply waiting to appear in their churches at election time.

Getting Our Message to Minority Communities

1. Direct the White House and the departments' public relations offices to focus on minority media outlets. Our radio and television strategy must include messages tailored for African-American and Spanish speaking audiences. Beyond television and radio, this would include communicating with the ownership of such influential minority publications as Ebony, Jet, Hispanic Business, Black Enterprise, Essence and Hispanic whose articles and editorials are widely read in beauty shops, doctors' offices and other public places. In addition, there are hundreds of African-American and Hispanic weekly newspapers that are not getting advertisements placed by government agencies.

2. Shape the President's accomplishments and create campaigns to publicize them among minority groups. For example, the Mexico finance package should be immediately explained and lauded before the monthly meetings or upcoming dinners of Hispanic Chambers of Commerce by Administration officials in virtually every major city in the country. Another example would be to take the education emphasis in the President's new budget to be presented next week and discuss it in African-American churches on a systematic basis in major cities for the next six weeks.

3. Carefully assess the President's position on issues so that the cardinal rule is always considered: "Never alienate our base voters; Never go directly in the face of our core voters; Never seek to please someone else at their direct expense". The history of American politics is full of examples of leaders who, in seeking to broaden their base or even fashion a new base, turned too sharply against their core voters, either alienating them completely or depressing their enthusiasm beyond recovery.

   The trick is either to decide issues in a way that our base voters can support or to package and articulate painful issues so our base voters can see where they fit into universal American initiatives, even if our base voters feel they are tangentially or symbolically hurt, as in welfare reform.

   It will be important, for example, to explain devolution and welfare reform to our base voters. The objective of such explanations must be the following:

   a) to keep a primary challenge from developing on the President's left.

   b) to keep our base voters sufficiently enthused so that they perceive a reason to vote and turn out.

c) to reduce the potential for social unrest if people feel they have been abandoned, unleashing forces that can easily get out of control, e.g., Los Angeles in 1992.

The line-up of contentious issues which our base voters can view as damaging to them is formidable. They include welfare reform, the downsizing of key departments, unfunded mandates (which echoes of states rights), and the balanced budget. Positions that minority leaders view as harmful will be viewed as reasons to desert the President, especially after the soreness that lingers after Lani Guinier.

4. Forge a position on affirmative action and articulate it early instead of being eviscerated by leaks, dodges and weaves, and, in the end, making everyone angry.

5. Get our supporters to create and fund an organization - outside and unrelated to the government - to explain our positions to minority communities. It could operate something like Norman Lear's People for the American Way, but would be more explicitly directed to minority Americans and by definition supportive of the President. It would not only hold press conferences, publish reports, and orchestrate speakers to tout the President's accomplishments for minorities, but also interpret and advocate for current Presidential initiatives from a minority perspective.

- This is pretty good
- Need some Quarry action: campaign for MCBR, for min wage, for welf ref; for Nat Svc

February 7, 1995

MEMORANDUM FOR ERSKINE BOWLES

95 FEB 7 P5:10

PRESIDENT
Please Read
This.
Thank you
Erskine

FROM: Don Baer
Bruce Reed
Jeremy Ben-Ami

CC: Mark Gearan
Billy Webster

SUBJECT: New Covenant Scheduling

This memorandum provides a strategic framework for the President's schedule consistent with his vision in the State of the Union Address.

FOCUS OF THE NEW COVENANT

Some people are concerned that the New Covenant is too inclusive to guide scheduling decisions. In fact, as an overall theme, it can be used both to narrow the focus of the President's schedule and to sharpen the public's view of him. The New Covenant underscores three important strengths:

1. **Consistent purpose.** The American people want to know what the President believes in. Nearly everything he has done and proposes to do has been developed as part of the basic bargain of the New Covenant: Expand opportunity, but only for those who accept responsibility to make the most of their lives, their communities and their futures. The ideas the President advocates -- Middle Class Bill of Rights, education and training, welfare reform, crime, government and political reform, teen pregnancy, and others -- are based on the idea that America's strength depends on expanding opportunity and demanding responsibility in return.

2. **Optimistic vision.** At a time when Americans are giving up on their government, are troubled by moral decline and are losing faith in the future, the President's job is to show how the terms of the old social contract -- opportunity and responsibility -- still apply. The New Covenant shows Americans that government can reflect their values and that they are not helpless; indeed, they have an active role in solving the country's problems.

3. **Strong character.** The New Covenant is an assertion of principle: Government has a role -- to expand opportunity; citizens have a role -- to accept responsibility. The President's principles are in contrast to positions on the Right ("every-man-for-himself") and the Left ("something-for-nothing"). The contrasts enable the President to stand up for what he believes in, fight against what he opposes and challenge citizens to fulfill their end of the bargain.

SCHEDULING GUIDELINES
Every event should provide the President the chance to promote his vision of more opportunity in return for more responsibility. We suggest a few simple guidelines:

Yes
also should
do more
forums
to press

- Break free of the idea that a successful event must involve a traditional Presidential speech. Events can include: 1) occasional important speeches with a special purpose; 2) roundtable discussions with citizens; 3) visits to success stories -- citizens, communities and businesses taking responsibility.

- Let the President highlight what works in America, especially when it results from his efforts. Presidential success is more than legislative success.

- Put the President in touch with real people. Ideas at work in the lives of real people are more powerful than pandering to separate constituencies.

- Show Presidential strength:

  But need followup

  - Take action, without Congress
  - Deliver consistent message to a hostile audience (Hollywood on violence)
  - Deliver consistent message to two separate and seemingly divergent audiences (blacks and whites on welfare reform)
  - Challenge individuals, communities and institutions to take responsibility for their problems, emphasizing that the New Covenant is not about government action alone, but requires citizens to take responsibility (Memphis).
  - Draw the right lines against Republicans (and some Democrats), to contrast the President's agenda with theirs.

MODEL SCHEDULES
Here is what one week might look like under this approach:

Week of Feb. 12th:

- Visit Lincoln Memorial on Lincoln's Birthday with young people who have given something back to their country; return to White House to kick-off series of roundtables on civic responsibility.
- Major speech, American Council on Education: assert national role in education; promote Middle Class Bill of Rights; draw lines with the Republicans over gutting

education agenda; challenge higher education to hold costs to the rate of inflation.

- Visit business helping workers retrain for new economy; or roundtable with high school students to challenge them to go on for more education (following ACE speech).

This approach can be applied to other major policy areas:

why Wall St

Middle Class Bill of Rights/New Economy

- "Challenge" speech to Wall Street (or some other business venue): We cut deficit and lowered trade barriers, but business has responsibility to invest in workers.
- Comparable challenge speech to labor: We help workers in new economy, but they have responsibility to work with management not to retreat.
- Visit to factory/community college that is model of retraining and cooperation

Welfare Reform

- Challenge speech to black group: Be tough about values of work, responsibility and family, but do not punish children for parents' mistakes.
- Challenge speech to white group on the same day (or vice versa): The message is exactly the same.
- Visit to model welfare-to-work project
- Roundtable with dead-beat dads: challenge them to pay up and to get involved in their children's lives

Crime

- Visit precinct house in community that has received police under crime bill
- Roundtable with citizens in successful Neighborhood Watch setting to challenge more to do same
- Meet prosecutors about domestic abuse

Parents

yes
- Challenge speech to National PTA, March 14: Governments don't raise children; parents do.

yes
- Roundtable with parents at charter school where they have become more active in education

Civic responsibility

- Roundtable series with young Americans (see Lincoln Memorial above)

Maybe
- Challenge speech on entertainment industry, Stanford University, March 2

Maybe
- Month-long series of radio addresses announcing initiatives on civic responsibility
- Return to Georgetown University for new New Covenant speech: What the President has learned around America.

[redacted]

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN
2-9-95

From -

Maggie Williams -

[redacted]

Thought Potus would like to see!

cc Crasco
I need copy
B.

[redacted]

cc Dorskind

THE PRESIDENT HAS SEEN
2-9-95

DEAR LORD BE GOOD TO ME THE SEA IS SO WIDE AND MY BOAT IS SO SMALL

Children's Defense Fund

January 30, 1995

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

Dear Mr. President:

Thank you for singling out Head Start, immunizations, child health, WIC, school lunches, and gun control, and for your call to raise the minimum wage in your State of the Union Address. And thanks for the passion with which you spoke against putting poor children out in the streets.

This letter is to urge you to **fight unwaveringly to maintain the entitlement status of key child survival programs including AFDC, food stamps, foster care and adoption assistance, child nutrition, Medicaid, SSI, and child support enforcement. And that message must be transmitted clearly and immediately to Democratic governors and to the Congress who are getting muddied or no signals from your Administration.** While we face a multi-front war against the Medusa-like Contract with America which would recklessly slash protections for children and the poor, **the single most important and defining issue is the entitlement battle.** If we lose this battle, we lose the hard-made federal safety net for children, poor, disabled, and elderly in times of unpredictable natural and economic disasters, and we lose the moral anchor a decent national government must provide all of its children and citizens regardless of where they live.

It would be the height of tragic irony for the New Deal's most important legacy of national concern for the needy to be dismantled during your watch.

For decades, the federal government has assured the availability of funds for key child survival programs because the consequences of not doing so -- widespread childhood destitution, hunger, homelessness, illness, abuse, and neglect -- are unthinkable. Yet some governors seem to be on the verge of forgetting why child survival programs are funded on an entitlement basis and are willing to forego the federal funding guarantees in exchange for greater control over the design and implementation of these programs.

As a former governor, you know the enormous risks for state and local taxpayers as well as for children in severing the link between funding levels and documented need. When recession or natural disaster hits and caseloads rise, states will exhaust their federal funds and have no choice but to set up waiting lists, cut benefits and services across the board, or make up the shortfall with state and local dollars. The automatic stabilizing effects of child survival programs channeling additional funds into states and regions during economic

25 E Street, NW
Washington, DC 20001
Telephone 202 628 8787
Fax 202 662 3510

downturns will be lost. And notwithstanding any pledges by the congressional leadership this year, funding for these programs in future years could be slashed repeatedly in response to tight discretionary spending caps.

How can we contemplate circumstances under which a penniless mother and child might be turned away from a county or city welfare office simply because AFDC funds for that month or year already had been spent? What purpose will be served by denying hungry children school lunches or food stamps that ensure food on the table at dinnertime? And who can imagine the suffering if children facing imminent danger of abuse or neglect are placed on waiting lists rather than removed immediately from their homes?

Much can be done to respond to governors' concerns and improve the effectiveness of federal programs serving children and families. Many narrow categorical programs can be consolidated at the federal level, giving states more ability to design initiatives responsive to their unique needs. A genuine welfare reform plan reflecting our shared values of opportunity, self-sufficiency, personal responsibility, fairness, and compassion toward those in need can be enacted. Wasteful spending can be eliminated and the federal deficit sharply reduced. But we must not dismantle in 100 days or a single year the structure of child and family investments built painstakingly and incrementally over the course of decades.

Your clear voice and strong moral leadership is urgently needed to remind all Americans that the protection of children and the poor -- particularly those who work and who are the previous beneficiaries of many of the programs and policies of your Administration -- is one of our most deeply held and broadly shared national values, one that must not be sacrificed in upcoming budget debates. Children and families who meet the basic eligibility rules of child survival programs must be able to rely upon America's promise not to turn its back on them. This is the crucial area in which you can define for the American people the differences between your Administration and the new Republican leadership in Congress.

Voters did call for change in November and voted for less and more effective government. But they did not vote for more callous government or to balance the budget unfairly on the backs of children. They did not vote to starve hungry children or turn their backs on struggling families in crisis. Please stand firm in protecting all of our children and ensuring that every child has a chance to get a healthy start, a head start, a fair start, and a safe start in life.

We are working very hard to support your leadership.

Sincerely yours,

Marian Wright Edelman

MWE/emb

to Leon [illegible]

EXPORT-IMPORT BANK
OF THE UNITED STATES

THE PRESIDENT HAS SEEN
2-9-95

February 6, 1995

The President
The White House
Washington, DC 20500

Dear Mr. President:

I request respectfully that you consider me for appointment as President of the World Bank. I do so in the belief that my lifetime experience has prepared me for the challenge of reforming the World Bank.

The combination of private and public sector management experience, knowledge of the developing world, and financial expertise would give me a clean and good shot at the very difficult task of revitalizing this historic institution. Also, my solid bipartisan relations will help speed the approval and implementation of the needed reforms.

The World Bank has the potential to be a strong, positive force for increasing the well-being of developing nations and their citizens--but its potential will not be reached without deep, fundamental change. To that end, perhaps my greatest asset is the energy, commitment, and personal forcefulness to bring vigor to the World Bank.

I firmly believe that the revitalization of Ex-Im Bank has benefited your Administration and the U.S. economy. I have been honored to have the opportunity to serve you, and would like to continue in this service in meeting this new challenge.

Thank you for your consideration.

Sincerely,

Ken

Kenneth D. Brody
President and Chairman

GREER, MARGOLIS,
MITCHELL, BURNS

GMMB&A

& ASSOCIATES, INC.

THE PRESIDENT HAS SEEN
2-9-95

95 FEB 7 P5:50

POTUS

This is good
we should follow it
more —

MEMORANDUM

TO:	**PRESIDENT BILL CLINTON** **FIRST LADY HILLARY CLINTON** **VICE PRESIDENT AL GORE** **LEON PANETTA, Chief of Staff** **ERSKINE BOWLES, Deputy Chief of Staff** **MARK GEARAN, Assistant to the President**
FROM:	**FRANK GREER** **AND THE COMMUNICATIONS GROUP**
DATE:	**FEBRUARY 2, 1995**
RE:	**FOCUS & DISCIPLINE, FEWER & BETTER -- LESS IS MORE**

Focus and Discipline

There is strong agreement in the group that it is critical... actually imperative, that we have real message focus and discipline. When you have agreed upon the fundamental message and Unique Positioning Statement, it must guide every event, every message, every communications effort.

"Bill Clinton is working to restore the American Dream... Fighting to lift up the Middle Class, build our economy, create good jobs, build a better life and make our families and communities safe and secure. He offers A New Covenant... More opportunity -- more responsibility ... and a government that is smaller, but smarter -- more efficient and more effective ... Leaner not meaner." His guiding principle: **What is Best for the American People**. How can we give every hardworking family a shot at the American Dream.

Amer Dream
↳ Gd jobs, safer str, Better Ed, Qual of life
How
New Cov: Opport, Respons, Community
Role of Gov't
~~[illegible]~~
① Expand opp / shrink bur → lean not mean
② Empower people to make most of lives
③ Enhance Security
Guiding Prin
Is it best for Amer People

1010 Wisconsin Avenue, NW • Suite 800 • Washington, DC 20007 • (202) 338-8700 • FAX (202) 338-2334
11111 Santa Monica Blvd • Suite 1750 • Los Angeles, CA 90025 • (310) 444-0445 • FAX (310) 444-0447

Every public endeavor must reinforce and amplify this message. If it doesn't -- We won't do it. And no matter the imperative of the moment, such as Loan Guarantees to Mexico, it's got to be described in terms of our basic core message. "The loans are necessary if we are going to create good jobs and restore the American Dream." And in this particular situation, we've had an opportunity to demonstrate "courageous leadership. Doing what is right and best for the American people" no matter the consequences. Let us seize every opportunity to demonstrate principled leadership based on your core values and experience from "growing up as a middle class kid and believing in the American Dream" to your "12 years as a Governor working to improve people's lives with jobs and education, empowering them to achieve the American Dream." This has been the work of your life.

Fewer & Better -- Less is More

Quality is more important than quantity in communicating our message. The fewer events and public appearances, the more important they will become -- with the press and the American public.

If anything, we have allowed the President to be over exposed, to become too accessible. No more answering questions on ropelines or at photo ops. We will carefully choose our shots and our comments to reinforce our core message. No more three or four comments a day -- three or four stories or newsclips a day. We must have a clear focus, discipline and a clear sense of what is really important. The less we do, the more important it becomes when we do an event. It may be advisable to do only three events a week or only one event a day.

Every scheduling decision must be driven by a clear sense of message and the best way to present it.

And the events must be very carefully thought through and developed so that we can build an image of discipline, maturity, strength and leadership.

Be Presidential

We have in many ways diminished the Presidency. A part of what we must do is rebuild respect for the office and as a result build respect for you. We must become the Commander-in-Chief -- not Campaigner-in-Chief, Legislator-in-Chief or Political Consultant-in-Chief. You should look more Presidential, more mature, more serious (including no crazy ties), even, from time to time, lonely with the weight of your awesome responsibility. As I said before, use the symbols of the Presidency. Use Air Force One -- use "Hail to the Chief" -- always be announced as the President. America knows you are a caring, compassionate, down-to-earth kind of guy, but they want a President they can look up to who can get the job done... not a smart policy wonk that lives next door. We need by our discipline, our focus on a clear message and by the image we project to communicate that Bill Clinton is a strong leader that the public can trust with our future and the future of our world.

THE WHITE HOUSE

WASHINGTON

February 7, 1995

Ms. Jane Bryant Quinn
Newsweek
251 West 57th Street
New York, New York 10019

Dear Jane:

I just saw your eloquent Newsweek piece about the direct-lending program for student loans. I'm glad that you're helping to get out the message about the overwhelming benefits of this program to the American people.

Sincerely,

Bill Clinton

The article
cc: Leon / Erskine / [illegible]
Chris Dodd

THE PRESIDENT HAS SEEN
2-9-95

Give It a Chance

Congress threatens to limit the president's new student-loan plan

BY JANE BRYANT QUINN

A CLINTON INITIATIVE VULNERABLE TO A REPUBLICAN bombing run is "direct lending"—his new approach to student loans. The president praised the fledgling program in the State of the Union Message. It's cheaper for taxpayers, he said, and saves weeks of bureaucratic time. But key Republicans hated the law when it passed in 1993, and hate it still. A bill just introduced by Rep. William Goodling of Pennsylvania caps at 40 percent the volume of student loans permitted under direct lending. That's OK, if Goodling wants only to wait and see how well the program works. It's not OK if his prime intent is to shoot it down.

At present, most loans are made by banks or other private lenders, administered by state or private guarantors and insured by the federal government. The Feds pay the banks and the guarantors for their services. If you default, the taxpayers typically cover 98 percent of the loss. So lenders earn their comfortable profits at small risk. Estimated cost to the government this fiscal year: $6.3 billion.

Make money: The president's new direct-lending program cuts out the middlemen. You get your loan directly from your school, which draws the money from a government-funded account. Repayments go to the Treasury. Private contractors administer the loans and handle collections. The government expects to make money on the program the same way the banks do—by borrowing at a low interest rate and lending to students at a higher one. The Feds also think they'll pay less in administrative costs.

Fierce resistance to direct lending, by the lenders and guarantors that now handle the business, almost snuffed the program at birth. With opponents in the ascendancy, the lobbyists are again in full cry. Controversy surrounds the question of how much money, if any, direct lending saves. Doubters say that the government wouldn't know how to run a stocking, although schools already using the system say it works fine. There *are* successful federal programs, such as social security. The question is whether direct lending can be one of them and whether the administration will be given a chance to find out. What students need to know:

■ *Should you take a direct loan if your school offers them?* Of course. It's the same loan, with the same borrowing terms, that other students get at banks. Fees were lowered in 1994 and loan amounts raised. Dependent undergraduates can borrow up to $23,000 for their education—one third more than was formerly allowed. If you show financial need (a complex formula, comparing family income with college costs) the government pays the loan interest while you're in school. Otherwise you owe the interest although your payments can be deferred.

Around half of all undergraduates borrow today; they graduated last year with an average debt of $10,500, according to Jerry Davis, director of research for Sallie Mae, a prime player in the private-loan market. Due to rising tuitions and increased loan availability, last year's entering freshmen will probably graduate $13,600 in debt, Davis says—a 30 percent increase. Average payments will rise to $163 a month, from $126 today.

■ *Are direct loans better for you?* Probably so, in two major ways. You get the loan right at your school, which saves you a couple of steps. Even late applicants can get paid before school starts, because their request doesn't wind through the banks. The portion of student loans processed by the fall semester rose 35 percent last year at Colorado State University, reports Kay Jacks, head of financial aid—thanks largely to direct lending. If a student's eligibility changes, the loan amount can be adjusted overnight. By contrast, getting a change through a private lender can be a bureaucratic headache, Jacks says. Direct loans also save the schools from coping with each lender's separate forms.

Ironically, free-market competition wasn't fixing these problems. But government competition has been "a wake-up call," says Susan Conner of the USA Group, which guarantees and services student loans. USA now delivers loans faster and can give schools a speedy update on an application's progress, she says.

Colleges like direct lending, but bankers are lobbying to get the business back

Eighteen institutions with major loan programs—including Citibank, Chemical Banks and Bank of America—plan to create a common electronic lending system. Sallie Mae and USA Group are doing something similar. One reason that Duke University isn't offering direct loans, says James Belvin Jr., head of financial aid, is that private lenders are falling all over themselves to improve.

■ *How will you repay that daunting debt?* The vast majority of students pay within the normal 10-year term. But as loans mount, longer terms may become more common. Direct lending offers an "income contingent" repayment plan that pegs your payments to the money you earn and how many dependents you have. Typically, you'll owe from 4 to 15 percent of your adjusted gross income.

Private lenders will compete in this arena, too—the first being Sallie Mae, which will announce an income-sensitive plan this week. But there's a downside. Stretching out payments always increases your interest costs. In the government plan, your payment may not even cover all the interest due. Any missing amounts will be added to your loan, increasing your debt by as much as 10 percent. So use this program only as an alternative to default.

■ *What if you can't afford the student loans you have now?* You can refinance them through the direct-loan program or its private competitors. The U.S. Education Department hopes to take over large numbers of current loans, and says that will save the government money. But private lenders are screaming and the new program is unproven. Congress may dig in its heels here.

■ *Can costs be cut anywhere else?* One thought is to quit giving government-backed loans—direct or otherwise—to high-income families. For the past two years, student loans have been open to everyone, regardless of wealth. When interest rates are low, the well-to-do pay their own way. But no student is charged more than 8.25 percent. When student-loan rates go higher, as they may in July, taxpayers absorb the extra cost. If Goodling's prime concern is the federal budget, he ought to be looking at this issue, too.

Reporter: TEMMA EHRENFELD

(Senator Dodd is coming on Friday, 02/10 for a lunch with the President. Copy of the article only and buck slip were given to Ann/Erin, Griffin's office to give to the Senator)

[redacted]

THE WHITE HOUSE
WASHINGTON

DATE: February 9, 1995

NOTE FOR: SENATOR CHRISTOPHER DODD

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

Information XX

Action ☐

[redacted]

[redacted]

Thank you.

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

cc:

THE PRESIDENT HAS SEEN
2.9.95

THE WHITE HOUSE

WASHINGTON

February 9, 1995

Send a McCurry

MR. PRESIDENT:

Attached is a proposed message to Congress transmitting a new bill, the Omnibus Counterterrorism Act of 1995. As you recall, you mentioned in your State of the Union that you would be submitting antiterrorist legislation to Congress. Pat Griffin is eager to have this legislation transmitted today.

[redacted]

Among other things, the bill would (i) <u>provide federal jurisdiction over terrorist attacks in the U.S. and over terrorists</u> who use the U.S. as a base to plan attacks overseas; (ii) provide a mechanism using federal judges to deport alien terrorists quickly, without risking the disclosure of national security information; (iii) provide a mechanism for preventing fundraising in the U.S. that supports terrorist activity abroad; (iv) implement an existing treaty that requires the insertion of a chemical agent in plastic explosives to make them detectable.

All relevant agencies, including NSC, DPC, White House Counsel, Justice, State, Defense, Treasury and CIA, have cleared the legislation. Leon concurs.

We recommend that you sign the attached transmittal messages.

John Podesta
Todd Stern, Todd

TO THE CONGRESS OF THE UNITED STATES:

I am pleased to transmit today for your immediate consideration and enactment the "Omnibus Counterterrorism Act of 1995." Also transmitted is a section-by-section analysis. This legislative proposal is part of my Administration's comprehensive effort to strengthen the ability of the United States to deter terrorist acts and punish those who aid or abet any international terrorist activity in the United States. It corrects deficiencies and gaps in current law.

Some of the most significant provisions of the bill will:

- Provide clear Federal criminal jurisdiction for any international terrorist attack that might occur in the United States;
- Provide Federal criminal jurisdiction over terrorists who use the United States as the place from which to plan terrorist attacks overseas;
- Provide a workable mechanism, utilizing U.S. District Court Judges appointed by the Chief Justice, to deport expeditiously alien terrorists without risking the disclosure of national security information or techniques;
- Provide a new mechanism for preventing fund-raising in the United States that supports international terrorist activities overseas; and
- Implement an international treaty requiring the insertion of a chemical agent into plastic explosives when manufactured to make them detectable.

The fund-raising provision includes a licensing mechanism under which funds can only be transferred based on a strict showing that the money will be used exclusively for religious, charitable, literary, or educational purposes and will not be diverted for terrorist activity. The bill also includes numerous relatively technical, but highly important, provisions that will facilitate investigations and prosecutions of terrorist crimes.

It is the Administration's intent that section 101 of the bill confer Federal jurisdiction only over international terrorism offenses. The Administration will work with Members of Congress to ensure that the language in the bill is consistent with that intent.

I urge the prompt and favorable consideration of this legislative proposal by the Congress.

William J. Clinton

THE WHITE HOUSE,

[redacted]

THE PRESIDENT HAS SEEN
2-9-95

H clear/cc Alany

Summ: Thin

[redacted]

B.

[redacted]

ORGANIZATION FOR A NEW EQUALITY

THE PRESIDENT HAS SEEN
2.9.95

Post-It™ brand fax transmittal m

To	George
Co.	
Dept.	
Fax #	(202) 456-6703

To: George Stephanopoulos

Fr: Charles Smith

Re: Leadership meeting

November 28, 1994

As we discussed, while it is critical that the President meet with the leadership of traditional minority organizations it is also importantt to begin to meet the next generation of organizational leadership whose agendas are the nmost compatible with the President's. The persons and organizations of whom I'm thinking realize the importance of focusing on economic issues.

This segment of leadership potentially represents a real base of support for some of the objectives of the Administration.

A list of persons which should be a part of such a meeting are:

• Harriet Michel; President of the National Minority Supplier Development Council. It has 45 affiliates representing over 15,000 minority owned businesses.

•Louis Prezeau; Chairman of the National Bankers Association. This is the trade association for the nations 37 black banks.

• Larry Cameron; President of the National Association of Real Estate Brokers.

• Linda Awkard; General Counsel for the National Business League. The League has 127 chapters in 37 states.

• Rev. H. Michael Lemmons; Executive Director of the Congress of National Black Churches. It is a coaliation of the eight major historically black denominations.

• Tony Robinson; President of the Minority Business Legal Defense Fund.

• Charles Bremer; Executive Director of the National Black Caucus of State Legislators.

• Deborah Prothrow Stith; Professor at the Harvard School of Public Health. One of the foremost authorities in the nation on the issue of adolesence violence.

I think it would be best for me to convene the group. O•N•E, which I head, has developed a significant portfolio regarding this issue of economic empowerment; we have a Community Reinvestment Network with affiliates in 80 cities and a Bankers and Community Council with some of the largest banks in the country as members. Aside from the leadership we've provided on the economic front; by convening the group, it puts me in the position to manage the agenda for the meeting and put the correct spin on the meeting.

For the reasons we discussed I think it is particularly important to move on this post-haste.

I look to here from you soon: (800)766-6631 (office) or (617) 782-4844 (home).

CHARLES R. STITH

THE PRESIDENT HAS SEEN
2-9-95

December 25, 1994
Christmas Day

THE PRESIDENT HAS SEEN
2-9-95

Erskin | Gearan
interesting
see esp p.3 –
what about
C-Span for weekly
address – B.C.

To: The Honorable William J. Clinton
President of the United States of America

Fr: CRS

Re: Issues relevant to goverance and politics

Mr. President,

I don't think I've sent you one of these notes on strategy since the campaign; so I'm overdue.

What follows are several observations that I think might be helpful in your effort to govern the nation and relevant to the need the nation has for you to be re-elected:

• The first point relates to your upcoming State of the Union Address. In addressing your desire to work with Congress you have already started using adjectives like "reasonable" and "responsible" to describe the sorts of proposals you are willing to entertain. Some Republicans and Republican proposals can easily be categorized as unreasonable and irresponsible. The more you continue to cast what you don't like about their proposals in these terms the better. The more you use these terms - responsible and reasonable - in the States of the Union Address, and beyond, the better.

A second point relating to the State of the Union has to do with the economy. In talking about the economy and your sucesses, a distinction you need to make is that what youv'e had to address first

364 BOYLSTON STREET, THIRD FLOOR, BOSTON, MASSACHUSETTS 02116

have been structural issues. Deficit reduction, NAFTA, GATT, and health care reform are the foundation for a strong economy. Past administrations (and you shouldn't call them by name) left us an economic house of cards. The things you've done have laid the *foundation* to get *America's economic house in order*. This provides a context to talk about present and future economic issues that deal *directly* with the sense of insecurity that people feel about the economy. This sense of insecurity was one of the issues being addressed in the November election. A recent **Newsweek** poll indicated that 56% of Americans believe the economy is in recession, though the slump ended in March. Another poll by the Robert Half International business firm, found that 41% of Americans fear they might be laid off!

Another concern being expressed in the last election, and this is the other side of the coin of the economic issue, is the race issue. In a December 14th story in the **Wall Street Journal** a quote by one white fellow summarizes well the sentiment many are feeling:" The working man, he ain't got a chance," bursts out a bitter Sidney Tracy, walking his dog on the main street of this little town north of Memphis. After 25 years in the food-processing business, the 49 year old Mr. Tracy had just lost his job as a lab techician. He lays much of the blame on President Clinton. "Clinton said he was for the working man, but he went up there and did everything for blacks ..."(p.1).

There are a couple of ways for you to get into this issue that would give you the "Statesman-like" edge: (i) make the point that although, in many cases, we use a hyphen to define who we are -

Italian-American, African-American, etc. - we are all Americans. As Americans we have a quality that is unique; it is what enables us to pick out the African-American in Africa, the Italian-American in Italy, the Chinese-American in China (see enclosed Op-ed); (ii) you can also use the "house" metaphor in talking about why it is important that as Americans we need to embrace our *common interest* v.s. being driven by a sense of *competing interest*. The point is - "A house divided against itself cannot stand."

(On the issues of the economy and race, there are some points that I'll address in more detail later. The points I've raised above relate to the need and an approach to deal with these matters in the State of the Union Addrress.)

• Beyond the State of the Union, the next thing that would be helpful to you relates to the Administration making clear to Americans what you've done and intend to do (this is the "communications issue"). Instead of the radio address, which Reagan inaugurated, why not use T.V. (C-Span or PBS) for your weekly "conversation with the nation." There are several reasons I offer this suggestion: (i) Reagan's people were radio people; your's are T.V. people; (ii) you are telegenic; (iii) this would enable you to use images, graphs, and other dramatic presentations to make your point. Right after you took office I remeber Lisa Meyer saying on **Meet the Press** that "Clinton could talk a dog off a meat wagon." She was right. You are the absolute best spokesperson for what you want to do.

In addition to considering a format change to address the communication problem; your need to set a new tone for the nation requires that you use your "bully pulpit" to communicate/preach to the *issues that impact on the "soul of America."* If you can't get Americans on the same page as it relates to "what is wrong in America and how we fix it"; you will have problems governing the nation. I would suggest making one such "address" quarterly; and I would suggest that there be some significant advance work done to insure it gets proper attention.

• Another observation I'd offer is that you must come back to the health care issue. An approach that I think would keep it from being "nit-picked" to death is to talk about the problem in terms *portability and coverage for the working poor* as critical steps in moving toward universal coverage. This enables you to recraft your approach as incremental; and, it enables you to recalibrate the debate in terms of the process that must be pursued to get to universal coverage rather than the percentage of people who must be covered to achieve universal coverage. This approach begins to get you back on the offensive and puts Congress in the position of defending why they won't or can't deal with the problems of portability and coverage for the working poor. It is important for you pick up the banner on health care again because even if the Republicans don't accuse you of waffling before the 1996 election, you will be attacked by them on this during the election.

• A fourth observation that I'd make has to do with the economy. While the "Middle-class tax cut" was a necessary and good move to counter the Republican initiative; this will not carry the day in terms of the average American's concerns about the economy. (Neither will the success you've had in dealing with the structural problems of the economy.) The average American knows that the economy is still convulsing because they feel it. Despite the economic indicators, too many people have been laid off; and those who've found jobs have lesser jobs. Too many people know people who've been laid off. And, people read too many news stories about the down-sizing and layoffs taking place. People believe, and rightly so, that this trend is going to continue. (We can't forget, that the calls for smaller government at every level translates into more unemployment for somebody; and that further erodes optimism and confidence.)

To deal with this concern you must come forth with a plan to produce jobs. (I'm not talking about the economy producing jobs.) There are a couple of places to produce jobs - the infrastructure and the enviroment. And, there is also a rationale, beyond job creation, to justify these initiatives. A viable infrastructure is critical to our economic viability. You can talk about how this relates to NAFTA and GATT and the added cost to the economy of a crumbling infrastructure. With the enviroment, given all the concern about second hand smoke as a health hazard; certainly a case can be made to deal with "first-hand" pollutants to which we exposed. There are a lot of people that can be put to work rebuilding the infrastructure and cleaning up the enviroment. There are any number of analysis that you can use to get the average person to understand why these two things must be done in addition to creating jobs. But, the bottom-line is that you must take the "bull by the horns" on the jobs issue. In a addition to creating jobs for which you can take credit; it demonstrates that you truly understand the fears that people have about holding and losing their jobs. If Congress won't support such an initiative; I think they'll be hard pressed to justify their opposition to the American people.

• The final observation I'd make relates to a point a raised earlier relative to the State of the Union Address.

For the next two years you must lead the national discussion on the race issue. Unless you do the nation will be ungovernable, you won't be able to get re-elected, and more important, we are headed back to 1896 and Plessy v. Fergeson.

There is no elected official in America better able than you to provide leaderhip on this issue, or heal this wound in America's soul. There are ways to talk about this problem that are not divisive and that speak to the need for us, as Americans, to turn to each other rather than turn on each other.

I am obviously willing to discuss any of these points with you more fully. I'd be willing to do it privately; although there needs to some public affirmation of some of the initiatives I've suggested (see enclosed memo to Stephanopoulos, there has been no action on it as of yet.)

Deborah also asked me to convey her love to you, Hillary, and Chelsea. Let me add my best wishes to Hillary, Chelsea, and you during this holiday season.

TAKE CARE

Charles

P.S. If it is at all possible I'd like to attend the State of the Union Address.

Democrats need discipline, direction to rebuild

CHARLES R. STITH

In recent days, former US Sen. Paul Tsongas has floated a trial balloon calling for a third party, the House minority leader, Richard Gephardt, has blindsided the White House by announcing his own plan for a middle-class tax cut, and the Senate minority leader, Tom Daschle, has declared that the Senate Democrats will chart their own course independent of the president. The Democratic Party is in disarray. It is a party without discipline and appears to have no principles on which it stands.

The Democrats got slam-dunked in the election because they stand for nothing. They have conceded to the Republicans the mantle of the party of ideals and ideas. (Granted, the Republicans don't have good ideals or ideas, but at least they have some.) The Democrats lost because they have come to be perceived as the party of self-interest. It seems as though the only thing Democratic politicians have in common is the desire to get elected. There is no such thing as a Democratic position on an issue; thus there is no direction and no discipline. Emblematic of the party's lack of direction and discipline was former House Speaker Tom Foley's ducking President Clinton when he campaigned in his district.

If the Democratic Congress had embraced the Clinton ideal of universal coverage as fundamental to health care reform, then they might have been able to deliver on it. If they had been more disciplined and focused, the party could have taken credit for deficit reduction. If the Democrats knew what it was to operate as a team, they wouldn't have fumbled the ball on the crime bill, and they could have scored big-time with the American public. If the Democrats had responded to Clinton on these issues as Republicans would have responded to Reagan if he had made the same proposals, we wouldn't be looking at a Republican-controlled Congress today.

Unless the Democrats really take a new direction and function as a more disciplined party, they are in for further losses in '96. There are several things they must do if they are going to get their act together.

First, the Democrats have got to start acting like a political party. They must fashion a working agenda for the next two years that demonstrates that Democrats can work together. This starts by coalescing behind the president, who is the head of the party. Does this mean that congressional Democrats follow the White House blindly? Of course not. Their advice and consent are critical. But once a course is charted, folks need to follow in lockstep. How can they sell the nation on the notion of accepting leadership while they, at the same time, are so resistant to leadership?

The Democrats have got to start acting like a political party.

Second, the Democrats have got to stop competing with the Republican Party for its constituency. Can you imagine what things would be like if they tried to out-Gingrich Newt Gingrich? It would mean that since Newt is for orphanages for kids on welfare, the only way to go one farther is to support concentration camps. To really get tough on crime would mean the death penalty is not enough; bring back public torture.

The Democrats don't need to try to out-Republican the Republicans to win again. The point they need to understand is that there are fewer and fewer people going to the polls. If the Democrats are to succeed in regaining their status as the majority party they need to fashion a compelling enough agenda to appeal to those who are turned off to the political process. In short, they have got to reassemble the party apparatus necessary to get folks registered to vote and make sure they get folks to the polls. Putting this apparatus in place is not something you attempt to do two months before the election; this sort of work starts now.

The most important thing the Democrats need to do if they are to regain political power is that they must refashion themselves as the "party of all Americans." So much of the political rhetoric to which we're subjected is about America as a nation of competing interests; this leaves a real opening to speak to Americans about our common interests.

Despite the extent to which the hyphen is increasingly common in how Americans define themselves, as Americans we are a breed apart. Just as there is an American experience rooted in hope and opportunity, there is an American character. We don't have to debate or discuss what it is; we know when we see it. It is that thing about Americans which enables us to pick out the Italian-American in Italy, the African-American in Africa, the Mexican-American in Mexico, the Chinese-American in China. No one is emphasizing this notion of our oneness, and I believe it is an appeal that has promise. I believe Americans are concerned about the fractured state in which we find ourselves and the party that works to bridge the breach would find a responsive electorate.

As bad as the last election results were, there is still time for the Democrats to get it together. Without discipline or direction, they will be destined for disaster.

Rev. Charles R. Stith is president of the Organization for a New Equality.

BILL CLINTON

THE PRESIDENT HAS SEEN
2-9-95
cc Ickes

Dear Paul:

Thank you for your letter concerning the direction of the Democratic Party. I appreciate your sharing your thoughts on this matter and look forward to working with you to achieve Democratic victories in 1996.

Sincerely,

Bill

The Honorable Paul Simon
United States Senate
Washington, D.C. 20510

430 S. Capitol St., S.E.
Washington, DC 20003

[Paid for by the Democratic National Committee]

PAUL SIMON
ILLINOIS

COMMITTEES:
LABOR AND HUMAN RESOURCES
JUDICIARY
FOREIGN RELATIONS
BUDGET
INDIAN AFFAIRS

United States Senate

WASHINGTON, DC 20510-1302

95 JAN 20 P12:37

January 17, 1995
Dictated January 17, 1995

The Honorable William J. Clinton
The White House
Washington, D.C. 20500

Dear Mr. President:

I thought the enclosed might be of interest to you.

My best wishes.

Cordially,

Paul Simon
United States Senator

PS:bd
Enclosure

462 DIRKSEN BUILDING
WASHINGTON, DC 20510-1302
202/224-2152
TDD: 202/224-5469

230 S. DEARBORN
KLUCZYNSKI BLDG., 38TH FLOOR
CHICAGO, IL 60604
312/353-4952
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3 WEST OLD CAPITOL PLAZA
SUITE 1
SPRINGFIELD, IL 62701
217/492-4960
TDD: 217/544-7524

250 WEST CHERRY
ROOM 115-B
CARBONDALE, IL 62901
618/457-3653

M E M O R A N D U M

Date: December 2, 1994

To: Senator Tom Daschle, Senate Democratic Leader

From: Senator Paul Simon

Re: Response to your three questions

Why did we lose?

1) There is an unhealthy mood of cynicism in the nation, an excessive hostility toward people who are in charge of the media, religion, business, labor, and government. Since Democrats have been nominally in charge of Congress, the object of public anger more frequently has been Democrats.

2) The trust factor for Bill Clinton is low. George Will is correct when he writes that people will follow those who lead out of strong conviction. The President too often sounds an uncertain trumpet. Bill Clinton's overall record is good, but the awareness of that has been muted by the perceived wavering.

3) Working men and women do not identify with us as strongly as they should, nor do those least fortunate. Exit polls published by the National Journal (Voter News Service) show that households with less than $15,000 a year income went from voting 31 percent Republican in 1992 to 39 percent Republican in 1994; families earning between $15,000 and $30,000 went from 43 percent GOP to 49 percent. Union households generally voted with us (61 percent) compared to non-union households, but outside of governmental workers, unions represent only 11.8 percent of the work force, a far lower number than in any other modern, industrial nation.

4) The suburban vote is increasing and the urban vote is declining. As people flee the cities, they also turn a cold shoulder to the problems and the racial minorities there, and to the political leaders who try to help the cities.

5) We have not conveyed a sense of fiscal prudence, even though our record on many things compares favorably to the Republicans. Adding to public dissatisfaction is one little-noted fact: No industrial nation outside of Israel spends as a high a percentage of its national budget on interest and defense as the United States does. These two expenditures bring nothing immediately meaningful to most people. Citizens see federal budgets growing and no improvement in their lives.

6) Too many view the Democratic Party as a loose association of various interest groups rather than a cohesive mechanism for needed change.

7) For the past 20 years, the earnings of 80 percent of Americans has been stagnant or worse. The top 20 percent have done well. Struggling to pay for health care, sending their children to college, the bottom 80 percent do not perceive the Democratic Party as passionately committed to their concerns.

8) We have permitted the Republican Party--which has opposed issues like work leave for someone with a seriously ill child, spouse or parent--to portray itself as the party of family values. We have been slow to proclaim our "book of virtues," our dedication to mainstream virtues. A "welfare reform" program advocated by the Republicans that puts more children in poverty is not virtuous or moral.

Who are we and what do we stand for?

It is not as clear as it should be.

In many ways we are the political party that speaks for justice and opportunity for the strugglers, for middle-income working men and women and for those who have not attained middle-income status but yearn for it. But we also must recognize that people cannot have bigger pieces of our economic pie unless the pie gets larger, so that we also must stress greater productivity.

In keeping this careful balance in mind, we should make clear to working men and women that we are fighting for them. We need to forcefully and unequivocally transmit the message that we are on their side.

(MORE)

Because of the nation's system of financing political campaigns, Democrats in Congress have consciously tilted our public image to those who are big contributors, rather than to those with whom we have traditionally identified. The historic reality is that business generally does better when Democrats are in charge of our nation than when Republicans are, but the business community does not understand that. If working men and women have enough money to buy new cars, that does more good for General Motors than a capital gains tax benefit for GM stockholders. But the stockholders are more likely to be political contributors than those who buy Chevrolets. Those who profit from our current health care set-up are far more likely to contribute to candidates than are 38 million Americans who don't have health insurance.

We must fight for a better distribution of opportunity for all Americans, and state that more clearly, but also show that we understand the economic realities of a competitive world.

How do we rebuild the Democratic Party?

1) The most significant actor in any drama for rebuilding must be the President. His trust figures are not high, but they are not irredeemable. The nation must see more of the strong Bill Clinton, less of the Bill Clinton who is too eager to please. He must follow his instincts, not his pollsters.

2) Democrats in Congress should not run from the President. We do not need to agree with the President on everything, but my strong impression from campaigning in several states is that Democrats who obviously distanced their candidacies from the President hurt themselves. The President's job approval rating in exit polls was not high (44 percent versus 51 percent disapproval), but compare that with 16 percent job approval rating for Congress versus 79 percent disapproval. A Democratic House candidate who I thought had a real chance to win in an open seat ran a TV commercial pointing out his disagreement with Clinton on health care, and I heard negative grumblings among Democrats about that. He lost.

3) Working with the Administration, Democrats in Congress should pick two or three issues of substance that can benefit the nation, for which we make an all-out political and public relations effort. Welfare reform should be one. Another should be health care, an area where we can turn public confusion to public support. We lost round one in this fight to the profiteers, but both public policy and political prudence dictate that we not give up. The National Journal (Voter News Service) exit polls

showed health care the top issue (listed by 30 percent of voters), and the only issue where Democrats scored decisively, winning those voters by a 2-1 margin. Crime came in second (25 percent) and there Republicans had a slight edge, the economy/jobs third, with Democrats leading 57 percent to 43 percent. In addition to health care, we should unite on one strong "meat and potatoes" jobs/economic issue in which the GOP sides with the economic elite.

4) There is no counterpart in the Democratic party to the Christian Coalition, the National Rifle Association, and the National Federation of Independent Business. Those three organizations -- to their credit -- have genuine grass roots operations. They do more than convene and adopt high-flown resolutions and then think they have done something. Our party that fights for grass roots America ironically does not have a good grass roots effort. Our political operation looks like our highways and sewer systems -- our infrastructure needs repair. We have neglected grass roots organization, relying excessively on paid media. The Republicans outgun us in television advertising, in addition to having better grass roots organization.

5) Women voted roughly 54-46 Democratic and men the reverse, but more men voted than women. We want to encourage everyone to vote, but motivating women voters has obvious benefits to Democratic candidates.

6) We cannot take for granted African-Americans and other groups. The biggest ethnic slippage occurred in the Latino community, going from 28 percent GOP in 1992 to 39 percent in 1994. The Democratic Party needs to make a careful analysis of this, quickly.

7) We need an assault on our problems, not tinkering at the edges in some media gesture. Forty-five percent of people calling themselves Independents (Greenberg poll) said they were tired of "politics as usual," the highest score on his poll. Other numbers confirm that. Precisely how we can take advantage of that is not clear, but less partisanship and seriously addressing the problems would be welcomed by the public.

8) We should try to avoid labeling ourselves and each other. Dividing the party into "new Democrats" and "old Democrats," for example, does nothing for voter appeal; it simply suggests to the politically unsophisticated that we are an excessively fractious party.

9) We must be willing to identify more with those who really struggle in our society. We should convey through our leaders and with appeals to religious and civic organizations that the U.S. must become "one nation, indivisible, with liberty and justice for all." The suburbs will buy that message, but they are not hearing it. In this endeavor we should also work closely with labor unions and not regard them as relatives with a social disease.

10) We have to show that we understand basic economics, that we do not want to continue borrowing from our children and generations to come. The GOP contract is a fiscal disaster, but the public looks at our overall record and does not perceive a responsible alternative in the Democrats. The Clinton budget provided an initial step in the right direction, as many Republicans will concede privately. But it is only a first step. The growing, massive waste of federal dollars on interest is a cause for shame for both parties.

Finally, we must give people -- all people -- a spark of hope. Too many of our citizens are in a down mood. That can change for the better, and it can be done in a solid way, not simply with public relations gimmicks. That is our challenge.

# # # # #

THE PRESIDENT HAS SEEN
2.9.95

The AES Corporation

Dennis W. Bakke
President
Chief Executive Officer

January 23, 1995

To VP / Al Mikva (Blinder)
Fyi— B.

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

Dear Mr. President:

Attached is my testimony before the House Subcommittee on Telecommunications and Finance. This is probably not consistent with your position on this matter, but I hope you'll consider moving in the direction of significant reform.

Sincerely,

Dennis

DWB/jh

Attachment

cc: Secretary Ronald Brown
Chairman, SEC
Phil Lader

1001 North 19th Street
Arlington, Virginia 22209
(703) 522-1315
Telecopier (703) 528-4510

To VP — fyi — Bakke is an honest man

B.

STATEMENT OF DENNIS W. BAKKE

PRESIDENT AND CHIEF EXECUTIVE OFFICER

THE AES CORPORATION

&

MEMBER, AMERICAN BUSINESS CONFERENCE

and the

NASDAQ NATIONAL MARKET SYSTEM

before the

SUBCOMMITTEE ON

TELECOMMUNICATIONS AND FINANCE

at its hearing on the

COMMON SENSE LEGAL REFORMS ACT

Thursday, January 19, 1995

Mr. Chairman and members of the Subcommittee, my name is Dennis W. Bakke. I am Co-founder, President, Chief Executive Officer and a Director of The AES Corporation.

I congratulate the Subcommittee for holding this hearing on possible avenues of reform of the current, seriously flawed system of class-action securities litigation. I speak to you today not only on behalf of AES, but also as a member of both the American Business Conference, a Washington-based coalition of fast-growing, midsized growth companies, and the NASDAQ National Market System.

AES, based in Arlington, Virginia, develops, owns and operates clean, reliable, low cost electric generating facilities in the United States and around the world. We are one of the largest independent power producers in the world, and we own, in whole or in part, ten plants totaling 3,130 MW in operation or construction. Founded in 1981, our company today has approximately $2 billion in assets, our revenues exceed $500,000,000 per year, and net income in 1993 was $71 million. In addition, AES directly employs about 1,400 people worldwide.

To succeed in today's business environment, AES has tried to create certain competitive advantages. One way we have done this was to build a corporate culture compatible with our values. We have maintained a decentralized management structure, keeping rules, staff, and hierarchy to a minimum. This approach is based on a basic trust in people and encourages shared responsibility, the reduction of hierarchy and democratic control of the work environment. This philosophy also embodies a commitment to four principles or values: to act with integrity, to have fun, to be fair, and to be socially responsible. While these values do not necessarily conflict with profitability, AES people seek to put greater emphasis on acting in a manner that is consistent with the Company's values than on maximizing earnings.

AES has also strived to provide social and environmental leadership. For instance, voluntarily and on our own initiative, AES has contributed to a CARE agroforestry project in Guatemala in which local farmers are being trained in farm and forestry practices to improve land productivity; the project's goal is to plant 52 million trees by the year 2000; we also helped sponsor a program with The Nature Conservancy and the Moisés Bertoni Foundation to purchase and preserve a 143,000 acre tract of dense sub-tropical forest in Paraguay; we initiated a ten-year project with Oxfam American, an international relief organization, to preserve threatened rain forests by helping indigenous Amazon Indian tribes gain legal title to 3.7 million acres of their traditional territories in Ecuador, Peru and Bolivia; we funded, constructed and donated (at a cost to us of nearly $2 million) an elementary school which accommodates approximately 300 students in the local community near one of our plants; and, in 1994, AES received Harvard

University's Dively Award for Corporate Public Initiative. In addition, our chairman, Roger W. Sant, is chairman of the World Wildlife Fund (US), a Director of the World Resources Institute, and a member of the National Council of the Environmental Defense Fund.

I have taken the time to explain this much about our background because it will prove particularly ironic later. In any event, AES went public in June, 1991 at $19 per share. Within nine months, our stock price had risen to $37. As we would later find out, this probably made us the classic target - a high growth company trading at a strong price-earnings multiple (and therefore containing some inherent stock price volatility) which has become financially successful enough to be perceived as a "deep-pocket".

Our troubles started with events in Jacksonville, Florida, where we had been developing a $485 million coal-fired plant we called Cedar Bay. In the spring of 1992, certain Florida officials and some local residents protested our building permit, complaining that we had made certain misrepresentations regarding five old, less environmentally-friendly boilers during the permitting process. These allegations were false; indeed, the Mayor of Jacksonville later wrote an open letter in the Jacksonville press saying as much. In the meantime, however, construction at the Cedar Bay site was halted as the Governor of Florida initiated proceedings to review our permit.

The confusion and political debate associated with the Governor's actions drew national attention. Of course, that attention had an effect on our stock prices. Based on the Cedar Bay controversy, our share price fell from around $33 per share to $26 per share.

A shareholder lawsuit was filed against AES almost immediately, claiming that we had misled investors by not telling them that we had intentionally committed fraud against the Government of Florida during the year long permitting process. Strangely enough, the named shareholder plaintiff, shortly after receiving our press release announcing the suit, tried to reach us on numerous occasions. Since we were involved in litigation, we were reluctant to return his calls. Ultimately, he did get in touch with us by sending a postcard. After reading the postcard and contacting him, he spoke at length at how surprised he was to hear that he was suing us. He explained that he had been in the hospital for several weeks, and was surprised to find out when he read the press release that he was the plaintiff. He said that he had never given his consent to the law firm bringing the suit to use his name. His wife had been contacted by a law firm seeking plaintiffs for a suit against AES, and, according to her husband, replied that he was currently incapacitated and that they would need to speak to him. Somehow, it seems that the law firm interpreted that response as an offer of employment to represent her husband in this lawsuit. He then told us that he wanted to be removed from the suit. I have attached a copy of the postcard for your benefit as Exhibit A.

As the Cedar Bay episode was coming to completion, AES discovered some environmental improprieties regarding wastewater discharge reports at one of our other plants. Briefly, a few front-line people in our water treatment area had, without the knowledge of AES management, falsified federally required reports on waste water discharge quality. Rather than identifying and solving the cause of the problem, the group had simply diluted the discharge samples in order to document compliance.

We responded in the most ethical and expeditious manner that we knew. We took immediate action, voluntarily reported the incidents to the appropriate state and federal regulatory agencies, including the EPA, and made a public announcement of the incident. We also conducted an intense internal investigation, disciplined the individuals responsible for the violations and distributed an internal memorandum to all AES people describing the incident and reemphasizing the importance of environmental compliance. The EPA, after a long investigation in which we cooperated fully, decided to proceed administratively, as opposed to criminally, and several months later imposed on us a penalty of $125,000.

However, when the news of this incident was released, wild and unfounded rumors began to circulate, particularly about plant shutdown. As a result, the capital markets reacted dramatically, and AES share prices fell again, this time from $26.50 to $16.50. This one day fall wiped out over $400 million worth of corporate market value.

So, of course, the severe volatility of our stock price resulted in several new suits being filed against us shortly thereafter. This time the law firms suing us included one of the firms that had filed before (they used a different plaintiff) and several other firms, including one which represented a plaintiff that we believe received his AES shares from a lawyer inside that firm. These two named plaintiffs represent clear examples that in this case, like so many others, lawyers, not aggrieved investors, were driving the action.

As the swirl of litigation surrounded us, our analysts urged us to drop our emphasis on values unless we were willing to show how the values helped the bottom line. Ironically enough, throughout this entire time period, we continued to post record gains in revenues and income, as well as our then-best operating track record. Because of these suits, many of AES's senior executives spent an inordinate amount of time focusing on these internal issues, rather than the operation and expansion of our business.

We brought a motion to dismiss the actions, and the judge partially agreed, saying the Cedar Bay claim was "meritless" and dismissing all counts relating to it. I would like to take a moment to point out how hollow that victory was. We had spent numerous years and millions of dollars developing that plant, which ended in us being subject to a baseless attack and ultimately forced to sell our interest in the plant. Then, we were sued in Federal court over the same incident and spent millions more defending ourselves. To this day, the unfair and untrue stigma that we "lied" in Florida haunts us. With virtually each new project, we are forced to give an account to potential new customers and lenders regarding the exact nature of what transpired in Florida. I believe that the very taint of Cedar Bay has caused us to lose substantial business.

The ultimate irony is that, as I mentioned before, the mayor of Jacksonville, who initially led the opposition against us, recently published an open letter in the Jacksonville press, saying that we had been the victim of an unprecedented and unfounded public attack based on politics and emotion, rather than fact; that he now regrets his actions which contributed to this attack; and that AES had always been a good corporate citizen. I have also attached a copy of this letter for your benefit as Exhibit B. Who compensates us now for the lost millions or more importantly, for the damage to our reputation? How do we recover the critical time lost by key executives first in developing the project, then in defending ourselves from it? Not to mention the additional legal costs and significant managerial time spent during three additional public offerings to try to protect against future suits arising from share price volatility above and beyond those normally associated with such offerings? These factors significantly affected our ability to grow the company.

After the motion to dismiss was decided, the financial blood-letting began in earnest with the onset of the discovery process as the rest of the suit proceeded. Discovery is an extremely broad and a formidable weapon in the hands of skilled plaintiffs attorneys. Our business is enormously paper intensive. Therefore, we were immediately served with document production requests that resulted in us reviewing enormous numbers of boxes of paper. Depositions for a significant amount of our staff at our plant, plus a number of executive officers, were served. Worse yet, we were not the only people served with intrusive discovery requests. Plaintiffs served notice of depositions, and incredibly broad requests for document production, on at least four of our potential customers, various suppliers, certain of our lenders, and our largest construction contractor. I cannot begin to describe the disruption to important business relationships that this caused.

The grueling process of serving, answering and contesting the ludicrous document production requests began. Litigation costs, both ours and on behalf of our underwriters, whom we indemnified, began to soar to astronomical heights, and more importantly, our key executives were forced to divert substantial amounts of time to the lawsuit, as opposed to the more productive pursuit of ongoing business, growth and expansion. We proceeded with discovery for approximately fifteen months, which led to one-half of one deposition being taken, with legal fees of between $2 and $3 million.

For a company like ours, which has an extremely lean management structure, lost time is devastating. For instance, our current expansion plans call hundreds of millions of investment dollars over the next few years, yet our chief financial officer has spent about 20-25% of his time for the last two and a half years dealing with the demands of the lawsuit, explaining the issues to prospective lenders, investors and insurance companies.

The suit is adversely affecting company morale. Solely because he was named in the complaint and therefore was potentially personally liable, a director seriously considered resigning from the Board. So, ultimately, although it is against absolutely everything I believe in, we are forced to face the economic reality of the situation, and have decided to pursue settlement negotiations. I believe this happens in virtually all similar suits.

The main factor pushing us towards settlement is cost. Litigation expenses on a monthly basis are very high; since depositions have barely begun, discovery will probably continue for at least another year; and the theoretical calculation of damages can be extremely high, coupled with the uncertainty of a jury trial. These factors, together with the diversion of senior management time spent responding to the demands of the suit and the enormously divisive effect the suit is having on the company, are forcing us to consider settlement as a business issue, rather than one of fairness.

Other than stopping the madness, the settlement will likely produce very little public benefit that I can see. The "bad guys" (as plaintiffs lawyers would have us believe) were seriously hurt by our drop in share price. In all, AES people account for over 40% of the total ownership of AES stock. In addition, we believe that many of our shareholders did not sell at all, and have remained with us. By January of 1994, our stock recovered to over $36 per share.

What will occur then, if we settle, is an all-too-common result - a settlement that benefits certain groups extremely well (i.e. the attorneys). Consider that when the suit is finally settled or adjudicated, we estimate that at least 60% of the entire cost of this suit to AES, our insurers and current shareholders, (including money expended on our defense) will go to attorneys, both ours and the plaintiffs' counsel. The entire cost of this lawsuit, including the cost of defending ourselves, will probably amount to approximately one-half of our annual budget for developing new power projects *throughout the world*. To give you an example of the opportunities lost by this waste, the cost expended in connection with this suit equates to a large share of our investment in a soon-to-be built plant in the US. An internal study of the economic impact of this plant to the local community estimates it will add, directly and indirectly, over 1,300 new jobs and have an economic impact of over $4 billion. More ironically, the crux of this entire issue, the environmental misconduct, was determined by the EPA to result in a $125,000 fine, while the effects of the current securities laws may very well impose a cost to us of more than 100 times that.

Whether you choose to recognize it or not, the current state of the securities laws has created a new class of bully - the class action, securities law plaintiff attorney. Indeed, I have been warned by advisors against appearing today, lest I subject AES to more of these suits as a retaliatory measure or jeopardize our settlement negotiations. These individuals wield enormous power. They have at their disposal (i) laws which make it incredibly easy for them to allege a cause of action, (ii) the specter of enormous damages to swing like a hammer, and (iii) a super invasive discovery process which can drag on for years, and ultimately cost defendants millions of dollars. These factors incentivize all businesses to do one thing and one thing only - settle.

What lessons can be learned from our story? Well, a cynic would say that you should never disclose anything publicly that is not absolutely required and don't discuss the future, because you will be sued for a defective crystal ball. Clearly, this is not the intent of our securities laws, it is not a situation that we advocate, nor would we ever take this approach. However, that is precisely where the laws place the incentives.

The main idea that I would like to convey to you is one of waste. Waste of significant human and financial resources initially trying to protect against the sad, but unavoidable reality of frivolous and counterproductive litigation; the waste of significant money defending frivolous claims; waste of valuable time by senior executives responding to these suits. These funds could otherwise be used to grow businesses, create jobs or distribute to the shareholders. Our non-US competitors are amazed at our situation. When viewed from the outside, foreign issuers often shy away from accessing the US capital markets primarily because of the fear of suits such as these. They do not face the same imbalance of incentives in London, Paris, Frankfort, Singapore or Hong Kong. With the increasing globalization of the US economy, American business needs to be on a level playing field. Currently, these laws only serve to impose a significant litigation tax on US public companies.

How can we improve this system? Well, I am not an attorney, but we must make it harder to bring frivolous claims, reduce the costs of defending oneself against these claims and otherwise limit the amounts that are recoverable by or payable to the attorneys. Specifically, I recommend:

- Plaintiffs must have real ownership of a company, not just a token amount. This will eliminate professional plaintiffs.
- Plaintiffs must demonstrate that they actually relied on certain statements, as opposed to the fraud on the market theory that allows anyone into court. In addition, the recklessness standard has been reduced by the courts to mean negligence, and this standard needs to be legislatively enhanced.
- Attorneys should be prevented from recovering exorbitant amounts, or percentages of the settlement amount.
- Damages should be reduced as the stock price recovers.
- Discovery should be somehow curtailed to remove the overwhelming incentive to settle from defendants. Creation of an effective safe harbor rule, with direction to the courts to apply it prior to the onset of discovery, would be a start.
- There should be an element of recovery of attorney's fees by defendants.

No one, especially not AES, is advocating that companies be given complete license to say (or refuse to say) whatever they like. Investors clearly have a right to information, and companies who willfully mislead investors should be penalized. What I have tried to talk about today is my direct experience with another form of injustice. It is the excessive waste of time and money by public corporations who choose to conduct business here in America.

EXHIBIT A

Mr. Robt. F. Hemphill
AES CORP.
1001 N. 19 ST.
Arlington, VA. 22209

Wateruis, Md.

23 May, 97

Dear Mr. Hemphill—

Your Release of May 12.
alleges that (intentionally omitted)
has joined a class action
Suit VS. AES. Wrong!

I am writing from
a hospital in MASS. where
I have been ~~since~~ since
27 April. I have not
spoken to nor written
to the "class-Action
lawyer, one (intentionally omitted)
who called my wife,
then used my name
in vane. I like AES.

Yours, (intentionally omitted)
(CORRECT the Release.)

EXHIBIT B

OFFICE OF THE MAYOR

ED AUSTIN
MAYOR

JACKSONVILLE, FLORIDA
32202

November 15, 1994

Re: AES Corporation

To Whom It May Concern:

When I became Mayor in April, 1991, AES had received a permit to begin construction of a power plant in Jacksonville's Northside, next to the Seminole Kraft Paper Mill. That permit was predicated upon certain old, polluting boilers closing down when the mill began purchasing steam from AES.

In the Fall of 1991, Seminole Kraft announced that their newly planned conversion to a paper recycling process would require them to reopen some of those old boilers with new pollution control technology under new permits. Due to public reaction and my concern with the potential conflict of Seminole's new plan with AES's permit, I called for a review into this matter by the Florida Department of Environmental Regulation. That investigation rapidly assumed a life of its own, largely driven by politics and emotion, rather than the facts and laws.

As the investigation unfolded, I confirmed my earlier conclusions as to the facts and history of AES's permitting process, which had occurred prior to my inauguration as Mayor. It was clear to me that AES had properly obtained all of its permits and continued to comply with all of our pertinent laws and regulations. Furthermore, as I learned more about AES and its leadership, I discovered that they had taken great pains to keep all of the authorities informed and avoid any improper actions. In fact, AES was subsequently exonerated in Federal Court when a shareholder lawsuit was summarily dismissed. Likewise, I was advised by staff of the Florida Department of Environmental Regulation, near the end of the proceedings, that AES was in complete compliance with all state and local requirements. I, therefore, assumed that this matter would be concluded satisfactorily on behalf of AES. Sadly, vindication came too late as this very controversial process led AES to sell its interest in the plant.

AES was long a good corporate citizen. They were the victims of an unusual, unique, and unprecedented public backlash. Though I publicly supported AES, I must admit that my request to involve the DER late in the process contributed greatly to both a political and community overreaction. The community's attitude changed as the truth eventually dribbled out through the media; and in my judgment, Jacksonville would now welcome AES as corporate partners. In short, I wish they were still here and regret that I contributed to their untimely departure.

None of this is to take away from the successor company. The plant that AES began has made a significant and positive contribution to our city. I hope this letter will allay any concerns anyone may have about AES. AES and its corporate officers have been nothing but decent, honorable and trustworthy partners.

Sincerely,

Ed Austin
Mayor
City of Jacksonville

EA/sm

THE WHITE HOUSE
WASHINGTON

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: SECRETARY HAZEL O'LEARY
Department of Energy

Fax Number: 586-4403 **Phone Number:**

FROM: John Podesta

SUBJECT: copy of Presidential letter

DATE: 02/09/95

NUMBER OF PAGES (including cover sheet): 3

MESSAGE:

If all pages are not received, please call 202/456-2702

THE WHITE HOUSE

WASHINGTON

February 7, 1995

Dennis W. Bakke
President
The AES Corporation
1001 North 19th Street
Arlington, Virginia 22209

Dear Dennis:

Thanks for your letter of January 19. I'm delighted to hear your trip to India was a success. And I'm glad to hear a first-hand report about the outstanding job Secretary Brown, Secretary O'Leary, and Ambassador Wisner are doing. I couldn't agree with you more.

Thanks, too, for sharing your testimony before the House Subcommittee on Telecommunications and Finance. I hope to have the chance to look it over soon.

I'll talk to you soon.

Sincerely,

Bill

Thanks — Wisner is 1st rate.

January 19, 1995

The AES Corporation

Dennis W. Bakke
President
Chief Executive Officer

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

Dear Mr. President:

I have just returned from India, where AES is developing a $650 million coal-fired power station in the State of Orissa. I went primarily to participate in the negotiation and signing of the Indian Government's counter-guarantee to the project, but my visit also coincided with that of Secretary Brown and his business delegation.

My visit was an unqualified success, as the counter-guarantee, a major milestone for the project, was signed on schedule. However, this letter is not about AES in India but about the truly outstanding job that the people of the United States Government are doing in support of our and other American companies' efforts there.

It would not be possible to overemphasize the positive impact that the Department of Commerce, the Department of Energy and the American Embassy in New Delhi have had through their advocacy of and partnership with American business in India. The attention and momentum generated by Secretary Brown and his team this week and Secretary O'Leary and her team before him, have made the difference between progress and delay as we work toward getting our projects off the ground.

Most impressive, however, have been the remarkable efforts of Ambassador Frank Wisner since his assumption of his post in New Delhi. He and his team have established themselves as champions of American business interests, working tirelessly to help us overcome seemingly insurmountable barriers and bureaucratic inertia. At every turn since the Ambassador's arrival, they have been ready to listen and lend their support in any way possible. The results have been tangible, as I witnessed personally this week.

As part of a group of American companies striving to succeed in the recently opened Indian power sector, we are fortunate to have Ambassador Wisner as a partner.

Sincerely,

Dennis

P.S. I need to talk with you about Bhutto's trip to US in spring.
WJB

cc: Secretary Ron Brown
Secretary Hazel O'Leary
Ambassador Frank Wisner

1001 North 19th Street
Arlington, Virginia 22209
(703) 522-1315
Telecopier (703) 528-4510