The Washington Post
Sunday, February 19, 1995

George F. Will

Way Ahead In Chicago

CHICAGO—The hereditary principle has no place in American politics, so pay no mind to the enormous bust of Mayor Richard J. Daley that sits outside the office of Mayor Richard M. Daley. The former was mayor from 1955 until he died in 1976. The latter was elected in 1989, reelected in 1991 and as he enters the homestretch toward the Feb. 28 Democratic primary—the election that decides things here—he had a war chest of $2 million. That is $1,996,000 more than his opponent.

Although the nation's two largest cities, New York and Los Angeles, have Republican mayors, the third largest, Chicago, is not about to try anything so quirky. But that does not mean that urban liberalism is chugging along unchanged here.

Daley acknowledges that it was in the late 1960s that things began to go badly wrong. In Chicago the crumbling of liberalism's hopes and confidence began in projects emblematic of the first Mayor Daley's regime, the miles of high-rise public housing that today are concentrations of pathologies, drug abuse, crime, welfare dependency, illegitimacy.

Shirt-sleeved, gesticulating with an unlit cigar, Daley allows filial piety to color his judgment when he says public housing "was a great idea." It was, he says, supposed to be "transitional." It was that, until the late 1960s, when the public housing population began to become permanent.

Daley is too good a Democrat to speculate that public policies associated with his party, particularly welfare policies, made matters worse. Instead, he sounds like millions of middle-aged, middle-class Americans when he exclaims, referring to movies, music, television and the rest of popular culture, that "we have such a *fast* society." As he says this, the timbre of his voice expresses a bewilderment akin to that his father experienced in 1968, when encountering the incomprehensible otherness of the radicals who wrecked that year's Democratic National Convention in Chicago.

The Democratic Party that will convene here again next year has changed much since 1968, but it is not as different as this Mayor Daley is from the one back then. "We are," he says of local Democratic officials across the nation, "way ahead of the Democratic Party nationally." And although this unideological son of an exemplar of urban liberalism would be loath to admit it, "ahead of" means "to the right of."

He says " 'business' is a bad word with Democrats" and says of Washington bureaucrats that "once they set something in motion, they can't change." He feelingly complains that in addition to spending $27 million just filling out the paperwork involved in applying for federal grants—nine people work a month a year on the 1,200-page Head Start application—the city also spends approximately $130 million annually complying with unfunded federal mandates, including the one cited by every mayor east of Hawaii, the provision of the Safe Drinking Water Act requiring local water supplies to be tested for, among other things, a herbicide used exclusively by pineapple growers.

And don't get Daley started on the federal regulators who decided that housing for the elderly had to be open to the "disabled," understood to include young emotionally disturbed drug addicts. Here is how the Chicago Tribune begins a report on the results of that exercise in the compassionate refinement of rights:

"Thanks to a bit of well-intentioned federal housing policy, 71-year-old Bette Hildebrand never leaves her apartment without her canister of pepper spray. She almost always has an escort. And she backs her wheelchair into the elevator of her building to make sure no one comes in behind her."

The father headed America's last great Democratic machine. The son must relish the Republican Congress attacking unfunded mandates and preferring block grants to federal micromanagement of local affairs. The foundation of the father's power was patronage—about 50,000 jobs. Since then judges and other busybodies have sharply limited patronage, and the son, making a virtue of semi-necessity, has become a privatizer—of airport parking garages, abandoned-car removal, window washing, janitorial services, tree stump removal and some other service and maintenance jobs.

The purpose of Daley's privatizations is to save money so that the city's tax bills will stop driving business and individual taxpayers to suburban jurisdictions. American federalism—the mere existence of 50 states—exerts a conservatizing force on public policy as businesses become more mobile in search of hospitable tax and regulatory environments. Similarly, the existence of suburbs may now be making urban conservatism compulsory.

Which is one reason why Chicago is still "the city that works": The son doesn't work the way the father did.

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THE WASHINGTON POST

SUNDAY, FEBRUARY 19, 1995

JANE BRYANT QUINN

Direct Student Lending Due to Expand

President Clinton's new "direct lending" system for disbursing student loans will expand this year to about 1,500 colleges, universities, community colleges and trade schools. You can start applying in July, if your school is participating. You'll probably find this a simpler way of borrowing than to work through a bank.

At present, most of the student loans are made by banks or other private lenders, administered by state or private guarantors and insured by the federal government. The government pays the banks and the guarantors for their services. When students default, the taxpayers typically cover 98 percent of the loss. So lenders earn their comfortable profits at small risk. Student loans will cost the government an estimated $6.3 billion this fiscal year.

The new direct-lending program cuts out the middlemen. You get your government-insured student loan directly from your school, which draws the money from a federally funded account. Repayments go to the Treasury. Private contractors administer the loans and handle collections. The government expects to make money on this 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.

When you borrow directly, you get the same loan, with the same borrowing terms, that other students get at banks. Dependent undergraduates can borrow as much as $23,000 for their education. 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 all 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, the Student Loan Marketing Association, a prime player in the private loan market. Due to rising tuitions and increased loan availability, last year's entering freshmen probably will graduate $13,600 in debt, Davis said—a 30 percent increase. Average payments will rise to $163 a month, from $126 today.

If you have access to direct loans, you'll probably find that it's faster than dealing with a bank. Even late applicants can receive their money before school starts. The portion of student loans processed by the fall semester rose 35 percent last year at Colorado State University, said Kay Jacks, head of financial aid—largely due 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 said. 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," said Susan Conner of USA Group, a private company that guarantees and services student loans. USA Group now delivers loans faster and can give schools a speedy update on an application's progress, she said. Eighteen lending institutions—including Citibank, Chemical Bank and Bank of America—plan to create a common electronic lending system. Sallie Mae and USA Group are doing something similar.

Clinton believes that the direct lending will be cheaper for taxpayers, in addition to saving students time. But key Republicans hated the law when it passed in 1993, and hate it still. Fierce resistance to direct lending, from the private lenders and guarantors that now handle most of the business, almost snuffed the program at birth—and their lobbyists are again in full cry. House Speaker Newt Gingrich (R-Ga.) has vowed to end direct loans. A bill just introduced by Rep. William F. Goodling (R-Pa.) would cap the direct loan volume at 40 percent of all student loans.

Doubters say that direct lending can't succeed, although the 104 schools that took part in the start-up program last year say it worked fine. There are successful, low-overhead 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.

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still get this out—

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address in the initiative private employers, who have grown more supportive of affirmative action. The amendment also defers to the federal government and the courts in cases of conflict a gesture meant to limit court challenges.

Even as they gear up for the coming battle, some civil rights activists sound weary, and not at all optimistic about their chances.

``Nobody's interested in the facts and, even when you tell them the facts, they say they still don't like it," said the NAACP's Rice. ``They are tired of it."

NEXT: The evolution of the Civil Rights Act of 1964.

Anti-Affirmative Action: A Grassroots Campaign (c) 1995, Los Angeles Times=

LOS ANGELES The authors of proposed California ballot initiatives to pull the plug on affirmative action programs, mindful of the national attention, vow that theirs will be a reasoned campaign, fueled by intellect rather than raw emotion. But in some ways, both sides of the debate agree, the fuse already has been lit.

``For better or worse," says one civil rights attorney, ``a lot of things begin in California."

It does not seem so threatening, a little office in Berkeley, Calif. where two scholars and a few assistants answer phones and labor over a database of little more than 3,300 supporters. Their bank account, Thomas Wood says, holds less than $30,000, far short of the estimated $1 million it will take to collect nearly 700,000 valid signatures needed to put their initiative on the ballot.

``This," says Wood, with an understated wryness, ``is about as grass-roots as it gets."

Perhaps not for long. Wood, a former philosophy teacher, and his partner, Glynn Custred, an anthropology professor at California State University, Hayward, teamed up in mid-1992 as a result of their joint disdain of the affirmative action programs each had witnessed on campuses.

Their effort went nowhere. They missed the 1992 ballot, then the 1994 ballot. Now, through a collision of public mood and political ambition, they find themselves in the right place at the right time.

Quantifying the Results of Affirmative Action (c) 1995, Los Angeles Times=

LOS ANGELES Exactly how many people are casualties or beneficiaries of affirmative action is uncertain.

Anecdotal evidence abounds on both sides. What seems undeniable, however, is that white males have not suffered widespread insult, as opponents of preferences contend, but neither have they emerged unscathed.

Women and minorities have not made tremendous gains, but neither have they remained as victimized.

That murky outcome is not what might have been wished for by those who labored mightily to equalize the treatment of all Americans.

The term ``affirmative action" reaches back to the 1930s, and every president, Republican or Democrat, has supported the concept since Franklin D. Roosevelt ordered defense contractors in 1941 to stop discriminating. Only in the last three decades, however, has it played a major role in American life.

The prevailing public sentiment that preferences have had a huge effect on the workplace or in universities, however, is flatly untrue. Although affirmative action has helped integrate police and fire departments and blue-collar unions, it has had less effect elsewhere.

Census figures from 1980, for example, show that whites held 82.3 percent of managerial and professional jobs in California those generally commanding the highest salaries and greatest independence. By 1990, whites still controlled 75.3 percent of those jobs, while they made up only 57 percent of the population.

Blacks in California held only 5.1 percent of management and professional jobs in 1990, up only slightly from 1980. Latinos held 9.56 percent. Asians, who are not always included in affirmative action programs, held slightly more than 9 percent of managerial jobs.

Federal statistics underscore the same reality: Although animosity about affirmative action has increased, its impact in the workplace has been underwhelming.

According to figures from the Bureau of Labor Statistics, blacks increased their presence in the nation's managerial and professional ranks only meagerly from 1983 to 1993, to 6.6 percent. Latinos held only 4 percent of the top jobs in 1993. Women held 40.9 percent in 1983 and 47.8 percent a decade later.

Gingrich College Course Linked to Republican PAC (Atlanta)By Glenn F. Bunting and Alan C. Miller= (c) 1995, Los Angeles Times=

ATLANTA From all appearances, the white-haired professor at the wood-grain lectern could be teaching one of thousands of college history courses across the country.

But this particular class Renewing American Civilization is unlike any other.

The weekly two-hour sessions are beamed nationwide via satellite to about a dozen college campuses, and also to millions of private households, churches, military bases and even businesses. At least several thousand viewers have gone so far as to send in $229.99 for a set of videotapes of the lectures and other course materials.

The curriculum shuns historical recitations. Instead, it focuses relentlessly on the professor's desire to overturn present-day U.S. social policy. Sessions typically begin with a call to abolish ``the welfare state," for instance. And among the course's stated goals are training 200,000 ``citizen activists" and establishing the terms of debate for next year's presidential election.

The instructor: House Speaker Newt Gingrich, the only known member of the 104th Congress who teaches an accredited college course.

Still, were these its only distinctions, Renewing American Civilization would be just another example of the Republican leader's masterful way of using media, innovative tactics and brash ideas to thrust his party to pre-eminence.

The differences go further, however. They reflect a more ambiguous characteristic of what awed members of the Speaker's entourage call ``Newt World": a commingling of his academic endeavors, his politics and the fund raising of a private tax-exempt educational foundation in ways that open him to questions about ethical considerations.

Renewing American Civilization, while laced with political ideology, is produced by a nonprofit foundation linked to Gingrich that has raised more than $1.7 million in tax-deductible contributions. Federal law prohibits the use of tax-deductible funds to advance a partisan political agenda.

It is clear from internal records and interviews with those involved that fund raising to launch the course at Kennesaw State College in 1993 was managed primarily by a political committee called GOPAC, which Gingrich controls and which also raises millions of dollars for Republican candidates all across the country.

Moreover, private corporations including some that are also big GOPAC donors provided financial and other support for the course, then got promotional plugs from Gingrich during his video lectures. Several donors who gave large contributions to the tax-exempt foundation, the Progress and Freedom Foundation, received assistance from Gingrich in his role as a congressman as well.

The House Ethics Committee announced Feb. 15 that it will review
a complaint charging that Gingrich used GOPAC to finance the course and that he improperly aided a course donor. The allegations are included in a complaint filed by Ben Jones, a Democrat who was defeated by Gingrich in November.

Gingrich maintains that his course is strictly nonpartisan, legal and ethical. The speaker said last week that he welcomes the opportunity to respond when the Ethics Committee is ready.

Jeffrey A. Eisenach, a Gingrich confidante who ran GOPAC before starting the Progress and Freedom Foundation and managing the televised course, said Gingrich has in fact kept his various activities completely separate.

``What you can't separate is Newt," Eisenach said. ``You can't cut him in half. He is a person. He is at once a very powerful intellect who is really thinking about ideas and really trying to understand where the country is and the big picture. And at the same time, he is a partisan politician."

A chronicle of events surrounding the course, however, as well as hundreds of internal documents obtained through a Georgia public records request, show that the lines separating Gingrich's varied activities were anything but clear.

(Begin optional trim)

Gingrich needed to raise more than $200,000 to cover he costs of videotaping and televising the course across he country. He personally began soliciting hefty ax-deductible contributions from loyal backers.

In August 1993, Gingrich wrote a letter requesting ;50,000 from Richard J. Fox, a former Republican Jewish :oalition chairman who was a $10,000-per-year charter ıember of GOPAC. Fox donated $20,000 to the course ırough
is personal foundation.

Gingrich also turned to GOPAC executive director isenach and the group's chief fund-raiser for help. GOPAC best known for raising more than $7 million for the epublican cause between 1988 and 1993. Much of this money as used under Gingrich's direction to recruit, train and ect GOP candidates all across the country.

According to more than 500 pages of internal documents, OPAC including its employees, office equipment, ıtionery and fund-raising lists was the primary strument for getting the $200,000 raised for the course.

(End optional trim)

GOPAC fund-raising director Pamela H. Prochnow ›eatedly solicited donations for the course from GOPAC nors and others. And GOPAC's Eisenach said Gingrich :ed him in the spring of 1993 to serve as project ector in charge of financing and managing the course. At the same time, Eisenach said, he was starting a ıservative think tank, the Progress and Freedom ındation. Its first project was writing a textbook for Gingrich's course.

In October 1993, Kennesaw decided to drop the course.

Officials at the school said they had been surprised to learn after the course was offered for the 1993 fall semester that GOPAC was Gingrich's political committee.

Such an arrangement is ``just not appropriate on a state university campus", Timothy S. Mescon, dean of the Kennesaw State School of Business, said. ``In hindsight, we would never do this again. There's no question about that. ... I feel horrendous about this thing and it's embarrassing."

In need of a new home for the course, Gingrich again turned to Eisenach. This time, Eisenach signed a deal to have the Progress and Freedom Foundation manage the course exclusively.

Since then, the foundation has handled both the fund raising and production of Gingrich's course, which spent $483,476 in 1993-94. The foundation reported that it spent another $94,712 on a separate televised call-in show that Gingrich co-hosts.

The foundation has been recognized by the Internal Revenue Service as an educational organization, which means its income is tax-exempt and its donors may deduct their contributions. To maintain this status, such a foundation must be organized and operated exclusively for educational purposes. PFF's largest single expenditure is producing and promoting Gingrich's course on television. As a result of the controversy over the course, critics have challenged its tax status.

PFF insists the course is entirely nonpartisan in its content. ``It is unambiguously a research and educational activity because it is an accredited class on a college campus," Eisenach said.

Although employees from GOPAC, the foundation and Eisenach's consulting firm worked in the same office for several months, Eisenach said he sought to erect fire walls between GOPAC's political activity and management of the course.

Among the corporate donors that Gingrich has praised since the course was moved to Reinhardt College are Scientific Atlanta, Hewlett-Packard Co., Turner Broadcasting System Inc. and Lockheed Corp.

During a ``Health and Wellness" lecture on Feb. 19, 1994, Gingrich touted tax-exempt medical saver accounts championed by Golden Rule Insurance Co. as nothing less than ``the most important new idea in health care." Golden Rule donated an undisclosed sum to the Progress and Freedom Foundation, Golden Rule Chairman J. Patrick Rooney gave GOPAC $95,150 and Rooney and his relatives have contributed $7,415 to Gingrich's campaign committee since 1992. Later in the lecture, Gingrich introduced the subject of ``quality in health care as exemplified by HealthSouth, which is a rehabilitative hospital system that's doing tremendous work." HealthSouth contributed $15,000 to the course. In addition, its employees gave $29,850 to Gingrich's campaign in the 1994 election cycle.

Officials at Reinhardt College, a 112-year old Methodist school with 964 students, are happy with the course. Says Reinhardt President Floyd Falany:

``To the degree this course and its content might serve some political purpose for the Republican Party down the road, I really believe we can only be responsible for what is happening to our students here. I feel good about it. I trust the speaker 100 percent."

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A CRIME punishable by life behind bars.

HOW POT HAS GROWN

BY MICHAEL POLLAN

THE NEW YORK TIMES

SUNDAY, FEBRUARY 19, 1995

IN A RENTED HALL ON THE OUTSKIRTS OF CENTRAL AMsterdam, a couple of hundred American gardeners gathered over a holiday weekend not long ago to compare horticultural notes, swap seeds, debate the merits of various new hybrids and gadgets and, true to their kind, indulge in a bit of boasting about their gardens back home. Gardeners talking the back-fence talk of gardeners everywhere, except that these gardeners happened to be criminals.

Sunday afternoon's panel discussion had just adjourned, and gardeners were milling in small knots among the potted marijuana plants that dotted the room like ficus trees in a hotel lobby. Brian R., a grower in his 20's who is originally from Washington and now lives in the Netherlands, was showing off a bud from his garden, pointing out its exceptional "calyx to leaf ratio." With his oversize glasses, basement complexion and a taste for the kind of button-down short-sleeve shirt that usually keeps company with a plastic pocket protector, Brian looked more like a computer programmer than a gardener. But then, the most sophisticated marijuana gardening today takes place indoors, where technological prowess counts for as much as horticultural skill.

Brian noted proudly that his bud had been produced under a 600-watt sodium light in 60 days, a fact that clearly impressed a beefy older gardener from Florida. "Would you just look at that bud structure," the fellow said, drawing me closer. The bud looked like a lump of hairy, desiccated animal scat. "See how tight it is? All those

Michael Pollan, the author of "Second Nature: A Gardener's Education," is a contributing writer for the Magazine.

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crystals? That's one very pretty little bud." The gardener from Florida passed it under his nostrils, appraising it like a cork. "I'd say this man clearly knows what he's doing." Brian smiled broadly and offered his new friend a taste. Now trading impressions gleaned from a joint the size of a small cigar, the two gardeners fell headlong into an arcane discussion of light levels and cellular cloning, proper curing technique and the relative merits of Cannabis sativa and Cannabis indica. I think of myself as fairly knowledgeable gardener, but I was lost.

I'd never seen plants that looked more pleased, this despite the fact that they were being overbred, overfed, overstimulated, sped up and pygmied all at once.

The occasion was the Cannabis Cup, a convention, harvest festival and industry trade show sponsored by High Times magazine and held each year over Thanksgiving weekend in Amsterdam, where the cultivation and possession of small amounts of marijuana, while technically illegal, are tolerated. On the first floor of the Pax Party House, a catering hall and meeting center in a residential section of the city, panels convened each afternoon to discuss the latest trends in marijuana horticulture and review developments in the hemp fiber industry. Upstairs in the exposition hall, hundreds of conventiongoers strolled past booths displaying high-tech gardening equipment, marijuana seed catalogues and wholesale lines of hemp clothing, hemp foods and hemp cosmetics. Multiply the number of booths, pump in large quantities of marijuana smoke and the scene might have been the Jacob Javits Center, thronged with pushy exhibitors rehearsing their pitches, handing out samples, writing up orders. Things got very mellow in the evenings, however, when the delegates assembled in the main hall for comparison tastings of new hybrid strains, ultimately casting their votes for the world's best marijuana. Seeds of the winning cultivars would be smuggled home with the gardeners, to be planted as part of next season's crop.

I had come to Amsterdam to meet some of these gardeners and learn how, in little more than a decade, marijuana growing in America had evolved from a hobby of aging hippies into a burgeoning high-tech industry with earnings that are estimated at $32 billion a year. That makes it easily the nation's biggest cash crop. Unlike corn ($14 billion) or soybeans ($11 billion), however, modern marijuana farming depends less on soil and sunlight than technology, allowing it to thrive not only in the fields of the farm belt but in downtown apartments and lofts, in suburban basements and attics, even in closets.

Fewer than 20 years ago, virtually all the marijuana consumed in America was imported. "Home grown" was a term of opprobrium — "something you only smoked in an emergency," as one grower old enough to remember put it. Today, thanks in no small part to the efforts of the people assembled in this hall — as well as to the Federal war on drugs, which gave the domestic industry a leg up by protecting it from foreign imports and providing a spur to innovation — American marijuana cultivation has developed to the point where the potency, quality and consistency of the domestic product are considered as good as, if not better than, any in the world.

In an era of global competition, the rise of a made-in-America marijuana industry is one of the more striking — if perhaps least welcome — economic success stories of the 1980's and 90's. Domestic growers now dominate the high end of a market consisting of at least 12 million occasional users; on Wall Street, in Hollywood, on colleges campuses, consumers pay $300 to $500 an ounce for the re-engineered home-grown product, and even more for the "connoisseur" varieties grown by the kind of small, sophisticated growers on hand for the Cannabis Cup. Peering through the haze at the conventioneers milling in the Pax Party House, Brian R. declared in a tone of deep reverence, "There are a lot of true pioneers in this room."

HOME GROWN GROWS UP

A bit of historical perspective, by way of a confession: Not only did your correspondent once inhale but, like a great many other gardeners (and nongardeners) of my generation, I also once grew. It was more than a decade ago, and in a very different time. Only a few years before, in 1977, President Carter had endorsed decriminalization of marijuana and even the Drug Enforcement Administration was entertaining the idea; 10 states, including New York, had already taken that step, though mine — Connecticut — was not one of them.

My own experience growing pot was a fiasco. In my backyard, I'd planted a couple of seedlings sprouted from some "Maui Zowie" given to me by my sister's boyfriend. Within months, my avid weeds had ballooned to the size of small trees, rendering them uncomfortably conspicuous. The plants continued to grow at an alarming rate right into fall, though for some reason they refused to flower. This didn't greatly trouble me, however, since in those days people still smoked marijuana leaves. (When I mentioned this quaint practice to Brian, he roared with laughter. Nowadays, only sinsemilla — the seedless bud of a female plant — is considered worth smoking; all the rest, called "shake," is usually thrown out.)

My days as a marijuana farmer ended abruptly one October morning, when a fellow delivering a cord of firewood happened to let drop that he was the police chief of a neighboring town — this while standing in my driveway, a single well-aimed glance

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away from my 12-foot marijuana plants. I managed just barely to steer him off the property before he spotted them. Immediately thereafter, I harvested my first and last crop: a couple of pounds of leaves that I literally could not give away.

What had been a mildly humorous close call in 1980 (for all my paranoia, I risked little more than a fine and some embarrassment) would be distinctly unamusing in 1995. Today, the penalty for the cultivation of a kilo — 2.2 pounds — or more of marijuana in the state of Connecticut is a five-year mandatory minimum sentence. Like most states, Connecticut rewrote its drug laws during the late 1980's to impose heavy new penalties for marijuana crimes, but Connecticut's are by no means the harshest: in Oklahoma, cultivating any amount of marijuana can result in a life sentence. And jail time is not the only penalty I would face were the police chief to find a couple of pot plants on my property today. Regardless of whether or not I was ultimately convicted of any crime, his department could seize my house and land and use the proceeds in any way it saw fit: a new cruiser, a pay raise, whatever.

This is America in the time of the drug war. A relatively little-known aspect of that war is that many Federal and state laws have been rewritten to erase the distinction between marijuana and hard drugs like heroin and cocaine, on the Reagan-era theory that the best approach to the drug problem is "zero tolerance." Today, the Federal penalties for possession of a hundred marijuana plants and a hundred grams of heroin are identical: a mandatory 5- to 40-year sentence, without chance of parole. An American convicted of murder can expect to spend, on average, less than nine years behind bars.

Many Americans, perhaps recalling the legal and cultural climate of the 70's, wrongly assume that marijuana has not been an important front in the drug war. Yet under the crime bill passed last summer, the cultivation of 60,000 marijuana plants is an offense punishable by death. Nowadays, marijuana is seldom grown on that scale; pot farming is by and large a cottage industry in which a thousand plants would be considered a big "grow." Even so, there are more than 30 people in the country serving life sentences for the crime of growing marijuana.

With so much more at stake, the techniques of growing marijuana, as well as the genetics of the marijuana plant itself, have been revolutionized in the last 10 to 15 years — as one glance at the potted marijuana plants on display in the convention hall made plain. Apart from the familiar leaf pattern, these plants looked nothing like the plants I had grown. They looked more like marijuana bonsai — no larger than a patio tomato plant and yet fully mature, their stems bending under the weight of buds thick as fists.

While I was examining these specimens, wondering how the feat of miniaturization had been achieved, Brian drifted over to chat. He explained that plants such as these were in all likelihood clones of a modern hybrid strain that had been grown indoors in a completely artificial environment. By manipulating the amount, intensity and even the wavelength of the light the plant received, the carbon dioxide content of the air it breathed and the nutrients supplied to its roots, a skillful gardener can foreshorten the life cycle of a marijuana plant to the point where it will produce a heavy crop of flowers in less than two months on a plant no bigger than a table lamp.

Several dozen such plants can be grown in a square yard, Brian told me. His own current garden in Holland contained 100 plants in an area slightly more than six feet square — smaller than a pool table. This sort of densely planted indoor table-top garden is known among growers as the "Sea of Green" and it represents more or less the state of the art in marijuana horticulture. I asked Brian if I could pay a visit to his garden. He put me off — growing commercially is dangerous even here. But I could see he was tempted; most gardeners are showoffs at heart. "Let me talk to my roommate."

TO THE SEA OF GREEN

Without a doubt, one of the pioneers in Brian's industry is Wernard, the proprietor of a leading marijuana garden center in Amsterdam. Now a professorial-looking fellow in his 40's, Wernard was present at the creation of the Sea of Green, working with expatriate American growers (and their seeds) to perfect the indoor cultivation of marijuana. On Saturday afternoon, he offered a packed hall of gardeners — a surprisingly eclectic group that

PHOTOGRAPHS BY ANDRE GROSSMANN

included, besides the expected array of aging and aspiring hippies, several middle-aged farmers, grad students and even a few sport-jacketed retirees — an informative slide lecture on its history and development.

What is perhaps most striking about the recent history of marijuana horticulture is that almost every one of the advances Wernard covered is a direct result of the opening of a new front in the United States drug war. Indeed, there probably would not be a significant domestic marijuana industry today if not for a large-scale program of unintentional Federal support.

Until the mid-70's, most of the marijuana consumed in this country was imported from Mexico. In 1975, United States authorities began working with the Mexican Government to spray Mexican marijuana fields with the herbicide paraquat, a widely publicized eradication program that ignited concerns about the safety of imported marijuana. At about the same time, the Coast Guard and the United States Border Patrol stepped up drug interdiction efforts along the nation's southern rim. Many observers believe that this crackdown encouraged smugglers to turn their attention from cannabis to cocaine, which is both more lucrative and easier to conceal. Meanwhile, with foreign supplies contracting and the Mexican product under a cloud, a large market for domestically grown marijuana soon opened up and a new industry, based principally in California and Hawaii, quickly emerged to supply it.

At the beginning, American growers were familiar with only one kind of marijuana: Cannabis sativa, an equatorial strain that can't withstand frost and won't reliably flower north of the 30th parallel. Eager to expand the range of domestic production, growers began searching for a variety that might flourish and flower farther north, and by the second half of the decade, it had been found: Cannabis indica, a stout, frost-tolerant species that had been cultivated for centuries in Afghanistan by hashish producers.

Cannabis indica looks quite unlike the familiar marijuana plant: it rarely grows taller than 4 or 5 feet (as compared to 15 feet for some sativas) and its deep bluish green leaves are rounded, rather than pointed. But the great advantage of Cannabis indica was that it allowed growers in all 50 states to cultivate sinsemilla for the first time.

Initially, indicas were grown as purebreds. But enterprising growers soon discovered that by crossing the new variety with Cannabis sativa, it was possible to produce hybrids that combined the most desirable traits of both plants while playing down their worst. The smoother taste and what I often heard described as the "clear, bell-like high" of a sativa, for example, could be combined with the hardiness, small stature and higher potency of an indica. In a flurry of breeding work performed around 1980, most of it by amateurs working on the West Coast, the modern American marijuana plant — Cannabis sativa x indica — was born.

Beginning in 1982, the D.E.A. launched an ambitious campaign to eradicate American marijuana farms. Yet despite vigorous enforcement throughout the 1980's, the share of the United States market that was home-grown actually doubled from 12 percent in 1984 to 25 percent in 1989, according to the D.E.A.'s own estimates. (The figure may be as high as 50 percent today.) At the same time, D.E.A. policies unintentionally encouraged growers to develop a more potent product. "Law enforcement makes large-scale production difficult," explains Mark A. R. Kleiman, a drug policy analyst who worked in the Reagan Justice Department. "So growers had to figure out a way to make a living with a smaller but better-quality crop." In time, the marijuana industry came to resemble a reverse image of the automobile industry: domestic growers captured the upscale segment of the market with their steadily improving boutique product while the street trade was left to cheap foreign imports.

The Reagan Administration's war on drugs had another unintended effect on the marijuana industry: "The Government pushed growers indoors," says Allen St. Pierre, assistant national director of the National Organization for the Reform of Marijuana Laws. "Before programs like CAMP" — the Campaign Against Marijuana Planting, which targeted outdoor growers in California from 1982 to 1985 — "you almost never heard about indoor grass."

The move indoors sparked an intensive period of research and development, including selective breeding for potency, size and early harvest, and a raft of technological advances aimed at speeding photosynthesis by manipulating the growing environment. Gardeners also learned how to clone their best female plants, thereby removing the unpredictability inherent in growing from seed. All these developments coalesced around 1987 in the growing regimen known as the Sea of Green, in which dozens of tightly packed and genetically identical female plants are grown in tight quarters under carefully regulated artificial conditions. Near the end of his lecture, Wernard flashed slides of several such gardens he'd tended: green seas of happy-looking dwarf plants holding aloft enormous buds that elicited actual oohs and ahs from the gardeners in the audience.

As Wernard was quick to acknowledge, authorship for the Sea of Green belongs to no one horticulturist but rather to hundreds of gardeners working independently in the States and in the Netherlands and then sharing what they'd learned,

Photograph by Andre Grossmann

often in the columns of High Times and Sinsemilla Tips, a defunct quarterly that many growers refer to as "the bible." By 1989, their collective efforts had yielded exponential increases in the potency of American marijuana and earned the grudging respect of at least one D.E.A. agent, W. Michael Aldridge, who told a reporter on the eve of yet another crackdown (this time on indoor growers): "I hate to sound laudatory, but the work they've done on this plant is incredible."

A BRILLIANT CAREER

Located in the red-light district directly across the street from a police station, the Greenhouse Effect is one of the 400 coffee shops in the Netherlands that serve marijuana. The place is little more than a dimly lighted corridor decorated in the Santa Fe style, with a cozy bar in the back. In addition to fruit drinks and snacks and an alarming-looking psychoactive pastry called "space cake," its menu offers a dozen different kinds of marijuana and hashish, sold either by the gram or the joint. The Greenhouse Effect is one of a handful of Amsterdam coffee shops that carry Brian's product, and one afternoon he agreed to meet me here to talk about his career.

Brian showed up for our appointment a half an hour late (few of the people interviewed for this article were ever on time), carrying the plastic shopping bag that serves as his briefcase. While we sat at a cafe table sipping soft drinks, a selection of his buds laid out between us in Tupperware containers, Brian retraced the path that had brought him to Amsterdam from an upper-middle-class childhood in a suburb of Washington.

The oldest son of two doctors, Brian was a member of his high school's math and computer club when he began growing marijuana in 1986, though it was a friend in the drama club who got him started. The friend had been complaining about the price of marijuana, something Brian had never seen before, much less smoked. "I said: 'Wait. This is a plant, right?' He says: 'Yeah, but it won't grow here. I've tried.' " Brian was already a gardener — he raised tomatoes in his parents' backyard — and growing marijuana seemed like an interesting challenge. "It was something to get me out of the computer club, put me on a slightly different level." He tracked down a growing manual at an adult bookstore in D.C. and soon figured out that his friend had probably been trying to grow an equatorial sativa, when only an indica could be expected to flower in Maryland. "Now I was on a mission. I wanted to get the right seeds."

His mission took him to a performance by the Grateful Dead, whose concerts served in the 1980's as informal trading posts for the new indica hybrids being developed on the West Coast. Brian located the seeds he wanted, but he found the sight of so many Dead Heads strung out on drugs deeply unpleasant. "It left me with a bad taste about the whole experiment." Disgusted at the scene, he made a point of changing the names of the seeds he bought ("hippie-dippy names like 'Purple Flower Power' ") to the more scientific system of letters and numbers he uses today: ST3, PB#3, B-Skunk x NL5.

Brian's first crop of seedlings died after his little brother, worried the police would put his parents in jail, poured a bottle of Brut after-shave over them. Deciding he'd better move the operation out of his house, Brian recruited a couple of kids from his Hebrew school class ("I thought I could trust them a little more than the kids in my high school") and together they planted a string of backyard gardens. In October, they harvested their first crop, manicuring the buds according to the instructions in the book and hanging them to dry in one of the partner's attics. Many indicas exude a powerful, skunky smell and the parents quickly discovered the marijuana. "They told us to get it out of the house," Brian said. "So we moved the grass out to the shed with the lawn mower, which was good enough for them. It was like saying you were kosher even though you had Chinese food in a refrigerator out in the garage."

Since Brian still had no interest in smoking marijuana ("I was the farthest thing from drugs *ever*"), he sold his share of the harvest, clearing several thousand dollars. "More money than I'd ever seen in my life. I felt very elated and slightly guilty at the same time." Elated because his product was so popular it soon made a local name for itself and guilty because he knew some of it was finding its ways into the hands of young kids. "This was heavy-duty pot and it caused some serious problems — at least one accident that I knew about. But I didn't know how responsible I was, because at the time I still hadn't smoked the stuff."

As we talked, a modest parade of customers made its way to the bar to purchase marijuana, some for takeout, others to smoke in. Even now, years after becoming a smoker, Brian is careful not to romanticize the drug. "Smoking anything isn't good for you," he says, "and smoking marijuana makes you stupid." Certainly the convention floor at the Cannabis Cup provided several cases in point, including one badly wasted fellow who introduced himself to me on five separate occasions, always with the same line: "I'm a smoker 32 years, living proof this weed doesn't damage you."

But Brian's disdain for drugs yielded before his fascination with the intricacies of growing and then breeding marijuana, something he soon discovered he had a talent for. Investing $1,000 of the proceeds from their first crop in a mail-order hydroponic growing system, Brian and his partners set out 100 plants in an unused sauna in one of their homes. Brian soon noticed that one of the plants was very unusual: it had dark purple stamens and a smell that overpowered the garden. He kept scrupulous

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records on each plant (storing his notes on a Macintosh computer equipped with an encryption program) and noted that the purple-haired plant was also one of the earliest to flower and heaviest yielding. It also turned out to be the most potent.

Brian brought his "Potomac Indica" with him to college, where the response of his classmates convinced him that "what I had was very special." Now working independently, he rented a house off campus and equipped it with a sophisticated growing system. Through a process of trial and error, Brian learned how to clone his Potomac Indica and more or less stumbled on the Sea of Green method for growing it. Through selective breeding, Brian developed several new strains, including one that he claims tested at 14 percent THC; THC, or delta-9-tetrahydrocannabinol, is the principal psychoactive compound in marijuana. According to the D.E.A., the THC content of marijuana during the 70's was between 0.5 and 2 percent; the average for indoor-grown sinsemilla today is between 8 and 10 percent. Brian's new strain was as potent as anything on the market.

By his junior year, Brian had a thriving business but his grades were suffering. He was also now a smoker. "I said, 'O.K., you can do well in school or you can do well with the growing.' I made the wrong decision, I think."

Brian dropped out of college in 1989 and turned professional. He opted for a highly decentralized operation, setting up a series of gardens in rented houses and apartments throughout the Washington area. Potomac Indica soon acquired a reputation. Brian reinvested his profits in the business, eventually building what amounted to a marijuana-growing franchise in towns up and down the Eastern Seaboard. In each region, Brian would select a local partner, set him up with equipment and clones, instruct him in the intricacies of the Sea of Green and then make regular on-site consultations in return for a percentage of the profits. Brian says he put 250,000 miles on a new car visiting grow rooms — exactly how many, he wouldn't say — spread out over a 1,200-mile stretch of Interstate 95.

"I did well with the growing," Brian offered, as he delicately minced a bud of his B-Skunk x ST4 with a pair of nail scissors and rolled a filtered joint. "The quality of my life has been one of extreme paranoia, however."

DISCRIMINATING TASTES

On the third afternoon of the convention, growers gathered in the main hall for a panel discussion covering some of the finer points of the Sea of Green. Picture a university lecture hall in a dream by Cheech and Chong. Although the panelists — Wernard and two other *Continued on page 44*

POT

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growers — started out as somber and technical as botany professors, over the course of their presentations they rolled and lit up a succession of huge joints and these eventually took their toll. By the end of the session, a cloud of marijuana smoke had spread out over the room, forcing me at one point to slide down off my chair in search of a vein of cool, nonpsychoactive air. For audiovisual aids, there were slides and potted cannabis plants on stage that the lecturers occasionally referred to with a pointer. It was all a little surreal, never more so than when Wernard mentioned his company's policy of requiring all employees to be marijuana smokers. It fell to an American in the back of the room to ask the inevitable question: "Do you make them take urine tests?"

The topic before the group was "Bio Versus Hydro." According to Steven Hager, the editor of High Times, "a great schism" has opened between the increasing number of indoor gardeners who grow in soil, often organically, and those who stand by chemical-based hydroponic methods. Wernard made a strong case for the superior quality of bio-grown marijuana; he claimed that hydroponic marijuana had a harsher, more chemical taste. Arjan, the owner of a popular coffee shop, pointed out that hydro yields were far greater. Even so, he acknowledged that in a taste test he had conducted among his patrons, bio had enjoyed a slight edge: of 810 smokers, 83.14 percent expressed a preference for bio, compared to 81.4 percent for hydro. No one seemed to notice that the percentages added up to a lot more than 100; evidently the respondents felt very positively about both samples in the test.

I was surprised that, in the course of a two-hour panel discussion on marijuana growing, the subject of potency received relatively little attention. "People may not need much stronger grass at this point," Brian later suggested. "So growers are concentrating on other qualities — taste, variety, esthetics." Many of the conventioneers I talked to could discuss the distinctive qualities of various marijuanas with the passion and inventiveness of wine connoisseurs. Even the unsmoked buds were closely examined and intently sniffed — this one admired for its rust-colored stamens, that one for the "notes" of citrus or nutmeg in its bouquet.

During the convention, I met a burly Manhattan dealer and law student who was eloquent on the subject of marijuana taste. When I asked his impressions of a new variety that had won a Cannabis Cup award, he praised its pronounced "Afghani" taste. "Afghani is a big heavy smoky taste, really rich," he elaborated. "But it has what I think of as a 'pinpoint effect.' Swirling around inside that big taste is something else — something sharper and thinner. The best way I can describe it is by analogy. You're familiar with Ben & Jerry's chocolate swirl? Well, it's got this great big overpowering chocolate taste, but then within that taste, you get the counterpoint of those fine swirls of fudge. That's the pinpoint effect."

He described the mental effects of the winning variety with almost as much exactitude. It produced a "rapid, enveloping high," he said, yet it had all the clarity of a fine sativa. Connoisseurs will often characterize a particular variety by situating it on a spectrum of marijuana highs ranging from the distinctly physical, narcotic effects of the archetypal indica to the comparatively stimulating, cerebral effects of a sativa. By manipulating the proportion of sativa genes to indica genes, breeders can design strains with precisely the effects they seek. Brian distinguishes between "blue collar" and "white collar" marijuanas. Customers who do physical work for a living "want to put their feet up at the end of the day and smoke a big, heavy indica," he told me; an urban professional might prefer something more "uppy."

Connoisseurship of this order tends to complicate one's view of marijuana as a dru[g], especially when you thi[nk] about the sort of bootl[eg] product Prohibition is r[e]membered for — just abo[ut] anything with alcohol in [it], some of it poisonous enou[gh] to blind or kill. Interestingl[y], most of the pot smokers [I] met expressed distaste f[or] pills and white-powder drug[s] and disdain for their user[s]. Marijuana connoisseurshi[p] suggests that, at least in thi[s] particular corner of the "dru[g] culture," the accent is a[s] much on the culture as it is o[n] the drug.

THE INDOOR DRUG WAR

Few recent trends in th[e] marijuana industry can b[e] fully understood without ref[er]ence to an event known among growers as "Blac[k] Thursday": Oct. 26, 1989. That was the day the Bush Administration officially began Green Merchant, the first organized offensive in the drug war to take direct aim at indoor marijuana growers — and not only growers but also the legitimate companies that supplied their equipment and the publications that supplied much of their know-how. Along with a new Federal law that for the first time imposed mandatory sentences based on the number, rather than weight, of plants seized (5 years for 100 plants, 10 years for 1,000), Green Merchant radically altered the rules by which indoor growers operate. Six years later, the industry is still adapting to the new environment.

A D.E.A. agent named Jim Seward conceived Green Merchant in 1987 while thumbing through a copy of High Times. As he told a reporter in 1989, the magazine "just seemed to be a middleman in a dope deal." By that time, the indoor marijuana industry was so large and well established, and so easy to enter thanks to the mail-order equipment stores and seed companies advertising in High Times and Sinsemilla Tips, that the Administration felt compelled to act. In the last week of October 1989, the D.E.A. raided hundreds of indoor growers and dozens of retail garden sup-

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ply stores in 46 states, seizing equipment and customer lists. Virtually all the stores targeted by Green Merchant had advertised in High Times or Sinsemilla Tips, and the raids scared off enough advertisers to push Sinsemilla Tips out of business.

Using customer records seized from the grow stores, as well as 21,000 additional leads that the D.E.A. says it obtained from the United Parcel Service, law enforcement agencies undertook investigations of thousands of indoor growers, who soon discovered they weren't as safe in their homes as they'd assumed. Now merely ordering garden supplies from the wrong company could bring drug agents to your door, as scores of African violet and orchid fanciers have been astonished to discover.

With the names and addresses of tens of thousands of suspects now in hand, law enforcement agencies developed a large appetite for indoor marijuana busts. "Marijuana growers are easy targets," Allen St. Pierre of Norml says. As criminals, many of them are docile and amateurish, leaving behind a trail of U.P.S. records and credit card receipts as they set up their gardens; once established, a marijuana garden is much easier to find than any white-powder drug operation and arresting officers are far less likely to encounter resistance. Another powerful incentive is the asset forfeiture rules, which were liberalized during the drug war to allow agencies to keep the proceeds of whatever they seize. Since the crime of growing marijuana is by its very nature tied to a particular place — a house and a plot of land — seizing the assets of pot growers is particularly easy. All these factors help explain why, according to Norml, there were more arrests in 1994 for crimes involving marijuana than for all other illicit drugs combined.

I was curious to know how the D.E.A. explained its priorities, but the agency did not respond to repeated requests for an interview. However, in a recent internal report, entitled "California Cannabis Cultivation: Marijuana in the 90's," the agency defended Green Merchant, and its war on marijuana generally, as a necessary response to "a rapidly escalating problem." The report claimed that marijuana was a "gateway drug" leading to the use of more serious drugs; that THC posed "potential health hazards," which the increasing "quality and quantity" of domestic marijuana were making even worse, and that chemical runoffs from marijuana farms posed a threat to the environment. "There is good scientific reason," the report concluded, for "grouping marijuana with other very serious and harmful drugs."

Whatever the rationale, the war against marijuana is expensive — as much as $1.7 billion in criminal justice costs each year, by one estimate. And that fact, sooner than any shift in the ideological climate, is what could prove its undoing. In an era of shrinking government budgets, locking up nonviolent drug offenders becomes harder to rationalize. Last month, Gov. George E. Pataki of New York, looking to slash government spending, proposed relaxing the state's mandatory minimum sentences for nonviolent drug offenders, some of whom may even be released. If they aren't already, marijuana growers should probably be voting Republican, since Republicans alone have the financial incentive, and the political cover, to reassess the costs and benefits of the drug war they started.

Like D.E.A. campaigns before it, Green Merchant failed to close down the marijuana industry, but it has altered the way it operates. One response to the post-Green Merchant environment was Brian's: to decentralize operations, keeping each grow room as small as possible — ideally, fewer than 100 plants. As Brian reasoned, even if one garden were raided, others would continue to generate cash for a defense. In the wake of Green Merchant, growers also began paying attention to such mundane things as "effluents" — especially odors and heat — and kilowatt hours, since judges will now issue warrants to search houses emitting unusual amounts of heat or consuming large amounts of electricity.

By 1991, Brian felt he "was sitting on top of a very large time bomb." Friends had also begun to tell him he was wasting his life. But what Brian most wanted was to be legitimate, not to give up growing and breeding marijuana. So he sold his gardens, told his parents about his secret life ("I was excommunicated") and moved to Amsterdam. Here, he joined a community of émigré Americans that revolves around the culture of marijuana in much the same way earlier communities of émigrés in Europe sprang up around avant-garde literature or painting while awaiting acceptance at home. At least that's how some of them choose to see it. Marijuana growers are almost touching in their faith that America will soon come to its senses and legalize their trade. Prohibition, so quickly recognized as folly, is their great sustaining myth.

INTO THE CYBERGARDEN

On my last day in Amsterdam, Brian took me on a tour of his expatriate world. The community's epicenter — its La Coupole — is the C.I.A.: Cannabis in Amsterdam, a combination shop, gathering place and hemp store located in a large second-story loft a short walk from Central Station. The afternoon Brian and I dropped by was the last day of the Cannabis Cup and Americans were lining up to buy seeds to take home. (Tiny and odorless, marijuana seeds are not difficult to smuggle.) With their glossy, four-color photographs and extravagant promises, the catalogues they consulted might have been published by Burpee. I asked Adam Dunn, one of the two Americans who run the C.I.A., what had been his big sellers that week. Hindu Kush had sold out, he said, and AK 47 was moving briskly, even at $30 a seed. (The 47 refers to the number of days till harvest.) Everybody was also asking for a variety called Bubble Gum,

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which smells more like Bazooka than marijuana, making it one of the safest — that is, least detectable — indoor varieties to grow.

Next, Brian suggested we stop by Positronics, Wernard's garden center, where Brian occasionally shops. Positronics is a sleek, sprawling showroom and factory, offering the indoor grower everything from specially blended and aged organic soil mixes to state-of-the-art carbon dioxide systems and a selection of clones — robust four-inch-tall marijuana plants sold in peat pots for $3 to $6 apiece.

Wernard escorted us through a warren of white-tiled rooms where employees working in a small assembly line cut, trimmed and rooted clones, producing several thousand each week. Watching the gardeners at work in their windowless cubicles, deftly transforming one plant into a dozen over and over again, I understood why the Netherlands had become such an important model for indoor marijuana growers. Horticulture in Holland has always been a matter of artifice, of forcing nature in every sense. Almost all of Holland's farmland is man-made, reclaimed from the North Sea (the recent flood notwithstanding) by dint of effort and technology. Cursed with little sunlight and even less space, the Dutch have also had to master the art of indoor growing — of, essentially, combining large quantities of electricity and chemical fertilizer with the best plant genetics available to create gorgeous flowers, picture-perfect tomatoes and, now, some of the world's most refined marijuana plants.

Sipping tea in Positronics' gleaming showroom, Wernard and Brian fell to talking about the future of their industry. Both agreed that the Sea of Green was here to stay, though there was still room for improvement, particularly in the areas of safety (with more sophisticated effluent controls) and yield. Wernard claimed that yields of 800 grams per square meter, already attainable by top growers using carbon dioxide, will soon be routine and that advances in genetics could add another 150 grams to that — almost a kilo of sinsemilla every two months in a space no bigger than a phone booth.

Perhaps the most important advances in marijuana cultivation involve computerization, which promises to revolutionize growing and vastly complicate the work of law enforcement agencies. Over dinner, Brian limned his vision of the ultimate post-Green Merchant grow room: the cybergarden. Sensors will monitor the five important environmental factors (light, water, humidity, carbon dioxide levels and temperature) and feed the information to a personal computer. Using solenoid switches, a so-called "smart interface" and a bit of customized programming, the computer can track and automatically adjust all these variables, either according to a preset program or to instructions typed in by the gardener. Add a modem and a remote-access program, and the grower can tend his garden from anywhere in the world.

I was skeptical; it sounded a lot like the kind of rococo fantasies that pot smokers have always liked to spin — in this one, the 60's drug culture joins forces with the 90's hacker culture to outwit a common enemy. But Brian referred me to a recent series of articles on computer gardening in High Times and The Growing Edge, a magazine for legal high-tech growers (published by the former publisher of Sinsemilla Tips), that described similar setups. He also told me about a company in New Hampshire where, I later confirmed, one could purchase both the hardware and software needed to set up exactly the kind of cybergarden Brian had outlined.

Brian also talked about incorporating security features in his garden: a motion detector and a "Mayday" program that would dial his beeper number in the event of a security breach, bringing the news never to return. But wouldn't the police be able to trace the gardener through information on the computer? Not if the data stream were sent through a remailer first, Brian explained. Remailers are anonymous mail drops that computer hackers have set up on the Internet, untraceable E-mail addresses where one can send or receive encrypted data. An article in the October High Times offered plans for a similar security system, adding one diabolical twist. By incorporating a computer virus like Viper or Deicide in the system, the computer could be programmed essentially to self-destruct as soon as it detected a security breach and alerted the gardener, rendering it worthless as evidence.

High Times describes cybergardening as "an exciting technology that has raced far ahead of ethics, law enforcement and government and corporate control." Indeed. The technology will make it possible for a grower like Brian to tend his franchise gardens from the safety of a computer in Amsterdam; theoretically at least, he would need to visit the grow room only to plant and to harvest. In the future, the D.E.A. may find the gardens but not the gardeners.

A GARDEN TOUR

On my last night in Amsterdam, Brian finally consented to let me visit his garden. Evidently the gardener's reflexive exhibitionism had triumphed over the outlaw's professional discretion. I remembered something Allen St. Pierre of Norml had told me: that the most common way for a grower to get caught is by boasting about his garden. He had shown me snapshots of prize plants that gardeners had mailed to Norml, sometimes in envelopes marked with return addresses.

The garden was in a working-class village half an hour north of Amsterdam. On the train, seated next to his plastic shopping bag, Brian explained that one of the reasons he chose to grow in this particular town is that it is home to a candy factory, a bakery and a chemical plant; together, they produce a cacophony of odors that overwhelms the smell emanating from his garden — important since the Dutch police sometimes raid marijuana gardens.

Brian also talked excitedly about his plans for the future, which include a legitimate seed company that will specialize in strains of medical marijuana geared toward specific ailments. "The same strain that helps glaucoma patients might not be the best one for polar disorders, and vice versa," he said. The week before, Brian had told his parents of his business plans, and their reaction had been positive. "After five years, I'm finally getting recognition from my family," he had told me earlier. Evidently, the two doctors and their son the marijuana grower had reconciled. "I'm going to be helping people."

From the station, we walked through a tightly packed development of tiny cookie-cutter houses pressed up against the street. The Dutch shun curtains, and each gleaming picture window presented a diorama of Dutch life, illuminated by the glow of a television screen. We came to a modest, gambrel-roofed house and Brian showed me upstairs. At the end of a dark, narrow and hopelessly cluttered corridor, he opened a tightly sealed door. I was hit full in the face by a blast of searing white light and an overpowering stench: sweaty, vegetal, sulfurous, sickening.

After my eyes adjusted to the light, I stepped into a windowless room not much bigger than a walk-in closet, crammed with electrical equipment, snaked with cables and plastic tubing and completely sealed off from the outside world. More than half the room was taken up by Brian's Sea of Green. The six-foot table was invisible beneath a jungle of dark, serrated leaves oscillating gently in an artificial breeze. There were a hundred clones, each scarcely a foot tall but already sending forth a thick finger of hairy calyxes. A network of plastic pipes supplied the plants with water, a tank of carbon dioxide sweetened their air, a ceramic heater warmed their roots at night and four 600-watt sodium lamps bathed them in a blaze of light for 12 hours of every day. During the other 12, they were sealed in perfect darkness. The briefest lapse of light, Brian noted gravely, could ruin the whole crop.

There was nothing of beauty here in this cramped chamber, and yet to a gardener there was much to admire. I don't think I've ever seen plants that looked more *pleased*, this despite the fact they were being forced to grow under the most unnatural of circumstances — overbred, overfed, overstimulated, sped up and pygmied all at once. "More!" the marijuana plants seemed to say, sucking up the carbon dioxide, gorging on the fertilizer, throwing themselves at bulbs so hot and bright I finally had to look away. In return for a regimen of encouragement few plants have ever known, these 100 eager dwarfs would oblige their gardener with three pounds of sinsemilla before the month was out. Thousands of dollars worth of *flowers*.

It was all a little bit mad, and yet a gardener couldn't help but be impressed, even as I counted the minutes before I could politely make my exit and draw an ordinary breath. Only later, on the train back to Amsterdam, did I fix on what may be the maddest part of all: that the credit for this most dubious of achievements belonged not only to the gifted, obsessed gardener and his willing plants but to the obsessions of a Government as well. ■

Leon/McCurry/Gearan/65

THE PRESIDENT HAS SEEN 2/21/95

Europeans Shrug as Taxes Go Up

By NATHANIEL C. NASH

Special to The New York Times

DÜSSELDORF, Germany — Johann Scholtz sits in his white smock, hunched over his workbench 10 hours a day, stringing viola bows, repairing the necks of cellos and, when he has time, carving the maple backs and front panels of his handmade violins. He says that often during his quiet labor, he remembers that more than 30 minutes of every hour go toward paying his taxes.

"I have no idea how much I pay," the 55-year-old master violin maker said. "It's so much. Only my tax accountant really knows. And the depressing thing is, my taxes are going up again this year."

Mr. Scholtz, who works in this German city known for its affluence and attention to style, has plenty of company. As Americans look to the new, Republican-controlled Congress to cut taxes this year, taxes are going up across most of Europe.

Although European economies are expanding at a slower pace, European countries are shying away from cutting expenses because of the political dangers of threatening the quality of life. This has left little recourse but to raise taxes, despite the dampening effect on economic growth.

In Spain, the value added tax, a kind of broad-based sales tax, rose one percentage point on Jan. 1, to 16 percent. Levies on electricity, gasoline, tobacco, alcohol and stamps are also rising.

In Switzerland, the Government introduced a 6.5 percent value added tax to replace a 6.3 percent sales tax on a much narrower basket of goods. The change will cost the public an extra $1.2 billion this year.

In Sweden, the highest tax bracket jumps to 56 percent, from 51 percent, affecting anyone earning more than $30,000 a year. And in Britain, excise taxes on wine and spirits, as well as gasoline and diesel fuel, are rising.

In Italy, economists predict that a ballooning budget deficit is almost certain to force higher taxes.

Even in France, where a presidential election this year has stopped politicians from boosting taxes, critics say the country's deficit is growing so rapidly that an increase after elections is inevitable.

It is not that Europeans are happy about it. Recent studies of German taxpayer sentiment found that a growing number of Germans — known in Europe for their honesty about tax compliance — say they are willing to cheat, because they feel they are getting less for their tax dollar.

But few are willing to stage a tax revolt that might risk big changes in their system of free medical and nursing home care, nearly free college educations and generous pension and unemployment safety nets.

"As long as you have a job and pay your taxes, you are protected and don't have to worry about your future," said Paul Breuer, a former manager of Merrill Lynch's Hamburg office, who left a year ago to open Bender Antiquariat, a rare book and manuscript dealer, here.

Most taxpayers in Europe feel they are getting their money's worth.

"The European knows that if he gets sick he can go to a good hospital and it won't bankrupt him," said Mr. Breuer, who added that his tax rate was approaching 60 percent. "He knows his child will get a good education. He knows if his old parent gets sick or they need someone to give them a bath or take them out for a walk, they're protected.

"To Americans, these can be financially disastrous. But we don't fear them. That is why we keep paying. That is why we say we don't like it but the taxes are necessary."

Europeans also frequently refer to lower crime rates, cleaner streets, state-of-the-art mass transportation networks and less social instability in general, all of which they see as a product of their willingness to pay higher taxes.

While tax revenues in the United States amount to 31.6 percent of the overall economy, the proportion paid by European taxpayers is nearly 50 percent higher.

"There is a sort of an understanding that varies from country to country," said Richard Reid, chief economist for the Frankfurt office of the Union Bank of Switzerland. "If your system works correctly, there is a willingness to pay taxes as long as you see what you are getting for it. In the United States they don't have this strong association that you get tangible benefits from the taxes you pay."

If there is a country that typifies the acceptance of higher taxes, it is Germany, where the tax burden is rising almost 10 percent this year, by far the largest increase in Western Europe.

Germany's private wealth taxes are doubling, insurance taxes are rising 25 percent, a special 1 percent income tax to pay for old-age nursing care began on Jan. 1 and, perhaps most controversial of all, a 7.5 percent tax increase, called the solidarity surcharge, will be extracted to pay for the rebuilding of the former East Germany.

And despite the new taxes already imposed this year in Germany, the Government of Chancellor Helmut Kohl is debating imposing another $6.6 billion in energy taxes next year to subsidize the coal mining industry.

In all, tax analysts say the tax bill for Germans will rise by $25 billion this year, when they are just recovering from the setbacks of the worst recession in Europe since World War II.

Yet many are philosophical about such taxes, particularly the solidarity surcharge.

"These are our brothers in the east and they need our help," Mr. Scholtz said. "We have to pay to let all of Germany prosper, and you can't risk the social problems of not caring for the eastern states. We can live with it."

But despite these high rates, taxes are not about to go down. The reason is that European governments are saddled with huge budget deficits coming out of the recent recession.

"There will be hardly any tax cuts in Europe through the end of the century," said Alfred Boss, economist with the Kiel Institute, an economic research group in Kiel, Germany.

The European willingness to pay high taxes, compared with the frequent tax revolts that sweep the United States, also reflects a difference in the level of risks that Europeans seem to be able to stand, versus their American counterparts — attitudes that are seen clearly in their saving and investment behaviors.

For example, while Americans readily live beyond their means, taking out large home mortgages, building up credit card debt and flocking to equities that carry a relatively high risk level, Europeans are quite different.

In general, they often buy homes outright with no mortgage loans. They carry very little consumer debt and only reluctantly buy stocks, preferring the assured, though lower,

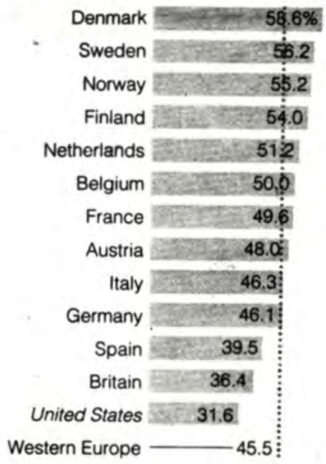
Karin Hill for The New York Times

With taxes rising in most of Europe, taxpayers are grumbling, but most are willing to pay. Johann Scholtz, seen in his violin maker's workshop in Düsseldorf, says a levy to rebuild eastern Germany is worthwhile.

COMPARE AND CONTRAST

Western Europe's Tax Burden

Taxes in Western Europe Are High . . .
Government tax revenues as a percent of gross domestic product in 1994.



Source: Organization for Economic Cooperation and Development

. . . And Many Countries Plan New Taxes in 1995

BRITAIN
4 percent rise in excise tax on alcohol. Small rise in gasoline and diesel taxes.

GERMANY
7.5 percent income tax surcharge for rebuilding of East Germany. Doubling of wealth tax to 1 percent. 25 percent jump in tax on insurance policies. 1 percent income tax to pay for elderly care.

FRANCE
Increase on gasoline taxes push prices up 5 percent. New taxes expected later in the year to combat big budget deficit.

ITALY
Large tax increase expected later in year to reduce growing budget deficit.

SPAIN
Value added tax jumps to 16 percent, from 15 percent. 2.5 percent rise in transporation taxes. 3.5 percent increase in alcohol taxes. Gasoline, electricity, tobacco and mail taxes all increase.

SWEDEN
Top tax bracket rises to 56 percent, from 51 percent. 2 percent payroll tax to pay for pension and health insurance. V.A.T. increases for postage and restaurants.

SWITZERLAND
6.5 percent V.A.T. on wide range of goods introduced, replacing narrower 6.3 percent sales tax.

The New York Times

rates of return offered by fixed-income securities.

The explanation is simple: most of today's American taxpayers did not witness the stock market crash of 1929 or the Depression years and have not known widespread financial calamity, whereas twice this century Europeans have seen their continent destroyed by war and felt its economic reverberations for years afterward.

"There is a perception in Europe that if you live beyond your means that is bad," Mr. Reid said. "In the United States it is more growth mentality. Here it is control of inflation and preventing big deficits."

But such reliance on Government for cradle-to-grave care has its weaknesses, economists add. Europeans are producing fewer patents and fewer entrepreneurs than the United States.

And the "good life" in Europe may in the long run be threatened by such high taxes and such generous social benefits, economists say. For example, economists say high taxes are stifling consumer spending, leaving Europe possibly vulnerable to recession again.

The Government of Sweden, long known as the most generous social welfare state, had to calm financial markets by announcing plans to slash social spending, sending a sober warning that there are limits to the European welfare state.

"I think we are now at the threshold of pain," said Matina Miksits, a salesclerk at a book store here. "Any higher and you have to ask yourself, 'Why work?' "

Indeed, there is a rising tide of resistance to higher taxes, seen in more tax evasion. Evasion is rampant and growing in most Mediterranean countries, like Italy, Greece and Spain, economists say.

Even in Germany, public sentiment is turning toward ways to avoid taxes. The German Association of Taxpayers found in a recent survey that the attitude toward tax evasion was significantly less critical than in similar surveys in 1977 and 1984.

"Germans are well on the way to losing their reputation as the most honest taxpayers in the world," said Karl Heinz Däke, the association's president. "Two-thirds of the population sees tax evasion not as criminal behavior, but merely as a clever way of behaving."

But no fundamental changes are seen in the near future. Despite more audible grousing, Europeans are far from revolt.

"Look at the German railroads, and you can see what our tax dollar does," Mr. Scholtz said. "Look at my career. I have no fear that I will go bankrupt. I pay my taxes and know if I have problems the state will help."

Can the GOP Survive Its Class Struggle?

1/2

From Christian Right to Futurist, The Big Tent Begins to Tear

THE PRESIDENT HAS SEEN
2-21-95

Hcly

By Thomas B. Edsall

SWEPT INTO power by a surge of cultural conservatism, the future of the ascendant Republican Party will ride on its ability to manage a volatile mixture: divergent class interests and the role of government in shaping public and private morals.

Halfway through the GOP's first 100 days, these tensions are not as severe as the racial and ideological conflicts that have plagued—and paralyzed—the Democratic Party. Yet they have the potential to be explosive because they involve issues of sex, parental responsibility and personal autonomy. Ultimately, they touch the very different agendas of laissez-faire conservatism and the "social issues" right.

The most threatening expression of discontent was the warning recently issued by Ralph Reed, director of the Christian Coalition, that he and his loyalists will abandon the Republican Party if its presidential or vice presidential nominee is not squarely in the antiabortion camp.

Underlying Reed's complaint is the fact that the Christian social agenda has been less of a priority than the predominately economic and procedural reform goals of the "Contract with America." Yet the 1994 Republican margin among born-again white voters grew by 15 percentage points over the average for 1980-1992, the largest GOP increase of any demographic group—an increase that was crucial to the Republican takeover of the House.

The abortion issue, for all its visibility, serves, however, to obscure the much broader concerns of the Republican Party's Christian and moral right. Reed, for example, recently wrote in the Washington Times that President Clinton's nomination of Henry Foster as surgeon general is part of the president's broader commitment to "the reigning ideology of sex-without-consequences." This suggests, of course, a revival of the culture of sex-with-consequences-and-obligations.

And in a Republican Party in which three of the most prominent elected officials—House Speaker Newt Gingrich and the two leading presidential candidates, Sens. Bob Dole (Kan.) and Phil Gramm (Tex.)—are divorced (Gingrich and Dole have dissolved marriages with

THE WASHINGTON POST
SUNDAY, FEBRUARY 19, 1995

The GOP Class Struggle

FISSURE, From C1

children), GOP conservative William Bennett has initiated a call for a major retrenchment of bipartisan liberal attitudes toward divorce:

"[I]f you look in terms of the damage to the children of America, you cannot compare what the homosexual movement, the gay rights movement, has done with what divorce has done to this country," says Bennett.

A substantial segment of the newest members of the Republican coalition share Bennett's values, but there is also a major block of Republican and independent voters who adamantly oppose and resent any attempts to set a moral agenda, especially one that would attempt to use either the rhetorical advocacy of social norms or actual legislation to restrict individual marital and sexual choices.

James P. Pinkerton, a former Bush administration aide, argues that the revival of the abortion issue "diverts the Republicans from their strongest issues, economic growth and reducing the size of government, and toward their areas of greatest vulnerability, the 'below the belt' issues of sex and privacy." Writing in the Los Angeles Times, Pinkerton warned the GOP: "Say goodbye to cool and cerebral discussions of the flat tax: say hello to hot and visceral wrangling over teenage sex . . . . The sucking sound you hear is the shrinking of the inclusive big tent of Republicanism."

Interestingly, two of Gingrich's mentors, the futurists Heidi and Alvin Toffler, believe the nuclear family is one of the casualties of the revolutionary changes in the structure of the economy.

"The family system," they write, "has become demassified: the nuclear family, once the modern standard, becomes a minority form, while single-parent households, remarried couples, childless families and live-alones proliferate."

The Tofflers' work has played a central role in Gingrich's thinking, yet this analysis is untenable for the new speaker. His troops took control of the House in large part because of the yearning of voters for a restoration of solid families, and the growing consensus that family collapse is a cause of the rise of violent juvenile crime, the emergence of an urban underclass and the broader sense of social disorder.

Gingrich, for his part, contends that the decline of the nuclear family is not the result of emerging forces in society and the economy. Instead, he places responsibility—or more accurately, blame—squarely on the shoulders of Democratic liberalism and the counterculture values of the 1960s.

This political-intellectual conflict between Gingrich and his mentors is another reflection of the fissures within the Republican Party. Such divisions are an inevitable consequence of the achievement of majority status in 1994—the addition of new voters means a loss of homogeneity.

For the GOP, the one-fifth of the electorate that owns guns is a constituency almost as important as born-again Christians. These voters were decisively in the Republican camp in 1994—69 to 31 percent; such numbers persuaded congressional Republicans to give priority to a move to rescind the ban on assault weapons passed last year.

The assault weapons ban is, however, overwhelmingly popular among suburban Republicans; a drive to rescind it, a number of GOP strategists fear, could blow up in the party's face and help revive the fortunes of President Clinton. They recall that the issue helped reverse former New Jersey governor James Florio's overwhelmingly negative ratings in 1993.

Many of these tensions spring from the fact that some of the GOP's most striking gains have been made among conservative working-class voters. For the moment at least, these men and women are casting ballots for the party they see as sharing their values.

THE WASHINGTON POST
SUNDAY, FEBRUARY 19, 1995

In 1994, among traditionally Democratic voters with family incomes of $30,000 or less, one-third identified itself as conservative, and fully 73 percent of these voters cast ballots for Republican congressional candidates.

"The old paradigm of the parties as aggregations of economic interest groups has been eclipsed by the politics of shared cultural values," according to Republican pollster Fred Steeper. "The base [of the GOP] has been expanding and changing with the influx of cultural conservatives . . . . They are probably responsible for the party achieving what it could not achieve with economic conservatives alone, a Republican Congress."

Mark Gersh, Democratic strategist and director of the National Committee for an Effective Congress, believes this trend "has the potential to relegate the [Democratic] Party to minority status if it is not corrected."

No one reflects the complexity of this struggle better than Speaker Gingrich, whose vision of world developments attempts to combine a sophisticated social science perspective on the future, a free market economic analysis of the present and moral values firmly rooted in the past.

This vision places the GOP on the ascendant side of history, both as the political arm of a revolutionary "Third Wave" sweeping over the economies of advanced nations, powered by the microchip and integrated circuit, and as the defender of family and moral values of the 1940s and 1950s. It is a vision that underpins Gingrich's view of his own role in the nation's culture and political economy:

"My goal," he says, "is to renew American civilization by replacing the current structure of the welfare state and its bureaucracies and defeating the counterculture."

Of the Democrats, he told the Republican National Committee in January: "I am a genuine revolutionary; they are the genuine reactionaries. They will do anything to stop us, they will use any tool, there is no grotesquerie, no distortion, no dishonesty too great for them to come after us."

Gingrich's ideological construct serves also to bridge, however fragilely, the spread between that wing of the GOP that looks toward a free-market, individualistic economy and the faction that yearns for the Eisenhower years.

With such complex polarization, the Republican Party becomes the agent of a corporate and economic revolution in which knowledge and quick response have replaced mass production lines; in which employee loyalty is supplanted by worker autonomy and the horizontal diffusion of executive authority; in which electronic communication has accelerated global competition and decentralized corporate organization.

Conversely, Gingrich's ideological vision places the Democratic Party on the side of large, centralized unions and federal bureaucracies; on the side of federal regulation and programs governed by policies set at the top in Washington; on the side of large corporations who have faced severe challenges from foreign competitors for two decades; and on the side of a permissive liberal-cultural establishment dominating popular culture and academia.

It is ironic, but this positioning of a "knowledge"-industry GOP battling factory-based Democrats carries with it the risk of alienating many of those new voters who gave the GOP their new majorities.

In fact, many, if not most, of the low-income conservative and religious voters who chose the GOP in 1994 are not on the cutting edge of knowledge industries. Instead, many are either deeply rooted in the beleaguered industrial "Second Wave" economy or part of the lower-end service economy, without strong prospects of promotion.

For quite different reasons, the polarization constructed by Gingrich is also disturbing to some Republicans who are uncomfortable with the suggestion of historical determinism.

William Kristol, chairman of the Project for the Republican Future, said that "insofar as it substitutes for a debate over the merits of certain social policies, the claim that we are the future and you are the past, so you are discredited, that is also intellectually wrong and bad for our political discourse. We should make arguments that our way of proceeding is better for people than the liberal way of proceeding, rather than saying history is on our side, which has been an argument of the left."

Gingrich, though, appears to see himself and his party in the forefront of the kind of historical change described by Marx and Hegel: "I see us at a point where the old thesis is now collapsing and there's an opportunity to launch a new thesis, not just to be the antithesis but to launch a new thesis," he said describing Republican opportunity in a pre-election interview.

Despite the substantial friction within his own coalition, the prism through which Gingrich views the world is an ambitious attempt to create a partisan moral order of extraordinary scope, demonizing a vast array of government sponsored self-help and educational programs.

"I have a good friend who's currently going through addiction withdrawal," said Gingrich, "and he's joined AA. 'It's fascinating,' he said, 'If you go to state hospitals, they have the 12-step program minus all the spirituality. And as a result they fail because the key to AA is the 12 steps in a context of a being larger than myself and having a place to put my worries. And one day at a time works because God is larger than I am.' AA also takes no government money, has no organization, no structure and no bureaucracy. It is the most successful addiction withdrawal program in the world . . . .

"They can bring spirituality back into their discussion because it's not illegal for a private sector charity but it's illegal for a public bureaucracy and a secular public bureaucracy is hopeless in trying to deal with human beings because it has to kill the heart of humans. You can have sex education in public school, you can't have love education. If it describes sex without love it's crazy. That's a quote that'll probably get me in trouble. But almost every mature adult knows that that's true. And if you don't have a contextual framework, if you don't talk about the humanness, the romanticism, what it is that makes us people and how we bond to each other, to simply learn the mechanics of orgasm is destructive and to say to kids this is what sex is about, it is a mechanical thing, you can have fun, here is your condom."

Gingrich's ideological construct has provided him with an anchoring world view. The more pressing issue for him is political as the party absorbs economic conservatives, libertarians, the cultural right and the white Christian movement. The question is whether Gingrich's mixture of futurism and revivalism has the power to unite and hold together the GOP as it struggles to avoid getting caught, as the Democrats so often have in the past, in the gears of its own internal contradictions.

labor-management relations throughout the executive branch. He ordered government managers, employees and their unions to serve as partners not as adversaries to make government service work better. We will be, but we are off to a good start, getting partnerships between the government and its employees and their unions. It marks an exciting change, and it also a common-sense move.

Q: Give me an example.

A: Remember, we are just getting started, but we in the federal government are on the cutting edge of a new form of labor relations for much of the entire country new, at least, for the United States. Other countries like Japan and Germany and other European countries have been doing it for years, and it works there. We are finding the good and bad of their system, finding their mistakes and are charting our own course.

Now, for an example you wanted, look at Hoover Dam. Government workers and managers there for decades had endless arguments over everything from work rules to grievances against managers filed by workers. At Hoover, they had a greater number of grievances and arbitration cases than in any other bargaining unit in the entire Bureau of Reclamation. Now they have the smallest number. They did it with new leaders on both sides, who finally said, "Hey, let's try to act like adults. Let's try to work together, stop fighting over every issue and do things to help each other." And they did.

With the help of our mediation service, a true partnership was formed. Union representatives went on teams once made up only of managers. The new partners worked together to solve problems cooperatively, and not as adversaries. Today, there are few if any grievances and no charges of unfair labor practices. We are doing the same at other locations around the country.

Q: There are about 3 million federal government workers, about 80 percent represented by unions, and it took an executive order from the president to get the ball rolling toward cooperation. But what about the private sector, where unions represent only 11 percent of workers and there is no centralized top-level executive to give an order to get cooperation. Is worker participation in the decision-making process moving ahead in the private sector?

A: Yes, but much more slowly. The collaborative process has not been rooted in many corporate and union cultures. But important sectors of the economy began facing the real prospect of going out of business because of inefficiency and adversarial relations between workers and managers. So there was a great proliferation of all sorts of collaborative efforts in many industries in steel, textiles, auto and electronics. That threat promoted the idea of collaboration. Where it has been tried, it has helped workers giving them a new sense of self-respect and it also increases productivity and efficiency.

It has been slowed by the fear of change. We humans are fearful of change, and fear loss in the power equation. There is resistance by lower-level supervision, because they have worked a long time to gain positions of power and they see these power-sharing schemes as ways by which they lose power.

Union leaders once felt the same way, and workers were troubled about becoming pawns of management. That is all changing as we try new ways to work together as collaborators not enemies.

Q: What do you see as the result of this collaboration? Are we going to have an industrial democracy as well as a political democracy?

A: I don't know the answer. If I'm a shareholder of a firm, chances are I don't want one of my superintendents or supervisors or hourly workers making strategic decisions. I'd want the board of directors making them. On the other hand, in the workplace itself, where the work itself is performed, I would far rather have those workers and supervisors making the decisions than the CEO and the directors, because workers often understand the workplace better.

There are significant institutional differences between organized labor and management. Unions came into being to protect and promote the interests of workers. Management is hired to increase shareholder values. Having recognized these differences, there is common ground in which both can work together.

Q: Don't you think the workers, and technical advisers they can hire, are smart enough to understand the finances of the company so they can be decision-makers with managers?

A: I think they should and could understand. And there is no reason why they could not be involved in providing input. But executives are held responsible for the strategic decisions, and if they make the wrong ones, they get fired. My experience has been that most middle-level managers and hourly workers don't want to put themselves in that jeopardy. I don't think labor-management cooperation means either party surrenders their authority or responsibility. It means people coming together, sharing ideas, their points of view, and try to make better decisions. It is a give-and-take process. You can't expect a manager to abdicate his or her responsibility to make management decisions any more than you can expect the union to abdicate its responsibility to make decisions they believe are correct for the workers.

Ranchers Fear They're in the Army's Bull's-Eye (Mountainair, N.M.) By Ann Rovin = (c) 1995, Los Angeles Times=

Mountainair, N.M. For more than three decades, cattle ranchers near this high desert hamlet have evacuated their homes whenever rocket testing was under way at White Sands Missile Range.

Few groused about the daylong dislocations because the Army paid up to tens of thousands of dollars annually for the disruption and anxiety of abandoning homes and livestock while experimental weapons slammed down onto the missile range a few miles away.

All that changed last fall, when the military began expanding its target and launch sites into the ranchland for a new breed of missiles similar to those the United States used to zap Scuds and attack Iraqi troops in the 1991 Persian Gulf War.

Now a federal lawsuit has been filed to stop the testing that some locals fear endangers their lives and property. And the issue is turning neighbor against neighbor in a remote and arid place where mutual aid is a necessity.

Ratcheting up the anxiety, the first bona fide test of an experimental missile aimed at a targeted ranch site developed problems in flight last October. The missile had to be destroyed by remote control 25 miles short of its target, missing an evacuated ranch house by one mile.

The errant missile only seemed to confirm the suspicions of four ranchers who had filed a lawsuit four days earlier to stop the testing.

Juan Sanchez, a 68-year-old rancher who was born in a tiny home built by his forebears, was among the plaintiffs until he learned it would take $60,000 to bring the case to trial.

Dismissing promises by Army officials that there is a million-to-one chance of being hit by an errant missile, or that they would replace his house in the event of a worst-case scenario, Sanchez asked: ``What good is a new house if I'm dead?

(Begin optional trim)

``My land is three-fourths of a mile north of the northern boundary of the expanded testing area," said Sanchez, who owns 5,000 acres. ``So when their missiles are landing 25 miles off target, I'm a little nervous."

He is not alone. Neighboring rancher Ernest Thompson, who also dropped out of the lawsuit, complained that the Army ``tries to make it sound like they're dropping lollipops out here."

John Sais, 49, whose grandfather homesteaded here, offered another reason for wanting to keep the Army's bombs and rockets off his ranch: ``This is cattle country. To me, seeing a missile launch site on a cattle ranch ruins it."

(End optional trim)

Other ranchers have no problems with the military buildings, rails and radar towers sprouting up provided hey are adequately compensated. At least one rancher gets nearly $250,000 over the next five years for leasing about 500 acres for launch control buildings, according to a White Sands spokesman.

Rancher Monty Oney gets about half that for hosting a aunch pad on his property for a Scud-like rocket . Oney ; unabashedly proud of his involvement.

Many of the 58 ranch families near the testing grounds, owever, are less enthusiastic and angrily recall how the rmy confiscated or purchased about 75,000 acres over the ist 40 years to create White Sands. A few are worried at the Army may try to absorb their own land to commodate the new tests.

``There is no intention right now of taking the nchers' land," insisted White Sands spokesman Jim kels.

Still, with national security at stake, many folks fret t the Army could change its mind.

;pired by U.S. Example, Canadiens Revolt ainst Taxes (Ottawa) By Craig Turner= (c))5, Los Angeles Times=

)TTAWA Rooted in the western provinces and inspired in by the American example, an incipient tax revolt is eping across Canada.

rue to the Canadian stereotype, it is less raucous and deliberative than its American counterpart. But the -term goals are strikingly similar: constitutionally rined restraints on government spending.

nti-tax rallies sponsored by the Alberta-based ıdian Taxpayers Federation have drawn thousands of ırd-waving, chanting participants from British mbia to New Brunswick. Tax protests are au current on talk shows. Alberta's anti-tax premier, Ralph Klein, ; to require voter approval of any attempt to impose a ncial sales tax after he leaves office. The rvative-populist Reform Party sponsored a nationally sed call-in show on the issue last weekend.

ston Manning, the Reform Party leader who would love ome the Howard Jarvis of Canada, described the tax t as ``spontaneous combustion" that has moved across the nation from West to East.

While California's Proposition 13 and congressional attempts at
a balanced budget amendment are well-known here, Manning is
reluctant to credit the U.S. example, sensitive to charges he is trying to ``Americanize" Canada. But the higher taxes Canadians pay compared to their southern neighbors is a constant refrain in the debate.

The tax gap between Canadians and Americans has grown from 2 percent to 7 percent over the last decade, as measured against gross domestic product, according to Satya Poddar, a partner in the accounting firm of Ernst & Young in Toronto and author of a new study on the subject. Adjusted for population, that means Canadians pay about $35.5 billion a year more, he said.

In Ontario, Canada's most populous province, the taxpayer hits the top 53.19 percent income tax bracket with an annual income of $66,652, Canadian, or about $47,325, U.S., at the current exchange rate.

But American political solutions are not available to Canadian tax protesters, who operate under the Parliamentary system. The initiative process that gave birth to Proposition 13 is unknown in Canada and federal elections typically are on a four to five year cycle rather than every two years as in the United States.

W. John Wright, senior vice president of the Angus Reid Group, a Toronto-based polling firm, said surveys show rising public concern about taxes, but cautioned that might not translate into immediate action.

``A typical Canadian tax revolt is to write a letter or phone somebody," he said.

Manning's party would like a legislated spending cap on the federal government that eventually could be entrenched in Canada's Constitution. With the governing Liberal Party opposed to such a cap, however, there is no chance of its adoption by Parliament anytime soon, Manning admitted in an interview.

(Optional add end)

In the short term, however, the surging concern about taxes has refocused some public attention as the government of Prime Minister Jean Chretien prepares its new fiscal year budget, expected to be released at the end of the month.

Until recently, advocates of spending on social and cultural programs have dominated media attention with warnings that the government was preparing major cuts to reduce the federal deficit. They have called for closing the deficit with tax increases rather than spending reductions.

The anti-tax rallies have change the equation somewhat.

Current speculation is that Finance Minister Paul Martin will attempt a compromise combination of cuts and new taxes.

Martin told Parliament last week that his budget will make the tax system ``more fair" and ``close loopholes."

But tax expert Poddar, who spent 18 years as a top civil servant in the Finance Department, said there are not many loopholes left to close.

``This talk about loopholes is to get the public on side for what are really tax increases," he predicted.

THE PRESIDENT HAS SEEN
2-21-95

Bruce

What's the
deal on this?
Are we doing
this?

B.

How Washington Inc. Makes a Sale

Jeffrey E. Garten, undersecretary of commerce for international trade, in the Commerce Department's "Advocacy Cente

By DAVID E. SANGER

WASHINGTON

IT is 24 hours before a trade mission of two dozen top corporate executives and government officials departs for India, and inside the Commerce Department's sleek new "Advocacy Center," teams of trade specialists are wrestling with the biggest of the last-minute crises: Are India's top leaders ready to make the final concessions needed to close a billion-dollar deal that will allow a consortium of American firms, including Enron, General Electric and Bechtel, to build a giant new power plant just south of Bombay?

For 18 months, the Indian power-plant deal has floated near the top of the list of 100 or so big infrastructure projects around the world that the United States Government desperately wants American firms to win. It is the first of eight big power generation projects in India, and if the American consortium could close this one, it would create a precedent likely to give other American companies an advantage in billions of dollars of follow-on deals.

In years past, American officials would have offered some modest help, but only as a sideshow to bigger foreign policy concerns, from containing Communist influence in South Asia to keeping India and Pakistan from accelerating their nuclear arms race. But that was another era in American foreign policy, before the Commerce Department built what Jeffrey E. Garten, the undersecretary of commerce for international trade, calls "our economic war room."

From that Washington war room, the negotiators for the Enron Corporation, the lead bidder in the American consortium, have been shadowed and assisted by a startling array of Government agencies. In a carefully-planned assault, the State and Energy Departments pressed the firms' case. The American

Commerce Department's "economic war room" mixes public and private to win foreign business.

ambassador to India, Frank G. Wisner, constantly cajoled Indian officials. The Secretary of Energy, Hazel O'Leary, brought in delegations of other executives — including some last week — to make the point that more American investment is in the wings if the conditions are right.

To sweeten the pot, the Export-Import Bank of the United States and the Overseas Private Investment Corporation put together $400 million in financing. And working just behind the scenes, as it often does these days, was the Central Intelligence Agency, assessing the risks of the project and scoping out the the competitive strategies of Britain and other countries that want a big chunk of the Indian market.

The big push by Washington Inc. paid off last month when the Indian government awarded the power plant project to the American consortium.

After years of false starts, Washington is finally taking a solid crack at a sport long familiar to the Japanese and the Europeans: Commercial diplomacy. Not since the days when the American Navy was sent to open up trading ports in Japan and China — a less subtle form of government advocacy for business — has the United States made such a concerted effort to win deals for American companies.

"I for one was tired of seeing President Mitterand and Chancellor Kohl travel the world representing their country's industry while we stood back and did nothing," Commerce Secretary Ronald H. Brown said recently. "Our attitude was "Good luck, let us know how it turned out."

Yet Washington's new approach has also generated new questions and policy conflicts for the Government. Should the United States be helping cigarette makers and nuclear power firms conquer foreign markets? Should it be sending trade missions to sell power equipment to China — one such delegation arrived there yesterday — while simultaneously threatening $1 billion in sanctions if China fails to adhere to copyright and patent conventions? And what are the limits to employing America's huge intelligence apparatus to bolster American business interests abroad?

Still, it is clear that economic imperatives have changed the dynamics of American foreign policy for good. The State Department, for example, now trains every American ambassador how to promote American businesses abroad. "There is a recognition now that promoting private investment and trade abroad is a primary interest of our policy," said Joan Spero, the former American Express executive who now serves as undersecretary of State for economic affairs. "That is a big conceptual change."

In Washington, of course, there is no instinct stronger than bureaucratic self-preservation, and that explains the movement as well. Arguing that you help create jobs is a favorite maneuver to avoid the budget knife. Senator Jesse Helms, the volatile Republican chairman of the Senate Foreign Relations Committee, hates foreign aid — but he loves the profit-making O.P.I.C., which, along with the Export-Import Bank, has become a hot new instrument for exercising American influence in developing economies.

For the White House, aggressive advocacy of busi-

Continued on Page 6

Continued from Page 1

ness interests is also a way to answer critics who argue that free trade is nice on paper, but a disaster in the global marketplace, where relationships, power politics and influence-peddling often determine who gets the deal. "The world's free trade rules don't work yet," said Mr. Garten, architect of the Administration's plan to focus on major "emerging markets" like China, Brazil and Indonesia. "Countries still award contracts for highly political reasons. And we are saying we can't wait for trade rules to unfold."

IT is Mr. Garten, perhaps the Administration's most articulate champion of the new age of foreign economic policy, who transformed a cramped room of a few bureaucrats charged with export promotion into the situation room for trade wars. But the headlines usually go to his boss, Mr. Brown, who never seems to travel anywhere without issuing a press release about the billions in contracts he is bringing home.

The Commerce Secretary's detractors say that many of the deals are cooked long before he lands. His boosters — and there are many in business community — argue that his Cabinet-level influence has helped sway foreign governments.

"The Commerce Department today is the most effective and proactive it has been in my business career," said Robert Eaton, the chairman of the Chrysler Corporation, which has worked with American officials for two years in a so-far unsuccessful effort gain China's approval for a joint venture to build minivans there. "And one reason is that Ron Brown is not bashful in asking for the order."

But it is Secretary Brown's same penchant for aggressive dealmaking that prompted the Justice Department last week, after months of allegations, to announce that it was beginning a deeper investigation of Mr. Brown's murky transactions with a number of business partners before and just after he became Commerce Secretary, including why he was paid $400,000 for his stake in a nearly worthless company in which he invested no money. Mr. Brown is always enthusiastic about talking about his export successes, but he declined an interview last week unless the reporter agreed not to make on-the-record inquiries about the business dealings now under investigation.

THE NEW YORK TIMES

SUNDAY, FEBRUARY 19, 1995

Commerce Secretary Ron Brown, left, confers with officials in the advocacy center.

ETHICS questions aside, there is no doubt that under Mr. Brown the Commerce Department has radically changed the way it operates. For decades the department has represented American business interests abroad with the foreign commercial service and endless export programs, but it was always an effort short on staff, funds and political savvy.

It was during the Bush Administration that Washington slowly awakened to the reality that foreign governments were devoting far more resources to commercial competition abroad than Washington. Some of the numbers are stark: In Indonesia, one of the biggest of the emerging markets, Japan provides $2 billion a year in foreign aid, 20 times the American figure.

Searching for a way to respond, Congress created the Trade Promotion Coordinating Committee in 1992 to fashion a unified command among 19 or so agencies that often fly in different directions.

"It was a terrific idea and piece of legislation," said Kenneth Brody, a former investment banker at Goldman Sachs & Company, who is now chairman of the Export-Import Bank. "But when I asked what was going on to implement it, I was told pretty much nothing."

Now that committee and its spin-offs meet almost weekly, constantly revising a list of major projects around the world that have caught the attention of corporate executives, ambassadors, the C.I.A., or other agencies, and assessing American chances to win the business.

Often, as in the case of the Enron-led consortium's 695-megawatt project 120 miles south of Bombay, that means arm-twisting in foreign capitals to change the way nations do business. India will need a huge amount of power-generation in the next decade, and its officials realized that this would require a massive opening of the country's strictly-controlled market to allowing private capital to flow in.

Eventually, after a series of trips by American officials, India's leaders overcame objections from domestic industry and protectionists in its own Government, agreeing to issue guarantees that would protect the American investment. "This is the ball game these days — complicated deals, endless details, lots of frustration, and big money," Mr. Garten said. "That's the future of foreign policy."

From the time it took office, the Clinton Administration made clear that the future of the C.I.A. — to say nothing of the justification for much of its budget today — lay in turning its resources to detailed, focused gathering of economic intelligence. Today, that is happening every day, with mixed success.

For years the agency has helped America's trade negotiators, providing day-to-day assessments — sometimes right, sometimes wildly off-base — about the strategies of countries sitting across the table. But in the last 18 months Mr. Garten and others have worked closely with the agency to focus its attentions on the Big Emerging Markets — "BEMs" in Commerce-speak — and the race to win contracts for the power plants and hospitals, the airplanes and the airports that will keep those countries booming.

"The agency has transformed itself tremendously," said Mr. Brody, "It is now able to provide very wide-ranging information, from the broad to the very specific."

Lending a Hand

Some of the deals the Commerce Department helped broker.

Mission Energy and General Electric, Indonesia — $2.6 billion

The two companies won a major contract to build a power generation plant last November. Commerce orchestrated the American effort, worked with Indonesian Government to eliminate red tape, met with senior government ministers, and pushed for $500 million in Export-Import Bank financing.

McDonnell Douglas, China — $1.6 billion

China chose McDonnell Douglas last November over rival aircraft makers to supply 20 passenger jets. The company and China also entered a joint venture to make 20 more planes. Commerce officials met with high-ranking Chinese ministers to push American bid.

Raytheon, Brazil — $1.4 billion

Brazil agreed last July to buy a surveillance system for the Amazon Basin from Raytheon, beating out France's Thomson. The satellites, aircraft electronics and computers will track environmental threats like fires in the rain forest and illegal mining. Commerce lobbied Brazilian Government, cleared red tape and enlisted the help of the C.I.A.

General Railway Signal, Taiwan — $65.0 million

Taipei bought railway signaling equipment from the Rochester company last May, which will be used in Taipei's mass transit system. American officials pushed for the sale with Government ministers.

Teradyne, South Korea — Initial contract: $5.5 million

Teradyne, a small Boston company, had trouble trying to sell its semiconductor test equipment to Hyundai, a major South Korean conglomerate. The problem: an entrenched Japanese supplier. But after Commerce officials met with senior Korean executives, Hyundai bought $5.5 million worth of test equipment from Teradyne last July.

Source: Commerce Department

The New York Times

STILL reeling from the Aldrich Ames scandal and trying to justify its role in the post-Cold War world, the intelligence community wants to redeem itself by showing economic sophistication. In his last report to the Senate before resigning last month as the C.I.A.'s director, R. James Woolsey described its economic mission in unusually specific terms, saying it is now assessing "whether nations are skirting the rules of international trade by using their intelligence services for industrial espionage, or exerting pressure to win contracts for their firms at the expense of American business and American jobs."

"This does not mean we are conducting economic espionage — we are not in the business of spying for private firms," he said. "But it does mean that we bring these corrupt foreign practices to the attention of the White House and the State and Commerce Department, who then seek redress — often successfully."

The most stark example, Government officials say, came last Spring, as Raytheon Corporation battled with Thomson CSF, a giant French electronics firm, for the right to lead a $1.4 billion project in the Amazon. It was a high-tech exporter's dream: The winner would set up a complex surveillance system, using radar, satellite imagery and computers to measure the health of the rainforest, catch illegal mining operations and detect drug trafficking. The lobbying was so intense that when Mr. Brown went to Brazil with a delegation of business executives he kept tripping over a French minister, making the opposing pitch.

As the competition reached a fever pitch, the C.I.A. came in with reports that the French were offering large bribes to Brazilian officials with influence over the decision. "This was really brazen under-the-table stuff, and we had to counter it," one senior government official familiar with the deal said. American officials made it clear to Brazil's leadership that they knew what was going on, and — based partly on data the agency gathered — matched France's financing terms.

President Clinton wrote a letter backing the American bid. The pressure worked. "This blew away the French," said one American official who was eager to cite the case as an example of the C.I.A.'s utility in the economic sphere.

That is not always the outcome, especially in places like China, where bribery is the norm, and American firms are caught between losing the business and violating the Foreign Corrupt Practices Act. One senior Administration official says he favors changing policy so that the United States would routinely leak evidence of bribery to the press, hoping to embarrass the offending Government. But that would also tip off American competitors, and drive the effort to influence contracts further underground.

AT least publicly, the agency has yet to talk about the limits of its growing economic mission. But it is bound to become a bigger issue in coming years, as tension rises with allies who are also competitors for billions in contracts. That tension is already evidence in Tokyo, where Japanese officials regularly — though never on-the-record — grumble about the activities of the C.I.A. station inside the American embassy, all the while denying that the Ministry of International Trade and Industry and the country's biggest trading houses perform the same roles.

At times, all the pressure in the world will not always work, as Chrysler has learned. For several years now it has been looking to expand its presence in China, beyond the production of its famed "Beijing Jeep," a car so popular that illicit factories are now producing cheap knockoffs.

The next big project for Chrysler is a chance to build minivans in Guangdong Province, the heart of China's southern industrial area. For the Chinese, though, the minivan project is not only a deal, it is potent political weapon. When Washington declared earlier this month that it would slap a billion dollars in tariffs on Chinese goods unless Beijing reached an accord to end the piracy of American compact disks, movies and software, the Chinese response was quick: Try it, and kiss your car project goodbye. And they have a real alternative: Mercedes-Benz, which is eager to become a force in the world's largest untapped car market.

Chrysler's deal nearly came to fruition last August, when Mr. Brown visited China following President Clinton's decision to de-link human rights concerns from the annual renewal of China's "most favored nation" trade benefits. It was a good trip — save for complaints that Mr. Brown was insufficiently tough on human rights issues — and he emerged with a commitment to expand China's purchases of McDonnell Douglas aircraft.

Meeting with Prime Minister Li Peng and President Jiang Zemin, Mr. Brown raised the Chrysler deal explicitly. The Chinese seemed ready.

With Chrysler's Mr. Eaton along on the trip, Mr. Brown upped the ante, saying the deal should be closed before the Secretary's entourage left town. For a while that looked likely. But at the last minute the Chinese told Chrysler it would have to meet a series of new conditions: Better financing terms, and no language in the agreement that would limit China's right to export minivans to third countries, where it would compete with other Chrysler cars.

More disturbing to Chrysler, though, was China's demand that it must be free to copy the manufacturing technology broadly. Mr. Eaton, fearing his minivans would be copied and sold en masse, much like Microsoft's operating systems and Kenny G's compact disks, packed up and went home. Government help or not, it could be a long time before he's driving a Chinese minivan around Beijing. ∎

THE NEW YORK TIMES

SUNDAY, FEBRUARY 19, 1995

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Arkansas Democrat Gazette FRIDAY, FEBRUARY 17, 1995

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Drug war a huge bust, costing $13 billion a year, general says

BY JOHN DIAMOND
Associated Press Writer

WASHINGTON — The multibillion-dollar U.S. war on drugs has done little to stop the flow of cocaine and other narcotics into the United States, a top general told lawmakers Thursday.

Gen. Barry R. McCaffrey, head of the U.S. Southern Command encompassing all of Latin America, said that despite a well-organized and costly counter-drug operation, "these current efforts are not achieving their purpose."

Cocaine remains plentiful on the streets of the United States at stable prices. Production in cocaine-growing regions continues to increase. Organized seizures and destruction of cocaine crops eradicate a tiny fraction of total production.

"A multiyear effort involving substantial resources and enormous energy and creativity," McCaffrey said, "has not had the effect we desired."

Members of the Senate Armed Services Committee expressed concern that a $13 billion annual U.S. commitment to the war on drugs has produced so little.

"Your message is candid but very discouraging," said Sen. Richard Bryan, D-Nev. "I don't see how we impact this overall problem."

Sen. John Warner, R-Va., suggested that the Pentagon conduct a "bottom-up review" of its anti-drug efforts and develop new strategies.

The military spends about $700 million contributing to the U.S. counter-drug strategy. Most of the rest of the $13 billion annual drug war budget goes to law enforcement agencies, such as the Drug Enforcement Administration, and to programs designed to assist other countries to combat drug production within their borders.

we need to discuss this

McCaffrey portrayed an insatiable drug market able to adapt to law enforcement agencies by quickly changing drug routes and methods of production.

For example, where drug smugglers recently used Guatemala as a way station for cocaine shipments from Colombia to Mexico, smugglers now are skipping the halfway point and using Boeing 727-size aircraft with multiton loads, McCaffrey said.

McCaffrey said the Southern Command, headquartered in Panama, is turning its focus to Peru as the source of 80 percent of the cocaine that reaches America's streets. Having checked rebel insurrection and improved the local economy, McCaffrey said, the government of President Alberto Fujimori "is now ready to tackle narco-trafficking."

While he acknowledged the difficulty of tackling the drug problem, McCaffrey rejected suggestions that it is insurmountable.

"I think part of the problem has been our decision to call it a war," McCaffrey said. "I prefer to think of it as more of a cancer. I don't think about achieving victory but about dealing with the problem."

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Gore Is No Typical Vice President Who Is Left to Dwell in the Shadows

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Associated Press

Vice President Al Gore on a walking tour in Camden, N.J. He was reviewing one of the Federal empowerment zones, areas in which tax breaks and other government assistance is used to encourage economic development.

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Arkansas Democrat Gazette

FRIDAY, FEBRUARY 17, 1995

'Crazy check' guidelines invite parental flimflam, GAO says

BY TERRY LEMONS
Democrat-Gazette Washington Bureau

WASHINGTON — "Fundamental flaws" allow abuse of a federal aid program for mentally disabled children that has been dubbed "crazy checks" by critics, a General Accounting Office report reveals.

The GAO report criticizes the program's vague testing rules, which helped add 219,000 children to welfare rolls since 1991. Benefits for those children cost taxpayers $1 billion a year.

The congressional group sent investigators to Arkansas and other states last year to look into allegations that many parents coached their children to misbehave in order to qualify for $458 monthly checks.

It was "virtually impossible" to determine the frequency of parental coaching, GAO concludes. But the report notes the program's ambiguous testing procedures make it "susceptible to manipulation" by parents.

GAO officials also question whether government officials can offer any "reasonable consistency" in administering the plan under the current guidelines. The Social Security Administration oversees the program.

Rep. Blanche Lincoln, D-Ark., said Thursday that the study underscores the need to fix the "crazy checks" program. Lincoln and several other House members requested the report, which was released in a draft form.

Lincoln said the GAO's findings will help her design legislation to tighten testing guidelines for the program.

House Republicans also are pushing a sweeping plan that would overhaul the program as part of the Contract With America.

The congressional attention follows reports of abuse and fraud for the part of the federal Supplemental Security Income program designed to help poor families care for their mentally disabled children.

Some parents in Arkansas and other states reportedly coached their children to misbehave in order to qualify for "crazy checks" payments. Critics also say some parents misuse the checks for expenses ranging from illegal drugs to gambling.

The program has nearly tripled in size since a 1990 U.S. Supreme Court decision eased eligibility requirements. Nearly 900,000 children qualified for the federal aid last year, up from about 300,000 prior to the court decision.

The program cost about $4.5 billion last year.

The GAO report focused criticism on the program's individual functional assessment, or IFA, test. Use of the testing provision mushroomed after the Supreme Court decision.

"In our analysis, we found fundamental flaws in the IFA process," the GAO said.

The testing process allows officials to determine whether children behave in an "age appropriate" manner. The GAO suggested elimination of the IFA test because of its "highly subjective" nature, particularly for evaluating mental disabilities.

"The IFA process has been difficult to implement consistently and reliably, particularly for children with mental impairments, because the process requires ... a series of 'judgment calls,' " the report said.

Problems with the IFA also made the program vulnerable to parents coaching their children to misbehave, the GAO said.

But GAO officials were unable to determine how frequently coaching occurs.

"Unless parents admit to it, coaching is almost impossible to substantiate," the report said.

But the IFA helped fuel rapid growth in the "crazy checks" program at a cost to taxpayers of about $1 billion annually, the GAO said. Out of more than 600,000 children joining the program between 1991 and 1994, the study showed 219,000 qualified under the IFA guidelines.

About 85 percent of those qualifying under the IFA test had mental disabilities, the GAO said. That included 39 percent with mental retardation, 22.2 percent with other mental illnesses, 14.7 percent with attention deficit disorder and 8.6 percent with conduct disorder.

The remaining 15 percent qualified because of physical disabilities.

GAO recommends abolishing the IFA guidelines and relying on more specific medical criteria to evaluate "crazy checks" applicants. Lincoln is preparing legislation along similar lines.

"This change would reduce the growth in awards and at the same time target disability benefits toward children with more severe impairments," the report said.

Lincoln said "crazy checks" abuse needs to end.

"The federal government shouldn't be in the business of subsidizing children who misbehave," she said.

The IFA guidelines also would be eliminated under a plan approved Wednesday by Republicans on a subcommittee of the House Ways and Means Committee. The GOP plan calls for fundamentally altering the "crazy checks" program by giving states more authority over the program.

Republicans want to give federal block grants to the states, creating a potential savings of between $5 billion and $13.4 billion over five years. Democrats said the plan could strip benefits from 200,000 children.

The GOP measure faces more committee votes next month.

THE PRESIDENT HAS SEEN
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Arkansas Democrat-Gazette

FRIDAY, FEBRUARY 17, 1995

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Arkansas Democrat-Gazette

FRIDAY, FEBRUARY 17, 1995

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THE PRESIDENT HAS SEEN
2/21/95

February 16, 1995

MEMORANDUM

To: The President

From: Kelly Crawford

Re: '96 Convention

Ickes notified

Craig Smith had a meeting today with Mike Stratton and Governor Roemer is interested in chairing the '96 convention.

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see me re: this
B.

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
2/21/95

95 FEB 15 P6:20

February 15, 1995

Phone Call to Mayor Joe Riley

TO: Mayor Joe Riley of Charleston, South Carolina

DATE: At your earliest convenience.

RECOMMENDED BY: Marcia L. Hale MLH

PURPOSE: Mayor Riley would like to discuss with you the proposed Federal Courthouse in Charleston.

BACKGROUND: The Mayor called you last Thursday regarding this matter.

TOPICS OF DISCUSSION: The Federal Courthouse in Charleston.

You should return the Mayor's call but make no commitments.

CONTACT PERSON AND
TELEPHONE NUMBERS: Mayor Riley's Direct Line: (803) 724-3736
Jean Tesscoat is his assistant.

DATE OF SUBMISSION: February 15, 1995

ACTION: GSA can all proj w/o Cong if needs up to 1.7/yr — This is all unless comm't real action taken

cc: Leon / VP / CR
we need careful response — he really helped us — B.

Mexican American Democrats of Texas

February 13, 1995

THE PRESIDENT HAS SEEN
2-21-95

cc Dorskind

Dear Mr. President,

I ask that you reconsider the earlier proposal made to you by Dr. Gutierrez as presented by Congressman Bill Richardson.

We asked that you recognize that there are nearly 13 million lawful residents in the U.S. of Mexican ancestry that cannot vote because they are not citizens.

We asked that you realize how vulnerable and victimized they are without citizenship.

We asked that you, as our president, also, do the right thing by us who have been the most loyal.

We asked for moral and political courage from you.

We asked that you grant by Executive Order, as soon as possible, a national program of citizenship for all lawful residents in the U.S. presently.

We asked that in the national interest and for the security of the United States as you seek to seal the borders with more restrictive enforcement. You must equip those of my people not able to defend themselves within our borders with the right to vote. Give us one year in which to get our people processed for citizenship and registered to vote.

You are still my President. I have always been with you.

Without the Executive Order my people will not be able to help themselves, help you or help me. I will not be able to help you.

Grant, immediately by Executive Order for national security and interests, the right to citizenship for all lawful residents. Do this and you will go down in history as a great president: A president as Lincoln with the Emancipation Proclamation.

Please respond to me directly with positive news.

Come be among us next August, 1995, at the State Convention of the Mexican American Democrats of Texas.

Sincerely,

Roberto R. Alonzo

400 S. Zang Blvd, Suite 804, Dallas, Texas 75208
214-948-2000 / fax 214-948-2020

Among Haiti's Poor, a Land Rush Without Rules

By LARRY ROHTER
Special to The New York Times

PORT-AU-PRINCE, Haiti, Feb. 17 — In the absence of an effective police force, growing numbers of poor and homeless Haitians are moving onto state- and privately owned land to build homes for themselves.

For President Jean-Bertrand Aristide, who was restored to power after 20,000 American troops landed here in September, the wave of land invasions presents a challenge to his authority and an awkward political problem. The squatters are among his most ardent supporters and look to him to improve their lives, but their actions have alarmed the country's economic elite, whose members remain suspicious of President Aristide's populist origins and constituency.

The squatters, who appear to number several thousand here, are most noticeable in the Haitian capital, which traditionally attracts migrants from the countryside looking for jobs and a better future. Since Mr. Aristide returned, such settlements have sprung up not only on the outskirts of town but also on prime real estate near the international airport and downtown docks.

The desire for a piece of land has grown so intense that squatters have even taken over Fort Dimanche, where political prisoners were held during the dictatorship of François (Papa Doc) Duvalier. Thousands of people were tortured and killed there, and because many Haitians believe that the victims' spirits still roam the grounds, squatters had previously been reluctant to settle near the prison.

But "we're not worried about the people who died, because we are in a state of death ourselves," said Ronald Charles, a squatter leader who staked out a small plot of land just outside Fort Dimanche on Oct. 19, four days after Mr. Aristide's return. "We are people who suffered a lot during the time Aristide was away, and now that democracy has returned, we're looking for some relief."

As Mr. Charles spoke, other squatters were digging the foundations for their homes in the new settlement or hauling wood to sites they have claimed. Like Mr. Charles, most had been renters in nearby slum sections of the capital or have moved from provincial towns where after a decade of economic mismanagement and sanctions, almost no jobs are available.

Inside the prison itself, squatters have knocked down the walls between some of the cells and erected flimsy structures of cardboard, canvas or plastic. On the second floor, reachable only by a rickety handmade ladder, a few lucky families have taken over what until recently were officers' quarters.

"If the government offers me another place to go, I'll leave right away," St. Sauveur Michelet, 34, an unemployed father of two, said as his wife, Gertride Josil, cooked lunch on the tile floor of what was once a warden's office. "But if they just tell me I have to go and don't offer me anything in return, they will have to kill me. This place is mine."

The squatter takeovers have largely gone unchallenged by the new Government, which was left with only a skeleton public security force when the Haitian Army and police disintegrated last fall. Worried landowners say American troops and international police monitors have refused to get involved in the controversy, arguing that it falls outside their area of responsibility.

"It's very frustrating," said a businessman who owns a large and valuable tract of land near the airport, speaking on condition he not be identified by name. "You buy some land, and people come in to take it over, and there is nowhere you can go. There is no law enforcement, nobody to protect you. It's anarchy, and the city can do nothing."

Evans Paul, the Mayor of Port-au-Prince, reluctantly agreed.

"We do not yet have the capacity to act," he said in an interview at his downtown office. "There is no police force, so it is not possible to intervene."

In those circumstances, the businessman said, "you either have to let them take the land or take the law into your own hands." He acknowledged that he and his friends have gone to squatter settlements on his land "and scared them a bit with our guns" in order to drive them away, but said he worries that "the same G.I.'s who say no when you ask for help will come and arrest you if you try to protect yourself."

But Mr. Paul also linked the squatting phenomenon to a much wider pattern of disrespect for the law, noting that during the three years of the dictatorship after Mr. Aristide was ousted in 1991, military officers and their allies among the business elite built restaurants on the main square downtown, warehouses on state land near the main port and homes on public parkland.

"So poor people see that and say 'Why not me too?' " he explained. "They are just following the example of the privileged class."

Jean-Frantz Théodat, acting director of the Directorate General of Taxation, a government agency that also oversees the registration of land titles, said: "This problem did not start with Aristide. It is one we face every time a government falls."

But because "we are living in a democracy now, not a dictatorship," Mr. Théodat said, people realize that the government will not respond to land invasions with violence, and thus feel they can seize land without fear of punishment.

"People understand their rights," he said, "but I don't think they understand their duties."

Mr. Paul, a political ally of Mr. Aristide who is also regarded as a leading contender in the presidential vote scheduled for December, said of the squatters: "We are democratic, so we cannot be brutal with them. But democracy cannot go in only one direction. If the government behaves democratically, the people must behave democratically too."

At televised ceremonies on Feb. 7 to mark the fourth anniversary of his inauguration, Mr. Aristide asked whether people had the right to invade the land of others. He received a rousing response of "no" from the crowd at the National Palace.

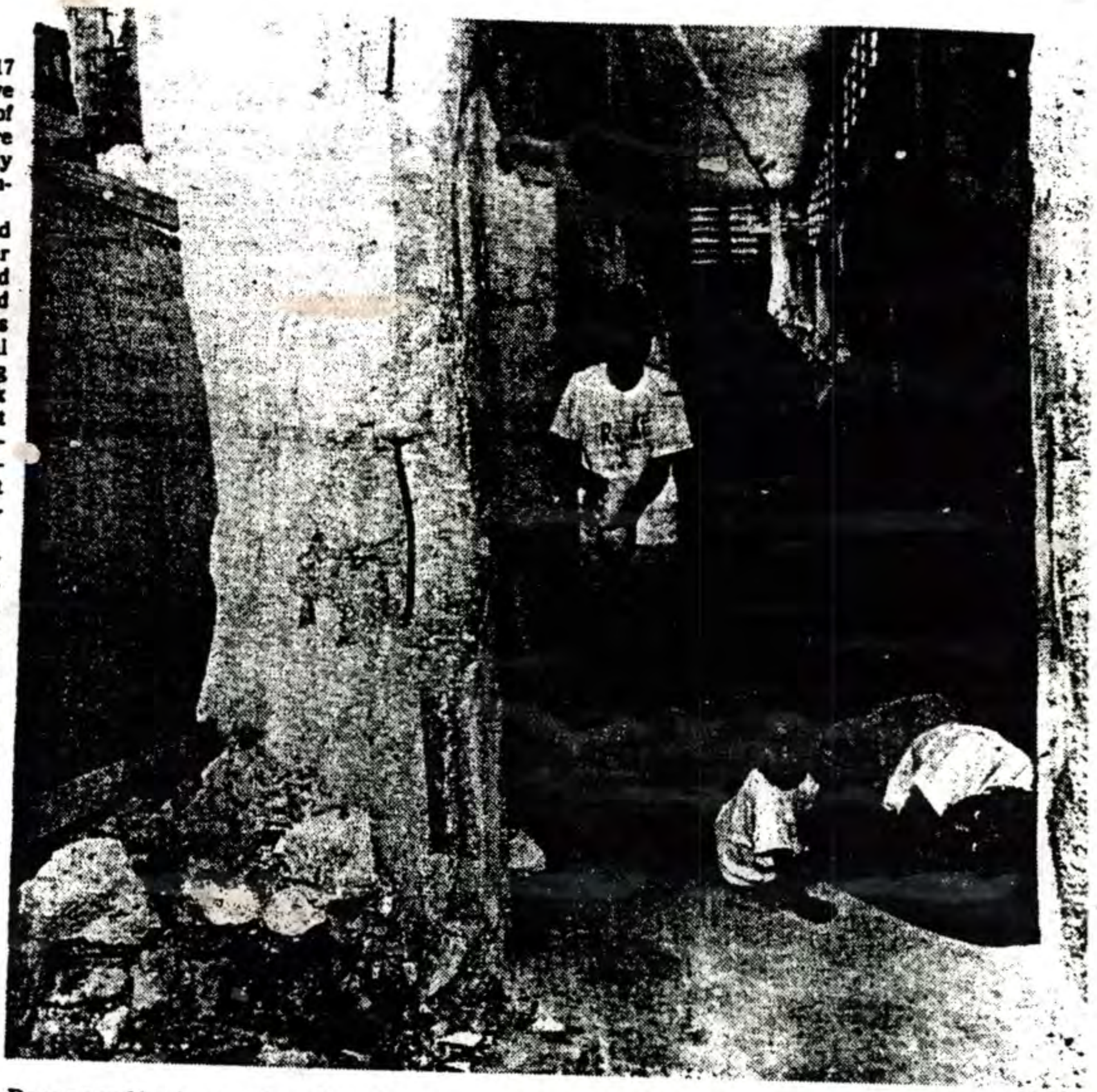
Joseph Osner, 26, a squatter [at] Fort Dimanche, said: "We k[now] that he was talking about us. Bu[t we] know the state would never giv[e us] land, so we had to take it. All o[f us] are young men who suffered whe[n he] had to go into exile. We were loya[l to] him, and he owes us something."

But Mr. Théodat said the Hai[tian] Government does not have the m[on]ey to build public housing for squ[at]ters, which he thinks would in [any] case be the wrong approach. In [the] long run, he said, the only solutio[n is] to "create jobs in the province[s,] thereby encouraging potential [mi]grants to stay where they are [in]stead of coming to a capital that [is] already overcrowded and buckli[ng] under the strain of more than [...] million people.

Foreign aid donors have pledg[ed] more than $1 billion in assistance [to] the Aristide Government, and th[at] money has already been designate[d] for education, health, agricultur[e] and other programs.

Mr. Paul, the Mayor here, asser[t]ed that the Government must neve[r] grant squatters title to land the[y] have seized or supply them wi[th] electricity, sewers and water [to] make their lives easier, as so[me] here have suggested.

"If we give in on this," he sa[id,] "you can be sure that within no ti[me] at all, they will be camped on [the] lawn of the National Palace."



Sue Ogrocki

Poverty and lawlessness have brought an increase of squatting on public and privately owned land in Haiti. [A] woman washes laundry in a corridor of Fort Dimanche, a former prison where she and her family now li[ve].

With no policing, an explosion of squatters.

India Says 22 Rebels Died in Kashmir

NEW DELHI, Feb. 18 (AP) — Indian troops have killed at least 22 Islamic rebels in Kashmir in the first major anti-insurgency operation this year, the police and rebels said today.

Islamic rebels want the state of Jammu and Kashmir, the only predominantly Muslim state in India, to secede and become part of Pakistan. More than 11,000 people have been killed since 1989, when the campaign for independence flared into an insurgency.

As winter receded this week, making many snowbound areas of the northern state accessible, soldiers moved into the town Char-e-sharif, about 20 miles west of Srinagar, and raided a rebel hideout on Friday.

Nine guerrillas were killed in a gun battle in the town, a rebel spokesman said.

THE PRESIDENT HAS SEEN
2-21-95

Bobby [redacted]
is this a big
problem?
BC

093308

cc: Panetta
Ickes
Bowles

THE WHITE HOUSE

WASHINGTON

95 FEB 21 P6:46

February 22, 1995

MEMORANDUM FOR THE PRESIDENT OF THE UNITED STATES

FROM: Craig T. Smith

RE: THE PRESIDENCY OF THE RED CROSS

It is expected that Elizabeth Dole will resign shortly as President of the American Red Cross.

This Red Cross is a federally chartered organization. Under its charter, it is controlled by a 50 member board. Thirty of the members are chosen by the state affiliates. Eight additional positions are filled by the President (seven are cabinet members, the eighth serves as chairman of the board). The remaining twelve spots are chosen by the previously listed thirty-eight. This board will choose Elizabeth Dole's replacement.

The current Chairman of the Board is Norm Augustine of Maryland, who was appointed by President Bush. His term expires in May and he is interested in being reappointed.

If you have a strong preference for who is going to replace Elizabeth Dole, we need to know that now. While the Board members will be deferential to the President, without a strongly stated opinion, they will make their own choice. Additionally, Elizabeth Dole is very popular among this group and is in a much stronger position to name the new President.

The bottom line is that if you want this, we will probably need to fight for it and it may be a fight that we cannot win.

James Lee Witt is interested in this position.

Dear Ms. Curry,
Can you make sure President Clinton gets the enclosed letter and newspaper.
Thank-you Syl Guberman

Dear Billy:
Hope all is well with you. We expect to be in Washington in April we will let you know the date later. The newspaper I have enclosed for you has a circulation of 55,000. Look up page 4 "In the President's Defense".

Our home will be your headquarters again and I am certainly building a power base. Can you please tell me where I might be able to get some bumper stickers? I have so many people that want them. Give our best to the family.

Always your good friends. Syl and Maury Guberman

Trey
Came out of
Nancy's office 2/25.
see Abbe
for response
2 items

Dear Ms. Curry,
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Trey
Came out of
Nancy's Office
2 Items
2/25.
see
ABe
for response

THE WHITE HOUSE
WASHINGTON

95 FEB 21 P5:49

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: Sara Ehrman

Fax Number: 863 8140 **Phone Number:**

FROM: John Podesta

SUBJECT:

DATE: 2/21/95

NUMBER OF PAGES (including cover sheet): 3

MESSAGE:

President's note CC: Sara Ehrman

"Should I do this?
Stan's a good friend"

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

THE PRESIDENT HAS SEEN
2/21/95

Stanley M. Chesley
Attorney at Law
1513 Central Trust Tower
Cincinnati, Ohio 45202
Telephone: (513) 621-0267

Tony
cc Kevin
Susan Thomases
Should we talk?
He's a good friend,
BC

February 20, 1995

President William J. Clinton
The White House
1600 Pennsylvania Ave., N.W.
Washington, D.C. 20500

Dear Mr. President:

It is with a great deal of pleasure that I advise you that the State of Israel wishes to bestow upon you the Isaiah Award for Distinguished World Leadership, for the incredible work you have done in the peace making process. Your accomplishments are the most important in over 40 years. This Award would be given in conjunction with the United Jewish Appeal and Keren Hayesod International Leadership Reunion, to be held in Washington from October 22-25, 1995. The evening of October 25, 1995 would be the ideal time for the presentation, and I am particularly pleased because Susan and I are the Chairpersons of this year's International Leadership Reunion. ILR represents the largest contributors of the United Jewish Appeal.

As you know, the United Jewish Appeal is by far the leading Jewish fundraising organization in America. The United Jewish Appeal/Federation Campaign occurs annually in hundreds of Jewish communities across America. This year, almost $750 Million will be raised. Approximately 50% is distributed through United Jewish Appeal for humanitarian needs in Israel and to sustain Jewish communities in Europe, Asia and the Middle East. The remaining 50% is used in America for local needs such as elder care, family counseling, recreational and vocational services and education. We serve thousands of Americans in need each day.

The International Leadership Reunion, which is part of the United Jewish Appeal's largest group of givers, will bring together approximately 250 women and men who represent the very top philanthropic givers of the Jewish people. Top community leaders from throughout North America will be in attendance. In addition, there will be approximately 50 other major donors representing Keren Hayesod which is the rest of the Jewish Diaspora which serves the same role in other countries as United Jewish Appeal does in America.

Mr. President, we would be honored if you and the First Lady were able to be with us to accept this Award for Distinguished World Leadership, from the State of Israel, for the work you have done in the peace process. We would be proud and privileged to recognize your outstanding leadership, and would hope to have a reception and/or dinner at which this Award could be presented to you, hopefully by Prime Minister Rabin.

Sincerely,

Stanley M. Chesley

SMC/cah

863. 8140

THE WHITE HOUSE
WASHINGTON

95 FEB 21 P5:30

OFFICE OF THE STAFF SECRETARY

Fax Transmittal Sheet

TO: Secretary Robert Reich

Fax Number: 219759

Phone Number:

FROM: John Podesta's ofc

SUBJECT:

DATE: 2/21/95

NUMBER OF PAGES (including cover sheet): 4

MESSAGE:

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

UNITED STATES DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY

THE PRESIDENT HAS SEEN
3/21/95

95 FEB 13 P3:16

TO: The President
fr: RBR
FYI

This looks good

WORKING FOR AMERICA'S WORKFORCE

1023 words

Rewarding Work

Robert B. Reich

Here are some dreamers of the American dream:

George had put in over twenty years at the factory when, suddenly, he lost his job. Now, he's forty-one years old, and down to his last month of unemployment benefits.

Alycia is only seventeen. She's a high-school dropout--she quit school when she got pregnant--and is living on welfare and food stamps.

Peg is twice Alycia's age and married. She works for the minimum wage at a local food store. Between them, Peg and her husband manage to pay the bills on about $18,000 a year.

Dave has worked his way up to be a supervisor at a defense plant. Dave is making a decent salary, and his company pays half the cost of health care for Dave and his family. But the company is on a downsizing campaign. Dave can't count on keeping his paycheck, or his health insurance. He's fifty years old.

Have these people come to a dead end? Not at all.

George, Alycia, Peg and Dave are American success stories in the making. I met them recently at a community college in the Midwest. George is learning to program and operate advanced machine tools, and is on track to beat his old salary when he returns to work. Alycia is a few months away from finishing a course in desktop publishing and a starting salary three times as large as her welfare check. Peg is working to be a nurse practitioner. Dave is learning techniques for removing toxic wastes from the soil, and an engineering firm is waiting to hire him as soon as he finishes his studies.

While there's no sure thing in today's economy, I'm betting on a good future for these four people. They've figured out what skills will pay off, and they've figured out how to get those skills. But not every worker can find or follow that path to new work. Millions of people just like George, Alycia, Peg and Dave--who are eager to work, who want to make their contribution to the economy and earn a better life in the process--are stuck in dead-end jobs, or are at risk of sudden job loss, or are poised at the precipice of poverty because they lack the right skills.

Too many Americans are blocked from the path to the new economy. But we tend to separate this systematic problem into a set of distinct issues--welfare reform, the minimum wage, health-care security, defense conversion, unemployment insurance reform--and thus miss the common theme. The underlying goal is simple: Every able-bodied American should have a chance at rewarding work. Achieving this goal, though, is not so simple.

Our social "safety nets" aren't organized to get people the skills they need for good jobs in today's economy. They evolved decades ago, when a mass-production economy offered good jobs even to the unskilled. Those who weren't working presumably couldn't work at all, or couldn't find a job, and needed income support rather than help getting a good job.

AFDC was targeted at mothers who lacked a male breadwinner in an era when mothers with young children were not expected to work. But today, most mothers are back at work by the time their children are toddlers. In fact, seventy percent of AFDC mothers manage to move into jobs within two years of getting their first welfare check. Their main problem is finding and retaining good jobs, with wages and benefits high enough to keep them out of poverty and off welfare for good.

Unemployment insurance, another legacy of the mass production economy, was meant to tide over laid-off workers until the economy rebounded and they got their old jobs back. That's why it still ends after six months--the length of the typical layoff--even though three-fourths of today's job losers are never called back. Instead of supporting temporary unemployment, we need to speed jobs losers into reemployment.

The minimum wage was long thought of as part of the safety net, mainly for teenagers or spouses whose work supplemented family income. But the average minimum wage worker today brings home half of family earnings--even though the real value of the minimum wage is a third below what it was in the late 1970's. Raising it is necessary. But it's far from sufficient for low-wage workers. They also need help getting better work.

We can't bring back the old economy, and we shouldn't try to. Today's information-based economy--much touted by Speaker Gingrich and like-minded futurists--offers enormous opportunity. Corporate profits are up, innovation is accelerating, and Americans with the right educations and skills are doing better than ever.

But the path from the old economy to the new is perilous. Too many Americans remain ill-equipped for the trip. Those without training beyond high school face falling earnings. Sixteen percent of full-time workers can't earn enough to keep a family of four out of poverty, up from 12 percent in 1979. And well over half a million workers were fired last year alone as companies "reengineered" themselves. Most of these people are still out of work, or in new jobs paying lower wages and offering fewer benefits.

That's why this Administration is so intent on preparing Americans for the journey to new work: School-to-work apprenticeships. Low-cost student loans. Tax deductions for education and job training. Skill vouchers for laid-off and low-income workers. Job placement and training for welfare recipients. One-stop career centers, with computerized data on where the jobs are and what skills they require. In short, we're trying to transform the old "safety net"--deployed to rescue the old economy's victims--into a springboard to launch all able-bodied Americans into rewarding work in the new economy.

We're committed to this transformation not so much because springboards are cheaper than safety nets--though in the long run, they surely are--but because this agenda affirms for the modern age some age-old American values: Work ennobles. Work gives meaning. Work should be rewarded.

2197659

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

THE PRESIDENT HAS SEEN
2-21-95

THE DIRECTOR

February 17, 1995

agree
St. Cynthia

MEMORANDUM FOR THE PRESIDENT

FROM: Alice M. Rivlin AMR

SUBJECT: **Decision Memorandum** -- Border Crossing Fee

As you know, the budget proposed a border crossing fee to help finance improved infrastructure needed to speed the flow of legal immigration and control illegal immigration. The proposal has evoked concerns from Members of Congress, the media, Canada and Mexico, and residents in border areas. As discussed below, your senior advisors recommend that you alter the proposal to let individual States (or perhaps local communities) on the border decide whether the fee should be imposed in order to improve infrastructure along their border with Canada or Mexico.

As originally written, the proposal would:

- enable the INS and Customs Service to hire more inspectors, buy needed equipment, build more crossing lanes, and improve border facilities in other ways;

- help cut waiting times at certain points from several hours to up to 20 minutes;

- ensure that those who cross into the U.S. by land still enjoy an advantage over those who come by air or sea (air travelers pay a total of $14 in various fees while sea travelers pay at least $12.50 -- all of it included in the price of air or sea tickets);

- provide for a discounted fee of, say, $10 per month, for frequent crossers -- somewhat akin to the monthly passes that public transportation systems offer; and

- set a regular (non-discount) crossing fee of $3 per vehicle, $1.50 per pedestrian.

INS and Customs would work with border communities on how to best allocate the fee revenues to meet local needs, with the emphasis on speeding legal crossings. Once they understand the proposal better, many local communities and residents should welcome its promise to greatly improve public services at a relatively modest cost.

This memo discusses the rationale for a fee, describes the fee as now written, outlines your advisors' recommendation for a "local option," and also outlines other steps that you could take.

Rationale for a Fee

Congestion at border crossings is costly and irritating. Commercial and other border crossers can wait 2-3 hours to enter the U.S at points along the southern border. We expect those waits to worsen as cross-border traffic increases as a result of NAFTA. Other ports-of-entry, particularly along the northern border, are only staffed part-time. We can alleviate these problems through targeted investments by INS and Customs, but the caps on discretionary spending leave limited room for more spending by these agencies.

The fee reflects the widely-accepted principle that those who benefit from a service or investment should help pay its costs. It mirrors INS and Customs fees on international arrivals at airports and seaports; because those fees are incorporated into ticket prices, travelers are less aware of them. It also is similar to tolls for highways, bridges, and tunnels that are collected throughout the U.S. In essence, the fee is a fee-for-service -- i.e., a fee to improve traffic flows. With the fee, we can cut border waiting times from 2-3 hours to no more than 20 minutes.

Due to the Administration's success in controlling illegal immigration routes along the border, illegal traffic will grow at ports-of-entry. Financed by the fee, new inspectors and technology will strengthen the detection of illegal traffic at these ports. In addition, the fee will enhance total resources available for border management and enforcement activities. Without it, the Federal Government would have to decide between hiring Border Patrol agents or inspectors.

Finally, the fee proposal implements the September 30, 1994 recommendation of the bipartisan Commission on Immigration Reform, appointed by Congress and chaired by Barbara Jordan.

Description of the Fee

The proposal calls for a regular fee of $3 per vehicle and $1.50 per pedestrian, collected upon entry into the U.S. through land ports-of-entry. But, frequent crossers could get a pass that would permit unlimited crossings for, say, $10 per month. These passes would mitigate the fee's impact on low-income individuals and border communities.

! If implemented along the entire land border, the fee will generate gross receipts of about $200 million in 1996 and about $425 million in 1997 (with the higher receipts reflecting a full year of collections in 1997). We estimate start-up and operating costs to be $100 million in each year, resulting in $100 million in 1996 and $325 million in 1997 to finance land border inspection costs. INS and Customs would split the receipts evenly.

The revenues would fund 680 new INS inspectors and 375 new Customs inspectors in 1996. Inspector productivity and the effectiveness of enforcement both would rise due to the deployment of additional automation, such as license plate readers. Better facilities and additional lanes also would speed cross-border travel. We would evaluate ports-of-entry on a site-by-site basis to determine the appropriate mix of staffing, technology, and new infrastructure.

The Preferred Option

Several Members of Congress say border crossings in their districts do not suffer from major delays or that their constituents prefer delays to paying a fee to eliminate them. In particular, Representatives on the northern border view the fee as a tax on their constituents to pay for needed improvements along the southern border.

Your senior advisors recommend that you provide a "local option" to let States decide whether the fee should be imposed on their border and used to improve their border facilities. States that did not participate would not get enhanced border infrastructure.

Tony Lake adds that this option would diminish the controversy with Canada surrounding this issue and improve the climate for your visit next week. If you choose this option, we will inform the Canadians and Mexicans shortly before a public announcement.

Although unpopular in some places, we expect the fee to be particularly appealing to communities along the southern border; they suffer from long delays at crossing points and the environmental problems caused by the exhaust fumes from long traffic lines. The same is potentially true of selected northern border crossing points in Michigan, New York, and Washington.

Other Options

Exempt commercial crossers. Currently, the fee applies to commercial and non-commercial crossers. Its applicability to commercial crossers raises the specter of NAFTA and GATT violations. Also, in its official protest, Canada cited the fee's impact on commercial crossers. To be sure, USTR believes that the fee does not violate NAFTA or GATT. But, by restricting it to non-commercial crossers, we could eliminate the issue altogether. If we do so, we would forfeit 5-10 percent of fee revenues.

Provide a deeper discount for frequent crossers. A deeper discount would mitigate the effect on low-income individuals and local economies that rely on cross-border shoppers. Justice is studying how to implement one. For example, we could market the pass through commercial establishments and by mail. And we could market special discounts that businesses could give to their employees. The pass could include a further discount for a greater time period.

A more drastic option is to exempt residents who live within a certain distance of the border, thus benefiting local economies. However, such an exemption may be difficult to administer and may create inequities between those who pay and those who don't.

Reduce the fee level. We could reduce opposition by reducing the fee. Start-up and operating costs, however, are largely independent of the fee level. Thus, the lower the fee, the more that start-up and operating costs would consume revenues in the early years. For example, a fee of $1 per vehicle and $0.50 per pedestrian would raise about $125 million a year. Because we estimate implementing costs to be $100 million a year through 1998, then drop to $50 million a year, this fee would generate only $25 million to finance more program costs in 1997 and 1998, and $75 million thereafter.

Reconsider the proposal. We could drop the fee proposal and forgo the related investment -- that is, not hire new inspectors nor build new infrastructure at ports-of-entry. The long-term result, however, would be to lower Administration-requested investments in immigration. In fact, by dropping the fee altogether, we would reduce immigration investments by about $300-$350 million a year between 1997 and 2000.

Some might view the reconsideration option as our walking away from the proposal -- much as we were criticized in connection with grazing fees.

Recommendation

As I have stated, your senior advisors recommend that you provide a "local option" that will enable communities to vote whether or not to impose the fee and receive the benefits of it.

Decision:

Implement recommendation (the border fee as modified) ✓

Do not implement recommendation ___________

Modify recommendation as follows ___________

THE PRESIDENT HAS SEEN
2-21-95

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

THE DIRECTOR

Feb 21

Leon
I thought the President already had the border fee memo. Apparently we were still coordinating with NSC (now done). Here is the memo. The preferred option is described on page 3. Please make sure this

is what he really
wants to do.
We are drafting
letter to relevant
members, which I
will get over later this
morning. Could be
sent & released

today.

Thanks!
Alice

Copy to Martha Foley
THE PRESIDENT HAS SEEN
2-21-95

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

Kathleen A. McGinty
Chair

95 FEB 10 P8:07

FEBRUARY 10, 1995

MEMORANDUM TO THE PRESIDENT

FROM: KATHLEEN MCGINTY

CC: LEON PANETTA

RE: CEQ WEEKLY REPORT

REGULATORY REFORM (H.R. 9 & H.R. 450)

Risk Legislation (H.R. 9, Title III)

We need explanation

This week the House Science and Commerce Committees passed legislation requiring elaborate risk assessments of most federal health and safety rules. Floor action is expected February 22. During committee consideration, the bill was made even worse than originally introduced by adding provisions which: (1) allows the bill to supersede existing statutory standards in current legislation; and (2) permits petitioning to reopen all currently existing regulations. However, the movement of the Republicans to the extreme right is attracting the attention of major media (NY Times, Wash. Post, Wall St, Jr.), and House Democrats have asked the Administration assistance for stiff floor resistance.

"Lawbreaker's" Bill-of-Rights (H.R. 9, Title VIII)

House Judiciary Committee held hearings on another part of the Republican regulatory reform agenda which would prevent surprise inspections of facilities that could be suspected of wrong-doing such as nursing home operators. As a result of the hearings, at which these provisions were strongly opposed by Department of Justice, Republicans have had second thoughts and may ease or drop these restrictions. If they do, they may avoid embarrassment because the Administration has not had an active communications effort on this issue to date. I fear we have missed our opportunity to really tar them with this.

We need to push

Takings Hearing (H.R. 9, Title IX)

Today, the House Judiciary Subcommittee on the Constitution held a hearing on "takings" legislation pending in this Congress. Currently over six bills have been introduced on this issue, including Title IX of H.R. 9, the "Contract" bill. Mr John R. Schmidt, Associate Attorney General, presented the Administration's views regarding these legislative proposals.

Our testimony, which was prepared by a White House/DOJ team, made it clear that your Administration believes that the right to own, use and enjoy private property is a fundamental right at the very core of our nation's heritage and our continued economic strength. We also made it clear that government must minimize the effects of its programs on landowners -- something that we are doing through our reform initiatives. And finally, we unequivocally expressed our opposition to the automatic compensation legislation proposed, including H.R. 9, because it will hurt homeowners and cost middle-class families billions of dollars. In short, we must not change what the Constitution has provided for 200 years -- fairness and justice for all Americans.

It is important that you know that we are not alone in our opposition to these bills. Other witnesses testified that these proposals are about eviscerating the ability of government to provide for the common good. The Reverend Joan Campbell notes in her testimony that we "expect every property owner to respect the covenants that we have made as a society to work for the common good." New Mexico Attorney General Tom Udall notes in a written statement that "Title IX of H.R. 9 serves neither the property values its seeks to promote nor the public interest." A broad-based coalition of religious, civil rights, labor, and environmental groups are actively opposing these compensation bills. I have attached information on a press conference held by these groups after the hearing.

The Vice President spoke to the Conference of Mayors on this issue and now we have testified on our position. We must continue to engage fully in this battle and remain unequivocal in our opposition to actions that will have such drastic effects on the middle-class and our communities.

Regulatory Moratorium (H.R. 450)

The House Government Reform Committee is expected to pass legislation imposing a moratorium on most Federal regulations extending from November 20, 1994 to December 31, 1995. Such legislation would, of course, make it nearly impossible to conduct the duties of the executive branch. The extremity of the regulatory moratorium is also beginning to attract major media attention. In fact, when all of the regulatory reform issues are taken together, they are near to reaching a critical mass in terms of their ability to burst into a very broad political message for average Americans in terms of their basic health and safety protection. I feel strongly that the time is ripe for us to draw some clear lines on these issues. I would hate to miss the opportunity here as we have on the enforcement and compensation provisions.

CLIMATE CHANGE

On Thursday, 30 CEOs from the property-casualty insurance and reinsurance industry met with the Vice President to discuss their concerns about the effect of a changing climate on United States citizens and their property. In recent years, U.S. insurers have experienced a series of extraordinary losses as a result of hurricanes, earthquakes, and floods. Following Hurricane Andrew in 1992 (a $20 billion loss to the industry), the industry has intensified its analysis of its risk exposure to these extreme natural events. In the meeting Vice President Gore asked the industry to utilize its experience with catastrophes by undertaking an analysis of the exposure to the U.S. to long term changes in the world's climate. The industry group accepted the Vice

President's request to review their loss experience and evaluate the potential effect of long term changes in climate.

STAFF NOTE

Today we said goodbye to our chief of staff, Cathy Zoi, as she embarks on a journey to the great down under. Cathy will be on a fellowship with the Australian environmental protection agency working on their reinventing government effort. With Cathy Zoi's departure, we recently welcomed Shelley Fidler as our new chief of staff. Shelley comes to us after twenty years with Congressman Phil Sharp as his staff director on the energy subcommittee.

NATIONAL LEAGUE OF CITIES
NATIONAL COUNCIL OF CHURCHES
AMERICAN COMMUNITY PROTECTION ASSOCIATION

For Immediate Release	**Contact:**
Friday, Feb. 10	**Mike Casey**
	202-797-6506

Opposition Mounts to "Takings" Plank of Contract

Municipal officials, clergy, property owners warn of budget-busting costs, red tape for taxpayers, less health and safety protection

Washington— Municipal officials, clergy and property-owners announced their opposition to the "Takings" plank of the Contract With America at a noon news conference today in Room 2203 of the Rayburn House Office Building.

Participants warned that the Contract's takings language would be the "American taxpayers' worst nightmare"—by creating a new entitlement program for moneyed special interests that would require additional bureaucracy and red tape. The news conference was timed with the first congressional hearing on the takings issue, which took place this morning before the House Judiciary Committee's Subcommittee the Constitution.

The takings opponents said that passage of the takings bill would be a boon to special interests who want to use their property in ways that harm the value of surrounding properties, or would endanger public health, safety and environmental interests of neighboring communities.

Several news conference participants related personal stories of property value losses from the reckless actions of neighbors —actions against which the House proposal would leave them no recourse.

New Hampshire Republican State Senator Richard Russman explained that the takings proposal would be a budget buster, and a special burden on state and local governments.

News conference participants were:

• **Susan Thornton; Mayor Pro Tem; Littleton, Colorado**; an active National League of Cities member and opponent of takings legislation who said, "Last November, people voted for change. This billion-dollar burden for the taxpayers wouldn't be change—this is more of the same."

• **State Senator Richard Russman; New Hampshire**; a Republican and fiscal conservative who opposes takings measures because of their "budget-busting" impact. Russman said, "We just can't afford these takings bills." He is a sponsor of the line-item veto and the term limits bill in his state legislature.

• **Sally Ormsby; Homeowner; Fairfax County, Virginia;** where oil storage tanks leaked into a neighboring stream and decreased property values by as much as 50%.

• **Patrice Butterfield; Homeowner; Statesboro, Georgia;** whose home and others nearby were flooded when a real estate developer filled in a wetland.

• **The Rev. Mark Johnson; Church Camp Director; Walker County, Alabama,** where contaminated runoff from an upstream strip-mining operation flowed into the groundwater, killing aquatic life and preventing the church's children from using their swimming hole.

(MORE)

copy to Martha Foley

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN
2-21-95

Kathleen A. McGinty
Chair

February 10, 1995 95 FEB 10 P4:36

MEMORANDUM TO THE PRESIDENT AND VICE PRESIDENT

FROM: KATHLEEN MCGINTY

RE: OREGON FOREST PLAN UPDATE

This is in response to your concerns from your recent conversations with Governor Kitzhaber.

THE BOTTOM LINE IN OREGON

The bottom line is that you have nothing to be apologetic about with regard to the Forest Plan in Oregon. As promised in the Plan for FY95, the Forest Service and the Bureau of Land Management assures us we will deliver 60% of the 1.1 billion board feet target, or 600 million board feet. The lion's share will be in Oregon -- 235 million board feet, or 40% of the total. On the economic front, Oregon received $36 million in FY94 as a part of the economic adjustment assistance provided for in the Plan plus another $42 million from the Small Business Administration in loan guarantees for disaffected timber communities. Because of our Plan, promising new economic opportunities have been launched. Sure, we all would like to move more timber quicker. But, it is almost *physically impossible* to do that, among other things, this is because currently there is deep snow on the ground! Your opponents will, of course, try to tarnish what you have accomplished here. We can let them, or we can state more clearly and forcefully our accomplishments while, of course, we continue and strengthen our efforts.

MAKING GOOD ON PROMISES

Just this week, we made good on another one of the promises in your Plan. In the Plan, we said that if the Federal government would responsibly manage Federal lands, we could ease up on the private sector. Moving forward on this, the new rule: (a) completely exempts small woodlot owners from Endangered Species Act requirements for the spotted owl; (b) dramatically curtails requirements for big landowners; and (c) largely cedes control back to the state of California for management of owl forests in that state. For those who would say we aren't pushing Fish and Wildlife Service people hard enough, note that here we have gotten them to accept DRAMATICALLY reduced protections -- eliminating or reducing from 5,600 acres to 70 acres the protections afforded owls. (See attached *Washington Post* article)

LEGAL VALIDATION OF THE PLAN

As you know, just before Christmas Judge Dwyer ruled to uphold the Plan. Validating our efforts to provide *both* biological diversity *and* sustainable economies, Judge Dwyer noted in his opinion that "**given the current condition of the forests...any more logging sales than the plan contemplates would probably violate the laws.**"

Remember, **the only hope for any action** on timber is a consequence solely of your efforts. For years Congress (including some members who complain now) could have acted, they failed. For years, previous Administrations could have acted, they didn't even try. **You acted; you are succeeding!**

FOREST MANAGEMENT

Historically, it has taken the forest service approximately three years to prepare a single timber sale. There are two major reasons for this: 1) there were many analytical steps that must be undertaken before a sale can be prepared; and 2) weather conditions limit the times that are appropriate for timber preparation and sale. Because there typically was a 3 to 5 year supply of timber in the pipeline, the long lead time needed for a new sale was not so problematic. Now, however, because of the three and-a-half year injunction, that stockpile has been fully depleted and we are in essence starting the process from scratch. It is for this reason that we sketched-out in the Plan a schedule to climb up to 1.1 billion board feet. We said we would be there by 1997.

Wrong. This yr

True to our form, the agencies are proceeding in the preparation of timber sales, conforming to the analytic guidelines set forth in the Forest Plan. The appropriate analyses, which include watershed and NEPA analysis, biological evaluation and consultation, review by the Regional Ecosystem Office, and surveying and managing strategy and project design, are on track to deliver 600 million board feet in FY 95. Despite these processes taking a considerable amount of time, agencies assure me they are on target for offering timber sales over the next three years. For this year, we said in the Plan that we would meet 60% of the target 1.1 billion board feet. The Forest Service and the Bureau of Land Management assure me we are on track to deliver this amount -- 600 million board feet -- this year. Additionally, I am assured that we are on track to deliver 80% of the target in 1996 and 100% in 1997. **To do this, we are expending tremendous resources. Indeed we have moved resources from other parts of the country to accomplish this intense effort.** I suspect that Congressional members from other parts of the country will begin to balk at any further concentrations of resources in the Pacific Northwest.

What does deliver mean

Of the total regional harvest (including areas within the Forest Plan from all three states WA, OR, and CA) for FY 95, the lion's share, 40%, is coming from Oregon. **This will be the first significant volume of timber to move in Oregon in over three and-a-half years. As weather permits, these new contracts will yield sales amassing 235 million board feet between now and August, all from the state of Oregon.**

ECONOMIC ADJUSTMENT INITIATIVE

We have also made significant progress with regard to economic assistance. At the end of FY94, we had distributed over $126 million to the region. Of the total, 29% or $36 million had gone to the state of Oregon plus another $42 million in guaranteed loans from the SBA for disaffected timber communities. Overall, as you know, in the next five years we will contribute a total of $1.2 billion in grants (46%), loans (33%), and Jobs-in-the-Woods contracts (21%) to the region--an exceptional, unprecedented package of assistance. You should also know that our efforts here have been a model of Reinvention. We have set up completely new structures that afford states and local communities an unprecedented level of input into our decision-making process. **We should be heralding our success here.**

One example is the Roberts Creek Water District treatment plant and line expansion project in Douglas County, Oregon, an area hit hard by the decline in timber harvests. The District in 1992 placed a moratorium on sales of new water meters because of an inadequate supply of treated water. The moratorium prevented the development of a 60 acre industrial area and restricted the District's ability to provide acceptable fire protection to industrial and commercial areas. The District applied to the Economic Development Administration for a grant and received $716,000. The money, however, was not sufficient to finance the total cost of the water treatment plant expansion. The Oregon Economic Development Department completed the funding package with $957,000 in loans and grants from The Special Public Works Fund. As a result, Ingram Book Company has committed to locating in the district. That commitment will translate into 200 new jobs, according to the Oregon Economic Development Department.

Here is just a sampling of other projects in Oregon:

City of Oakridge, Lane Co.	$2,464,000	Industrial Park
Federal contribution	$1,840,000	
Siletz, Lincoln Co.	$2,910,220	Tribal Admin.
Federal contribution	$2,874,000	

Although the majority of the projects listed required multiple sources of funds, Oregon has been innovative in developing a process to coordinate funding. The concept of a "One-stop Finance Center" was developed, under the guidance of a Forest Plan Community Economic Revitalization Team in Oregon (part of the reinvention developed in the Plan), to assist communities with needed financing and to coordinate with all funding agencies.

The bottom line is that your Plan has fostered innovative, new partnerships among federal, state, local agencies and the private sector that are creating jobs and really helping communities that were left high-and-dry after the timber crisis brought on by the Reagan and Bush Administrations.

Attached for your perusal is: (1) the *Washington Post* article referenced above and several editorials/articles on the Forest Plan form Oregon papers; (2) an overall summary of Forest Plan accomplishments to date; and (3) more detailed information on our economic initiatives in Oregon.

[In the next few days I will be sending you a memo on a separate but related issue, namely timber salvage sales. Today I am speaking with Governor Kitzhaber to try to address his concerns directly and as expeditiously as possible.]

THE PRESIDENT HAS SEEN
2/21/95

THE WHITE HOUSE

WASHINGTON

95 FEB 17 P8:56

February 17, 1995

MEMORANDUM FOR THE PRESIDENT

FROM: Alexis Herman AH

RE: Vernon Jordan's Speech

Vernon asked me to get a copy of the speech he made to the Economic Club of Indianapolis. It is a "must read" before the Business Council's event on Wednesday, February 22, 1995.

Attachment

cc: Leon Panetta
cc: Harold Ickes

AMH:RGM

cc: Don Baer
McCurry
McGowan
VP
HRC

very good

THE ECONOMIC CLUB OF INDIANAPOLIS

INDIANAPOLIS, INDIANA

THURSDAY, FEBRUARY 9, 1995

VERNON E. JORDAN, JR.
SENIOR PARTNER
AKIN, GUMP, STRAUSS, HAUER & FELD, LLP

I'M HONORED TO BE ASKED TO SPEAK BEFORE THIS DISTINGUISHED FORUM WHICH HAS HOSTED SO MANY OUTSTANDING POLITICAL, BUSINESS AND CIVIC LEADERS.

AND IT'S GOOD TO BE BACK IN INDIANAPOLIS WHICH I CAME TO KNOW WELL DURING MY STUDENT DAYS AT DEPAUW UNIVERSITY, WHOSE PRESIDENT, DR. ROBERT BOTTOMS AND HIS WIFE, ARE PRESENT TODAY.

BACK THEN, I WAS ONE OF A HANDFUL OF DEMOCRATS ON A LARGELY REPUBLICAN CAMPUS. TODAY, AT THE ECONOMIC CLUB OF INDIANAPOLIS, I AM AGAIN IN A MINORITY STATUS -- A DEMOCRAT IN REPUBLICAN TERRITORY.

SINCE LAST NOVEMBER'S POLITICAL EARTHQUAKE, IT SOMETIMES FEELS THAT WAY IN WASHINGTON, TOO, WHERE THE PEOPLE CONSULTING STREET MAPS ON THE CORNER ARE AS LIKELY TO BE FRESHMAN REPUBLICAN CONGRESSMEN AS THEY ARE TOURISTS.

I HOPE THEY GET THEIR BEARINGS QUICKLY, BECAUSE THEY COME TO OFFICE AT A TIME OF ENORMOUS UNCERTAINTY AND RAPID CHANGES IN AN INCREASINGLY COMPLEX WORLD.

MANY OF THOSE CHANGES ARE HEARTENING. MULTIRACIAL DEMOCRACY HAS REPLACED APARTHEID IN SOUTH AFRICA. DEMOCRACY IS RESTORED IN HAITI. FORMER ENEMIES ARE NEGOTIATING PEACE IN THE MIDDLE EAST. AND THE END OF THE COLD WAR HAS BROUGHT A MEASURE OF DEMOCRACY TO THE FORMER SOVIET EMPIRE.

BUT ALONG WITH POSITIVE GLOBAL CHANGES HAS COME THE UGLY RESURGENCE OF ETHNIC STRIFE AND EXTREME NATIONALISM OF THE SORT WE SEE TODAY IN PLACES LIKE BOSNIA.

FAR-REACHING CHANGES IN THE WORLD'S ECONOMY DRIVE THOSE FAR-REACHING CHANGES IN THE WORLD'S POLITICS. ONCE, AMERICA DOMINATED THE WORLD ECONOMY. NOW, WE LIVE IN AN INTEGRATED GLOBAL ECONOMY BASED ON KNOWLEDGE, INFORMATION AND TECHNOLOGY.

THIS IS NOW A WORLD IN WHICH OLD TRUTHS ARE DYING AND THE FUTURE OFTEN LOOKS CLOUDY AND UNCERTAIN. IT IS A WORLD ALIVE WITH POSSIBILITIES, BUT WE HAVE NO ROADMAPS TO GUIDE US INTO THE NEXT CENTURY. INSTEAD, THIS CHANGING WORLD

HAS PLACED NEW STRESS ON OUR INSTITUTIONS AND ON OUR PEOPLE.

AMERICANS ONCE FACED THE FUTURE WITH CONFIDENCE. TODAY THERE IS FEAR -- FEAR ABOUT KEEPING THEIR JOBS, FEAR ABOUT ERODING INCOMES, AND FEAR ABOUT MAINTAINING A MIDDLE CLASS LIVING STANDARD.

SECRETARY OF LABOR ROBERT REICH SAYS THAT AMERICA'S WORKING CLASS IS NOW AN "ANXIOUS CLASS" BECAUSE OF THE CHANGES THAT HAVE TAKEN PLACE IN OUR ECONOMY.

THAT MAY SEEM ODD, SINCE MANY OF THOSE CHANGES HAVE BEEN POSITIVE. BUT THE BENEFITS OF ECONOMIC GROWTH HAVE NOT BEEN SPREAD EQUITABLY. SINCE THE LATE 1970s, THE AFFLUENT BENEFITTED DISPROPORTIONATELY, WHILE MOST AMERICANS HAVE BECOME LESS SECURE.

AMERICA TODAY IS NUMBER ONE AMONG THE WORLD'S INDUSTRIAL NATIONS IN THE INEQUALITY OF INCOME. JUST ONE HALF OF ONE PERCENT OF THE POPULATION OWNS FORTY PERCENT OF THE WEALTH IN AMERICA. THEY GOT ALMOST HALF THE INCREASE IN OUR NATIONAL NET WORTH IN THE 1980s.

MEANWHILE, THE PEOPLE WE USED TO CALL THE BACKBONE OF THE ECONOMY -- THE BLUE-COLLAR WORKERS WHO NEVER WENT TO COLLEGE -- EARN LESS THAN THEIR FATHERS DID, AFTER ADJUSTING FOR INFLATION. THESE DAYS, EVEN FAMILIES WITH COLLEGE EDUCATED WORKERS NEED TWO INCOMES TO BE SOLIDLY MIDDLE CLASS.

MANY SAY THAT VOTERS ARE MORE CONCERNED WITH SOCIAL ISSUES THAN WITH ECONOMIC ONES -- CRIME, WHITE BACKLASH AGAINST AFFIRMATIVE ACTION AND CONCERN ABOUT THE DECAY OF TRADITIONAL VALUES.

OF COURSE THESE ISSUES COUNT, BUT I SEE THEM AS SYMPTOMS OF THE ECONOMIC INSECURITY THAT IS AT THE HEART OF VOTER DISSATISFACTION. THE PRESIDENT HAS SPOKEN ELOQUENTLY ABOUT THE NEED TO "MAKE CHANGE OUR FRIEND," BUT RECENT ELECTIONS INDICATE THAT VOTERS ARE THREATENED BY CHANGE.

WORKING PEOPLE -- WHITE COLLAR AS WELL AS BLUE COLLAR -- HAVE BEEN THRUST INTO A POSITION OF PERMANENT INSECURITY

BY CORPORATE DOWNSIZING, WEAKENED UNIONS, INTERNATIONAL COMPETITION AND NEW TECHNOLOGY.

IF THEY'RE LUCKY, THEY'LL HOLD ON TO THEIR JOBS. BUT THEY'LL HAVE TO WORK HARDER, LEARN NEW WAYS OF DOING THINGS AND MASTER NEW SKILLS.

IF THEY'RE UNLUCKY, THEIR JOBS WILL BE REPLACED BY IMPORTS FROM DOLLAR-A-DAY THIRD WORLD COUNTRIES OR BY NEW TECHNOLOGY THAT PRODUCES MORE GOODS WITH FEWER WORKERS.

MOST PEOPLE UNDERSTAND THAT CHANGE IS INEVITABLE. BUT UNDERSTANDING SOMETHING DOES NOT MAKE PEOPLE LOVE IT MORE OR FEAR IT LESS.

WHEN PEOPLE BELIEVE THAT A HI-TECH ECONOMY WON'T HAVE ROOM FOR THOSE WHO DIDN'T GO TO COLLEGE OR WHO DON'T KNOW HOW TO OPERATE A COMPUTER, THEY LOOK FOR SCAPEGOATS.

THEY BLAME AFFIRMATIVE ACTION AND IMMIGRATION FOR CHANGES IN THE JOB MARKET. THEY BLAME WELFARE FOR THE BUDGET DEFICIT. AND THEY BLAME THE POLITICIANS IN

WASHINGTON, WHETHER REPUBLICANS OR DEMOCRATS, FOR NOT DOING SOMETHING -- ANYTHING -- TO EASE THEIR CONCERNS.

THAT HELPS TO EXPLAIN WHY THE PRESIDENT RECEIVED SO LITTLE POLITICAL CREDIT FOR SO MUCH ECONOMIC PROGRESS DURING HIS WATCH. UNLESS EVERYONE SHARES EQUITABLY IN A GROWING ECONOMY, PEOPLE'S FEARS WILL FLOURISH.

THUS, THE SAME ANXIETY ABOUT THE FUTURE THAT HELPED ELECT CLINTON PRESIDENT IN 1992 PUT NEWT GINGRICH INTO THE SPEAKER'S CHAIR IN 1994.

THE 1994 ELECTION RESULTS REFLECTED THE FREE-FLOATING ANXIETY THAT PLACES THE POLITICAL SYSTEMS OF THE WESTERN DEMOCRACIES UNDER TREMENDOUS STRAIN.

FOR THIS RESTLESSNESS AMONG THE ELECTORATE IS NOT JUST AN AMERICAN PHENOMENON. VOTERS THROUGHOUT THE WORLD'S INDUSTRIAL DEMOCRACIES EXHIBIT THE SAME VOLATILITY.

THE WORLD OVER, PEOPLE ARE SEARCHING FOR ANSWERS TO THE EFFECTS OF ECONOMIC CHANGE. THEY DON'T HAVE THE ANSWERS THEMSELVES, BUT THEY DON'T BELIEVE THEIR GOVERNMENTS HAVE THE ANSWERS, EITHER.

THEY'RE SCARED, SO THEY SWING THEIR VOTES FROM ONE PARTY TO THE NEXT. THEY ARE HOPING THAT SOMEONE, SOMETIME, WILL MANAGE CHANGE IN WAYS THAT BRING BOTH ECONOMIC GROWTH AND ECONOMIC SECURITY.

THAT'S THE GREAT POLITICAL CHALLENGE OF OUR TIME, AND IT MAKES IT VERY TOUGH ON INCUMBENTS, WHETHER THEY'RE FRENCH SOCIALISTS, BRITISH CONSERVATIVES, GEORGE BUSH, BILL CLINTON, OR -- AS THEY MAY FIND OUT IN 1996 -- NEWT GINGRICH AND THE REPUBLICAN CONGRESS.

THE REPUBLICANS ARE ENJOYING THEIR DAY IN THE SUN, BUT I SUSPECT THEY ARE IN FOR SOME HEAVY STORMS, BECAUSE THEY ACT AS IF THE ELECTORATE HAS SWUNG TO THE FAR RIGHT. IT HAS NOT.

THE HOUSE LEADERSHIP SAYS THE ELECTION WAS ABOUT A BALANCED BUDGET AMENDMENT, SCHOOL PRAYER, TERM LIMITS, A CAPITAL GAINS TAX CUT AND DISMANTLING THE FEDERAL GOVERNMENT.

BUT THE POLLS TELL US THAT THE ELECTORATE'S PRIORITIES ARE WELFARE REFORM AND HEALTH CARE REFORM. THEY TELL US

THAT AMERICANS ARE NOT AGAINST GOVERNMENT; THEY WANT GOVERNMENT THAT IS EFFECTIVE AND RELEVANT TO THEIR CONCERNS.

THE ISSUES THAT EXCITE THE HOUSE REPUBLICANS ARE NOT PRIORITIES FOR THE VOTERS. I BELIEVE MOST AMERICANS DO NOT SHARE THE IDEOLOGY OF GINGRICH, ARMEY AND COMPANY.

NATIONWIDE, THE 1994 ELECTIONS WERE VERY CLOSE. THE DEMOCRATS WON ALMOST HALF THE TOTAL VOTES CAST, AND 30 OF THE REPUBLICAN HOUSE SEATS WERE WON WITH 52 PERCENT OR LESS OF THE VOTE.

NO, THE REPUBLICANS DID NOT WIN A MANDATE IN THE LAST ELECTION, AND THEY CERTAINLY DID NOT WIN A MANDATE FOR A CONTRACT WITH AMERICA THAT MOST VOTERS NEVER EVEN HEARD OF.

THE CONTRACT WAS BRILLIANT ELECTIONEERING AND EXCELLENT PUBLIC RELATIONS. BUT IT ILLUSTRATES THE DIFFERENCE BETWEEN CAMPAIGNING AND GOVERNING.

IN A CAMPAIGN YOU CAN GET AWAY WITH NEATLY PACKAGED SLOGANS AND BROMIDES; BUT GOVERNING MEANS MAKING HARD

CHOICES AND PRAGMATIC COMPROMISES, AND IMPLEMENTING SOUND POLICIES. ABOVE ALL, IT MEANS LEGISLATING TO MEET THE PRIORITIES OF AN ANXIOUS ELECTORATE, NOT TO SATISFY THE IDEOLOGICAL PREFERENCES OF A MINORITY.

THE CONTRACT FAILS ON ALL OF THOSE GROUNDS. DESPITE HAVING SWIFTLY PASSED SOME PROMISED REFORM, CONGRESSIONAL REPUBLICANS ARE ALSO RUNNING UP AGAINST THE BRICK WALL OF REALITY. THEY ARE FINDING NOT ONLY THAT COMPROMISE IS A POLITICAL NECESSITY, BUT ALSO THAT THEIR CONTRACT BETRAYS SOME DEEP-SEATED AMERICAN VALUES.

WHEN I READ THE CONTRACT, I THOUGHT THAT IF LINCOLN WERE ALIVE, HE'D HANG HIS HEAD IN SHAME OVER A DOCUMENT THAT NEVER MENTIONS CORE AMERICAN VALUES SUCH AS JUSTICE, EQUALITY AND COMPASSION.

AMERICANS DON'T LIKE WELFARE, BUT THEY LIKE CHILD HUNGER EVEN LESS. THEY MAY HATE THE WELFARE SYSTEM, BUT THEY HAVE NO STOMACH FOR TAKING CHILDREN FROM POOR PARENTS, OR STRIPPING A MINIMAL SUPPORT SYSTEM FROM PEOPLE WHO CAN'T FIND WORK.

AMERICANS DON'T WANT BIG GOVERNMENT, BUT THEY ALSO DON'T WANT SMALL GOVERNMENT -- GOVERNMENT THAT ABANDONS ITS RESPONSIBILITY TO PREPARE FOR THE FUTURE AND TO PROTECT ITS WEAKEST AND MOST VULNERABLE CITIZENS.

AMERICANS DON'T LIKE TAXES AND DEFICITS -- BUT THEY ALSO DON'T LIKE BEING HUSTLED INTO POLICIES THAT THROW A FEW DOLLARS TO THE MIDDLE CLASS, THROW THOUSANDS TO THE WEALTHY, AND THROW THE POOR INTO THE STREETS.

THE DEMOCRATIC ADMINISTRATION AND THE REPUBLICAN CONGRESS WILL HAVE TO REACH AN ACCOMMODATION IN THE COMING WEEKS AND MONTHS. BECAUSE THE AMERICAN PEOPLE HATE GRIDLOCK, THEY REJECT EXTREME PARTISANSHIP. THEY WANT EFFECTIVE GOVERNMENT, NOT IDEOLOGICAL WARFARE.

YES, THEY ARE ANGRY; THEY ARE FRUSTRATED. AND THE HOUSE REPUBLICANS REFLECT THAT MOOD. ANGER AND FRUSTRATION ARE POWERFUL POLITICAL FORCES, BUT THEY ARE NOT A POLITICAL PROGRAM. ZEALOTRY AND IDEOLOGICAL RIGIDITY ARE NO ANSWERS TO THE COMPLEX PROBLEMS FACING OUR NATION.

WHAT WILL SOLVE OUR PROBLEMS ARE THE BASIC IDEAS THAT HAVE INSPIRED AMERICA -- THE IDEAS OF EQUALITY, JUSTICE AND FAIRNESS. THEY HELPED MAKE AMERICA GREAT AND WILL KEEP AMERICA GREAT.

THE CLASH OF IDEAS IN WASHINGTON TODAY IS A GOOD THING -- WHATEVER THE POLITICAL VIEW. IT IS IMPORTANT TO HAVE YOUR IDEAS CHALLENGED AND TO BE FORCED TO DEFEND THEM. THAT IS THE ESSENCE OF THE DEMOCRATIC PROCESS.

BUT THERE IS MORE TO THE DEMOCRATIC PROCESS -- THE INEVITABILITY OF COMPROMISE AND THE NEED TO DEVELOP BIPARTISAN CONSENSUS ON CRITICAL NATIONAL ISSUES.

THE HARDENING OF IDEOLOGICAL VIEWPOINTS LEADS TO GRIDLOCK, INEFFECTIVE GOVERNMENT AND VOTER FRUSTRATION. POLITICAL GIVE-AND-TAKE THAT ACCOMMODATES DIFFERENT VIEWPOINTS CAN LEAD TO ACTION THAT MOVES OUR SOCIETY FORWARD.

BUT MUCH OF WHAT COMES OUT OF WASHINGTON THESE DAYS GOES AGAINST THE GRAIN OF THE DEMOCRATIC PROCESS. WE HEAR A TAKE-NO-PRISONERS RHETORIC AND A DEMONIZATION

OF LIBERAL VIEWS THAT BRING POLITICAL DISCOURSE DOWN TO THE LEVEL OF RADIO TALK-SHOW EXTREMISM.

AND THERE IS A GROWING LEVEL OF PERSONAL VITUPERATION THAT RESPECTS NO PERSON AND NO OFFICE. UNCHECKED, IT CAN POISON OUR POLITICAL LIFE AND SUBVERT THE POLITICAL PROCESS.

I RECENTLY CAME ACROSS A QUOTATION FROM THE JOURNALIST, H.L. MENCKEN, THAT'S VERY PERTINENT. MENCKEN NEVER PULLED HIS PUNCHES, AND HE WAS KNOWN FOR DIPPING HIS PEN IN ACID. BUT LOOKING BACK ON HIS EXPERIENCES, HE WROTE THAT HE MISTRUSTED MOST THE MAN WHO, AND I QUOTE:

> . . . ALWAYS ATTACKS HIS OPPONENTS, NOT ONLY WITH ALL ARMS, BUT ALSO WITH SNORTS AND OBJURGATIONS -- THAT HE IS ALWAYS FILLED WITH MORAL INDIGNATION -- THAT HE IS INCAPABLE OF IMAGINING HONOR IN AN ANTAGONIST, AND HENCE INCAPABLE OF HONOR HIMSELF.

THAT IS AN ELOQUENT PLEA FOR CIVIL POLITICAL DISCOURSE. ESPECIALLY IN RECENT WEEKS, WE HAVE SEEN FAR TOO MUCH OF

WHAT MENCKEN WARNED AGAINST AND FAR TOO LITTLE OF THE TOLERANT DEMOCRATIC SPIRIT THAT CAN HELP US SOLVE OUR PROBLEMS.

SUCH CIVILITY IS ALL THE MORE IMPORTANT AT A TIME WHEN WE ARE SAILING IN UNCHARTED WATERS ... WHEN THE WORLD IS CHANGING FASTER THAN OUR ABILITY TO CONTROL CHANGE ... WHEN A CONFUSED AND ANXIOUS PEOPLE SEEK POLICIES THAT TAKE US FORWARD WITHOUT PUNISHING THE VICTIMS OF CHANGE.

* * *

I HAVE SPOKEN TODAY ABOUT CHANGE AND ITS IMPACT ON AMERICAN POLITICS. LET ME NOW SPEAK BRIEFLY ABOUT WHAT I SEE AS THE NECESSARY RESPONSE OF THE BUSINESS COMMUNITY TO OUR CHANGING POLITICAL SCENE.

I BELIEVE THE BUSINESS COMMUNITY SHOULD GIVE THE PRESIDENT AND HIS ADMINISTRATION CREDIT FOR WHAT IT HAS DONE, AND STOPE RECITING THE MANTRA THAT EQUATES DEMOCRATS WITH DEFICITS, BUREAUCRACY AND REGULATION.

PRESIDENT CLINTON ACHIEVED MUCH DURING HIS FIRST TWO YEARS IN OFFICE. HE CUT THE DEFICIT, PASSED NAFTA AND THE

GATT TREATY, AND BEGAN THE PROCESS OF MAKING GOVERNMENT SMALLER YET MORE EFFECTIVE. HE CREATED ENTERPRISE ZONES AND A VOLUNTEER NATIONAL SERVICE CORPS.

HE LED AN ECONOMIC RECOVERY THAT CREATED SIX MILLION NEW JOBS AND BROUGHT THE COMBINED INFLATION AND UNEMPLOYMENT RATES TO THEIR LOWEST LEVELS IN DECADES.

HE DID THE RIGHT THING IN THE MEXICAN PESO CRISIS AND IN THE CHINA TRADE SHOWDOWN.

EVEN ON THE CRITICAL ISSUE OF HEALTH SECURITY, HE HAD THE COURAGE TO ADDRESS THE NEED FOR LONG-OVERDUE REFORM. HIS PLAN WAS REJECTED, BUT THE NEED FOR REFORM IS STILL OVERDUE, AND NO ONE KNOWS IT BETTER THAN THE BUSINESS COMMUNITY, WHICH IS BURDENED BY THE ESCALATING COSTS OF OUR PRESENT SYSTEM.

BY VIRTUALLY ANY MEASURE, THIS ADMINISTRATION HAS BEEN GOOD FOR BUSINESS.

ITS TOP PRIORITY HAS BEEN PRIVATE SECTOR-LED ECONOMIC GROWTH. FOR THE FIRST TIME IN MEMORY, GOVERNMENT IS WORKING IN PARTNERSHIP WITH BUSINESS TO BOOST EXPORTS AND

WIN CONTRACTS ABROAD. IT FIGHTS HARD FOR FREE TRADE THAT OPENS THE WORLD'S MARKETS TO YOUR PRODUCTS AND SERVICES.

THE CLINTON ADMINISTRATION HAS PRESIDED OVER SOME OF THE MOST PROFITABLE YEARS IN AMERICAN BUSINESS HISTORY. WHEN IT TOOK OFFICE, THE MIDWEST WAS KNOWN AS THE RUST BELT; TODAY IT IS THE BOOM BELT, WITH FACTORIES WORKING OVERTIME TO FILL EXPORT ORDERS.

BY CONTRAST, THE PREVIOUS REPUBLICAN ADMINISTRATIONS GAVE US RUNAWAY DEFICITS AND DID LITTLE TO REDUCE THE BUREAUCRACY AND THE IMPACT OF CONGRESSIONALLY-MANDATED REGULATIONS. THEY LEFT THE INCOMING CLINTON ADMINISTRATION WITH A HUGE BUDGET DEFICIT, A RECESSION AND A HOST OF UNRESOLVED SOCIAL AND ECONOMIC ISSUES.

THE PRESIDENT TURNED THAT SITUATION AROUND AND IS MOVING FORWARD TO COMPLETE THE JOB. HE OUGHT TO GET CREDIT FOR WHAT HE'S DONE -- ESPECIALLY FROM THE BUSINESS COMMUNITY THAT HAS BENEFITTED SO MUCH FROM HIS POLICIES.

BUT IN POLITICS, NO GOOD DEED GOES UNPUNISHED, AND THE BUSINESS COMMUNITY ENTHUSIASTICALLY WELCOMED LAST NOVEMBER'S ELECTION RESULTS.

I CERTAINLY UNDERSTAND THAT, BUT I WOULD ARGUE THAT A MORE BALANCED POLITICAL VIEWPOINT WOULD BETTER SERVE BUSINESS' INTERESTS.

FOR THE PROBLEMS AMERICA AND ITS BUSINESS COMMUNITY FACE ARE TOO COMPLEX TO BE SERVED BY BLIND FAITH IN ONE PARTY AND ITS DOGMAS. IT IS A MISTAKE FOR THE BUSINESS COMMUNITY TO THINK THAT ITS STAKE IN TODAY'S POLITICAL DEBATE IS LIMITED TO SPECIFIC LEGISLATION ABOUT DEPRECIATION, CAPITAL GAINS OR THE MINIMUM WAGE, OR TO SIMPLISTIC SOLUTIONS THAT DO NOT ADEQUATELY ADDRESS THE EFFECTS OF OUR CHANGING ECONOMY.

THE STAKE FOR BUSINESS IS NOTHING LESS THAN THE PRESERVATION OF A STABLE, PROSPEROUS SOCIETY.

WE LIVE IN A WINNER-TAKE-ALL, HIGHLY COMPETITIVE WORLD OBSESSED WITH EFFICIENCY, PRODUCTIVITY AND PROFITABILITY.

WE CANNOT OVERLAY THAT HARSH ENVIRONMENT WITH AN EQUALLY HARSH SOCIAL AGENDA. WE CANNOT TEAR UP THE SOCIAL COMPACT THAT STRETCHES A SAFETY NET BENEATH THE WEAK AND OFFERS LADDERS OF OPPORTUNITY TO THE VULNERABLE.

TO DO SO WOULD BE TO DEPRIVE THE POOR OF HOPE AND THE AFFLUENT OF SAFETY.

THE PEOPLE LEFT BEHIND IN AN ECONOMY THAT BENEFITS THOSE AT THE TOP LIVE IN A CONSUMER SOCIETY. THEY SEE THE ADS FOR THE GOOD LIFE ON TELEVISION. THEY SEE SOME PEOPLE SLEEPING IN THE PARKS AND OTHERS DRIVING LUXURY AUTOS.

THEY LIVE IN A SOCIETY THAT HAS ALWAYS VALUED FAIRNESS, EQUALITY AND OPPORTUNITY, BUT THEY PERCEIVE THEMSELVES AS BEING TREATED UNFAIRLY, AS BECOMING MORE UNEQUAL, AS HAVING FEWER OPPORTUNITIES. HISTORY TELLS US THAT IS A PRESCRIPTION FOR TROUBLE.

BUSINESS CANNOT OPERATE SUCCESSFULLY IN SUCH AN ENVIRONMENT. BUT BUSINESS, BY ITS NATURE, CANNOT PROVIDE A SOCIAL SAFETY NET. THAT IS GOVERNMENT'S RESPONSIBILITY.

THE BUSINESS COMMUNITY, THEREFORE, CANNOT ALLOW GOVERNMENT'S APPROPRIATE ROLE TO BE DISCARDED. IT IS IN BUSINESS' INTEREST TO KEEP GOVERNMENT RESPONSIVE TO THE REALITIES OF A CHANGING ECONOMY AND TO THE NEEDS OF POOR PEOPLE AND THEIR COMMUNITIES.

NOR CAN BUSINESS SIMPLY TURN OVER TO GOVERNMENT ITS RESPONSIBILITIES TO ITS WORKERS AND ITS COMMUNITIES.

BUSINESS MUST HELP TO ALLAY THE INSECURITIES THAT HAUNT SO MANY AMERICAN FAMILIES OR FACE THE POSSIBILITIES OF A POLITICAL BACKLASH THAT STRIPS BUSINESS OF ITS PRIVILEGES.

IN TODAY'S WORLD, THE KEY ISSUES FACING AMERICA DEFY SOLUTIONS BEARING LABELS LIKE "LIBERAL" OR "CONSERVATIVE."

ISSUES LIKE MOVING PEOPLE FROM THE UNDERCLASS TO THE MIDDLE CLASS ... REMOVING RACIAL BARRIERS AND ENSURING EQUAL OPPORTUNITIES ... EDUCATING AND TRAINING ALL OF THE PEOPLE IN A DIVERSE SOCIETY TO BE SKILLED COMPETITORS IN AN UNFORGIVING WORLD ECONOMY.

THOSE AND OTHER ISSUES ARE NEITHER DEMOCRATIC NOR REPUBLICAN, LIBERAL OR CONSERVATIVE, BUSINESS OR LABOR, BLACK OR WHITE, RURAL OR URBAN. THEY ARE AMERICAN ISSUES AND WE, AS AMERICANS, HAVE TO WORK TOGETHER.

I HAVE ALWAYS HELD FIRM TO THE BELIEF THAT DEMOCRACY AND THE FREE ENTERPRISE SYSTEM HAVE BEEN THE TWIN PILLARS SUSTAINING AMERICA'S PROSPERITY AND HER WORLD LEADERSHIP.

BECAUSE OF THAT BELIEF IN OUR POLITICAL AND ECONOMIC SYSTEM, I HAVE FAITH THAT THE BUSINESS COMMUNITY WILL RISE TO THE RESPONSIBILITY TO HELP AMERICA RENEW ITSELF ... TO BUILD A BETTER FUTURE FOR ALL.

# # #

Economic Club of Indianapolis
February 9, 1995

THE PRESIDENT HAS SEEN
2/21/95

Stanley M. Chesley
Attorney at Law
1513 Central Trust Tower
Cincinnati, Ohio 45202
Telephone: (513) 621-0267

Tony
cc Nancy / Sara Ehrman
Should we do this?
Stan's a good
friend,
BC

February 20, 1995

President William J. Clinton
The White House
1600 Pennsylvania Ave., N.W.
Washington, D.C. 20500

Dear Mr. President:

It is with a great deal of pleasure that I advise you that the State of Israel wishes to bestow upon you the Isaiah Award for Distinguished World Leadership, for the incredible work you have done in the peace making process. Your accomplishments are the most important in over 40 years. This Award would be given in conjunction with the United Jewish Appeal and Keren Hayesod International Leadership Reunion, to be held in Washington from October 22-25, 1995. The evening of October 25, 1995 would be the ideal time for the presentation, and I am particularly pleased because Susan and I are the Chairpersons of this year's International Leadership Reunion. ILR represents the largest contributors of the United Jewish Appeal.

As you know, the United Jewish Appeal is by far the leading Jewish fundraising organization in America. The United Jewish Appeal/Federation Campaign occurs annually in hundreds of Jewish communities across America. This year, almost $750 Million will be raised. Approximately 50% is distributed through United Jewish Appeal for humanitarian needs in Israel and to sustain Jewish communities in Europe, Asia and the Middle East. The remaining 50% is used in America for local needs such as elder care, family counseling, recreational and vocational services and education. We serve thousands of Americans in need each day.

The International Leadership Reunion, which is part of the United Jewish Appeal's largest group of givers, will bring together approximately 250 women and men who represent the very top philanthropic givers of the Jewish people. Top community leaders from throughout North America will be in attendance. In addition, there will be approximately 50 other major donors representing Keren Hayesod which is the rest of the Jewish Diaspora which serves the same role in other countries as United Jewish Appeal does in America.

Mr. President, we would be honored if you and the First Lady were able to be with us to accept this Award for Distinguished World Leadership, from the State of Israel, for the work you have done in the peace process. We would be proud and privileged to recognize your outstanding leadership, and would hope to have a reception and/or dinner at which this Award could be presented to you, hopefully by Prime Minister Rabin.

Sincerely,

Stanley M. Chesley

SMC/cah

chron

UNITED STATES DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY

THE PRESIDENT HAS SEEN
3/21/95

95 FEB 13 P3 : 16

TO: The President
fr: RBR
FYI

This looks good

WORKING FOR AMERICA'S WORKFORCE

1023 words

Rewarding Work

Robert B. Reich

Here are some dreamers of the American dream:

George had put in over twenty years at the factory when, suddenly, he lost his job. Now, he's forty-one years old, and down to his last month of unemployment benefits.

Alycia is only seventeen. She's a high-school dropout--she quit school when she got pregnant--and is living on welfare and food stamps.

Peg is twice Alycia's age and married. She works for the minimum wage at a local food store. Between them, Peg and her husband manage to pay the bills on about $18,000 a year.

Dave has worked his way up to be a supervisor at a defense plant. Dave is making a decent salary, and his company pays half the cost of health care for Dave and his family. But the company is on a downsizing campaign. Dave can't count on keeping his paycheck, or his health insurance. He's fifty years old.

Have these people come to a dead end? Not at all.

George, Alycia, Peg and Dave are American success stories in the making. I met them recently at a community college in the Midwest. George is learning to program and operate advanced machine tools, and is on track to beat his old salary when he returns to work. Alycia is a few months away from finishing a course in desktop publishing and a starting salary three times as large as her welfare check. Peg is working to be a nurse practitioner. Dave is learning techniques for removing toxic wastes from the soil, and an engineering firm is waiting to hire him as soon as he finishes his studies.

While there's no sure thing in today's economy, I'm betting on a good future for these four people. They've figured out what skills will pay off, and they've figured out how to get those skills. But not every worker can find or follow that path to new work. Millions of people just like George, Alycia, Peg and Dave--who are eager to work, who want to make their contribution to the economy and earn a better life in the process--are stuck in dead-end jobs, or are at risk of sudden job loss, or are poised at the precipice of poverty because they lack the right skills.

Too many Americans are blocked from the path to the new economy. But we tend to separate this systematic problem into a set of distinct issues--welfare reform, the minimum wage, health-care security, defense conversion, unemployment insurance reform--and thus miss the common theme. The underlying goal is simple: Every able-bodied American should have a chance at rewarding work. Achieving this goal, though, is not so simple.

Our social "safety nets" aren't organized to get people the skills they need for good jobs in today's economy. They evolved decades ago, when a mass-production economy offered good jobs even to the unskilled. Those who weren't working presumably couldn't work at all, or couldn't find a job, and needed income support rather than help getting a good job.

AFDC was targeted at mothers who lacked a male breadwinner in an era when mothers with young children were not expected to work. But today, most mothers are back at work by the time their children are toddlers. In fact, seventy percent of AFDC mothers manage to move into jobs within two years of getting their first welfare check. Their main problem is finding and retaining good jobs, with wages and benefits high enough to keep them out of poverty and off welfare for good.

Unemployment insurance, another legacy of the mass production economy, was meant to tide over laid-off workers until the economy rebounded and they got their old jobs back. That's why it still ends after six months--the length of the typical layoff--even though three-fourths of today's job losers are never called back. Instead of supporting temporary unemployment, we need to speed jobs losers into reemployment.

The minimum wage was long thought of as part of the safety net, mainly for teenagers or spouses whose work supplemented family income. But the average minimum wage worker today brings home half of family earnings--even though the real value of the minimum wage is a third below what it was in the late 1970's. Raising it is necessary. But it's far from sufficient for low-wage workers. They also need help getting better work.

We can't bring back the old economy, and we shouldn't try to. Today's information-based economy--much touted by Speaker Gingrich and like-minded futurists--offers enormous opportunity. Corporate profits are up, innovation is accelerating, and Americans with the right educations and skills are doing better than ever.

But the path from the old economy to the new is perilous. Too many Americans remain ill-equipped for the trip. Those without training beyond high school face falling earnings. Sixteen percent of full-time workers can't earn enough to keep a family of four out of poverty, up from 12 percent in 1979. And well over half a million workers were fired last year alone as companies "reengineered" themselves. Most of these people are still out of work, or in new jobs paying lower wages and offering fewer benefits.

That's why this Administration is so intent on preparing Americans for the journey to new work: School-to-work apprenticeships. Low-cost student loans. Tax deductions for education and job training. Skill vouchers for laid-off and low-income workers. Job placement and training for welfare recipients. One-stop career centers, with computerized data on where the jobs are and what skills they require. In short, we're trying to transform the old "safety net"--deployed to rescue the old economy's victims--into a springboard to launch all able-bodied Americans into rewarding work in the new economy.

We're committed to this transformation not so much because springboards are cheaper than safety nets--though in the long run, they surely are--but because this agenda affirms for the modern age some age-old American values: Work ennobles. Work gives meaning. Work should be rewarded.

Chron

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT HAS SEEN
2/21/95

February 18, 1995

MEMORANDUM FOR THE PRESIDENT

cc: THE VICE PRESIDENT
THE CHIEF OF STAFF
HAROLD ICKES

FROM: GENE SPERLING

SUBJECT: STRIKER REPLACEMENT EXECUTIVE ORDER

This memorandum discusses a potential executive order prohibiting the use of permanent striker replacements by federal contractors. The Executive Order (EO) uses your control over government contracts to change the Administration's procurement policies.

Those in the Administration who support the EO believe it is not only sound economic and labor relations policy, but also a strong symbol of your commitment to labor and to working people. As you know, striker replacement is a very emotional issues for labor, which remains very disappointed that the striker replacement legislation you supported last year did not pass.

Others in the Administration fear that this EO will severely undermine the procurement goals of the reinventing government initiative, while also appearing as an obvious attempt to satisfy the interests of organized labor. Some also believe that creating a symbolic fight on behalf of organized labor is unnecessary in light of future battles we will be forced to wage together against Republican proposals.

Through the NEC process, we asked both sides to work in good faith to present to you a compromise recommendation that would be as consistent as possible with NPR procurement reforms while still strongly addressing the striker replacement issue. All sides cooperated to facilitate a recommendation that no one would exactly prefer, but everyone could live with. While the Department of Defense and Office of Management and Budget would rather not promulgate this Executive Order, they believe the draft version is as unobjectionable as possible should you decide to support it. The Department of Labor would prefer a stronger version, but they believe this draft will be sufficient to meet their goals.

This memorandum has three parts: the first outlines the arguments for and against issuing any Executive Order; the second details the content of the compromise recommendation; and the third outlines two issues that must still be decided if you select the compromise. The draft executive order is attached as an appendix.

I. ARGUMENTS FOR AND AGAINST THE EXECUTIVE ORDER

Arguments for the Executive Order

A. **Holds unique significance for labor.** The Executive Order will resonate with rank-and-file union activists and leaders better than anything else the Administration can do in the next two years. Labor leaders fought for legislation to bar permanent replacement in the last two Congresses, and many believe the Administration did not work hard enough to break the Republican filibuster last year. With the AFL-CIO annual convention approaching and Bridgestone/Firestone continuing to hire permanent replacements in the seven-month-old strike there, the issue remains a uniquely emotional one for labor. With this EO you would reconnect your Administration to the time during the 1992 campaign when you walked the line with striking Caterpillar workers. The AFL-CIO and its affiliated unions will certainly support the EO.

B. **Supports cooperative labor-management relations.** The EO advances cooperative and stable labor-management relations, a central part of the Administration's workplace agenda. The hiring of permanent replacement workers disrupts the collective bargaining process--severely undermining labor's negotiating position, extending the length of work stoppages, and sometimes transforming limited disputes into longer and more bitter struggles.

C. **Improves efficiency of contracts.** The stated purpose of the EO is to enhance the efficient completion of federal contracts by preserving stable labor-management relations within contracting firms. The Department of Labor cites a 1991 study showing that strikes lasted a mean of 363 days when firms hired permanent replacements, but only 72 days when temporary replacements were hired and 64 days when no replacements at all were used. Since long strikes generally interfere with the efficient execution of contracts, and since permanent replacements lengthen strikes, this EO will further your goal of improving the Federal contracting process.

D. **Shows your strong conviction on this issue.** Last year, you supported a congressional ban on the permanent replacement of strikers. By signing the EO this year, you can reaffirm your belief that the practice is wrong. With the order, you will be doing everything in your power to prevent employers from permanently replacing strikers--just as executive orders have promoted civil rights goals in the absence of legislation.

Arguments against the Executive Order

A. **Undermines NPR.** The EO undermines the efforts of the National Performance Review (NPR) to streamline procurement systems. NPR has worked to eliminate unneeded compliance procedures and reduce legal impediments to lowest-bid contracts. In direct opposition to NPR principles, this EO is oriented to the process--the collective bargaining agreement--rather than the outcome--obtaining the lowest price for quality goods.

B. **Threatens congressional support for our procurement reform.** The Administration will be submitting to Congress a second round of procurement reform legislation next week. NPR believes that this could be a piece of legislation that we can actually work with Republicans on and eventually pass. Republicans have been very cooperative to this point, but the EO may be the type of action that would lead them to stop working with the Administration to pass our legislation.

C. **Faces legal challenge.** There is controversy about the legal merits of this executive order. Opponents will charge that the EO's action is pre-empted by the National Labor Relations Act; i.e., labor-related activities not explicitly regulated under that Act should be controlled only by the free play of economic forces. Several Supreme Court precedents support this view--as does Congress's rejection of striker replacement legislation in the last two Congresses, which expressed a determination not to regulate in this area. However, the EO is framed as an exercise of your proprietary (as opposed to policy-making) power; you are acting to improve the efficiency of Federal contracts, not to regulate labor disputes. Litigation is all but certain, with the outcome unknown.

D. **Not necessary to make political statement.** While labor may have mixed feelings about the Administration at the moment, in coming months Republican attacks on a variety of labor laws will provide multiple occasions in which the Administration will be seen as fighting for labor's views. You have already sent to Congress minimum wage legislation that conservative Republicans have harshly criticized. House Republicans are now seeking to repeal "company union" restrictions that are sacred to labor and supported by the Administration. Furthermore, some feel that because of likely Republican efforts to overturn the EO by legislation, our EO efforts could be largely symbolic.

E. **Appears to be a political favor to organized labor.** The EO may appear as a transparently political attempt to satisfy the interests of organized labor within the Democratic Party. It may seem to represent the "old Democrat" approach that has hurt Democratic leaders in the past, and prove the Administration to be opposed to business interests. Indeed, many in the business community strongly opposed the striker replacement last year; together with the proposed increase in the minimum wage, this EO may be perceived as highly antagonistic to business interests.

F. **Prevents efficient completion of some contracts.** If a contract is terminated in midstream because of this EO, the government will bear increased costs and delays because of recompetition and negotiations over termination costs.

II. THE PROPOSED EXECUTIVE ORDER

Earlier versions of the proposed Executive Order would have affected all contracts, requiring agencies to insert a clause in contracts prohibiting the use of permanent replacement workers. Such an executive order would have interfered with the entire contracting process and scared off many firms that have given little thought to hiring permanent replacements. As part of a cooperative effort to draft an EO that minimizes interference with procurement practice, the relevant parties developed this new EO, which focuses enforcement only on firms that actually hire permanent replacements. This EO affects procurement practice to a much smaller degree, and should disturb procurement reform much less. What follows is an outline of the draft EO:

A. General Approach: This executive order states that it is the policy of the Executive Branch in procuring goods and services that contracting agencies shall not contract with employers that permanently replace lawfully striking employees. The EO charges the Secretary of Labor with administration and enforcement of the policy. The EO empowers the Secretary of Labor to receive and investigate complaints and to initiate investigations in the absence of a complaint. The Secretary of Labor would promulgate implementing regulations in consultation with the Secretary of Defense, the Administrator of the General Services Administration, the Administrator of NASA, and the Administrator of the Office of Federal Procurement Policy.

B. Sanctions for Violations of the Policy: If the Secretary of Labor finds that a contractor has permanently replaced lawfully striking workers, the Secretary may direct the heads of the agencies with which the contractor does business to "terminate for convenience" any existing contracts with the contractor. (The government may terminate a contract for a long list of diverse reasons. The EO simply adds to that list.) When an agency terminates for convenience, it must reimburse the contractor for all costs up to the point of the termination and any "shut down" costs.

In addition to termination, the EO could also provide for debarment or a similar penalty. Under a debarment provision, the Secretary of Labor could prevent the contractor from obtaining future contracts after appropriate due process. The length of the debarment would be determined by regulation. Key parties are still working out the details concerning an alternative to debarment.

C. Safety Valves and Exceptions: If the Secretary of Labor directs an agency to terminate a contract, the agency head may refuse by submitting his or her reasons in writing to the Secretary of Labor. The standards for these objections will be worked out in regulations. If the EO allows for debarment, the EO will incorporate existing regulations that permit agencies to contract with the debarred contractor when there is a compelling need. If the Simplified Acquisition Threshold of $100,000 is selected, the EO would not apply to contracts under $100,000.

D. Retroactivity: The EO will not permit the termination of any contract if the contractor permanently replaces its striking workers before the EO effective date (30 days after you sign the EO). If debarment is selected, the EO will permit debarment in such cases.

III. OUTSTANDING ISSUES

The EO before you represents a compromise product from many different agencies and positions. Nonetheless, two outstanding issues remain:

A. Dollar Threshold

The Executive Order could be written to apply either to all Federal contractors or only to those with contracts in excess of the Simplified Acquisition Threshold of $100,000.

Arguments for Threshold. The $100,000 Simplified Acquisition Threshold is the product of intensive effort by advocates of procurement reform over the last 10 years. Just last year, NPR fought very hard to create the $100,000 threshold through procurement reform legislation, and President Clinton specifically referred to the new standard as a major achievement at the bill signing ceremony in October. NPR acknowledges that this threshold does not apply to some labor laws, but points out that these are more than 30 years old. The absence of a threshold will also undermine our relationship with Republicans working on the next round of procurement reform. Even with the threshold, 90% of the dollar value of federal contracts would be covered--more than 28,000 contractors, including most high-profile violators (including Bridgestone-Firestone). NPR, OMB, and the Department of Defense believe this threshold should be included.

Arguments against Threshold. Notwithstanding NPR's efforts, opponents of the $100,000 threshold stress that there is still no single dollar threshold and that indeed the Administration has gone along with lower thresholds in the case of affirmative action. The Davis-Bacon Act applies to contracts in excess of $2,000, while the Service Contract Act applies to contracts over $2,500. Last year, after much debate, the Administration opted not to change an existing affirmative action executive order that applies to contracts over $50,000. In addition, the universe to which the EO applies is already limited to only those contractors which hire permanent striker replacements. It is estimated that fewer than 90 employers use striker replacements each year--and not all of these are federal contractors. Based on 1994 data, a $100,000 threshold would exclude 85% of all contractors and affect fewer than 15 strikes per year. Thus, establishing a limit risks undermining the symbolic resonance of the EO. This is the position of the Department of Labor.

B. Methods of Sanction

The parties agree that if you decide to issue this EO, termination of contracts should be available as a sanction. However, there is some disagreement over whether debarment should be an option as well. We are currently working to develop a compromise proposal that would satisfy all parties, and if you decide to issue the executive order, we believe these issues can be worked out. The dispute as it now stands is outlined below.

The Department of Labor would like to establish a debarment option, whereby firms that hire permanent replacements are prevented from obtaining federal contracts for a period of time. Without debarment, it is feared, firms that have hired permanent replacement workers will still be able to bid for contracts, even after terminations. In addition, the Administration will have no remedy against firms that have permanently replaced strikers prior to the effective date of the executive order. (Due to concerns about retroactivity, it is agreed that the EO should not allow termination for actions prior to its the effective date.)

The argument against debarment is that Republicans on Capitol Hill will perceive debarment as an especially harsh and unfair penalty, and will be more likely to withdraw cooperation from the next round of procurement reform. While agencies do debar for many reasons, the sanction is typically associated with criminal conduct. Together with many in the general public, Republicans will argue that it is absolutely wrong to debar a company for actions that are not illegal. OMB, NPR and the Department of Defense favor termination as an exclusive remedy, with no debarment option.

[The compromise being worked on would allow the government to require in contracts a representation that the firm is not employing permanent replacement workers. If the details can be worked out, this provision would prevent firms that hire permanent replacements from signing new contracts.]

DECISIONS

_____ ISSUE EXECUTIVE ORDER

_____ DO NOT ISSUE EXECUTIVE ORDER

_____ DISCUSS FURTHER

IF EXECUTIVE ORDER IS ISSUED:

DECISION ONE

_____ TERMINATION ONLY

_____ DEBARMENT AND TERMINATION

_____ DISCUSS FURTHER

DECISION TWO

_____ NO THRESHOLD

_____ $100,000 THRESHOLD

_____ DISCUSS FURTHER

Executive Order__________

Ensuring the Economical and Efficient Administration and Completion of Federal Government Contracts.

Efficient economic performance and productivity are directly related to the existence of cooperative working relationships between employers and employees. When Federal contractors become involved in prolonged labor disputes with their employees, the Federal Government's efficiency and cost of operations are adversely affected. In order to operate as effectively as possible, by receiving timely goods and quality services, the Federal Government must assist the entities with which it has contractual relations to develop stable relationships with their employees.

An important aspect in a stable collective bargaining relationship is the balance of allowing businesses to operate during a strike, while preserving fundamental worker rights. This balance is disrupted when permanent replacement employees are hired. It has been found that work stoppages involving permanent replacement workers are longer in duration. In addition, the use of permanent replacements can change a limited dispute into a broader, more contentious, struggle, thereby exacerbating the problems which initially led to the strike. These circumstances then adversely affect the businesses and entities, such as the Federal Government, which rely on that employer to provide goods or services.

NOW, THEREFORE, to ensure the economical and efficient administration and completion of Federal Government contracts, and by the authority vested in me as President by the Constitution and the laws of the United States, it is hereby ordered:

Sec. 1. It is the policy of the Executive Branch in procuring goods and services that contracting agencies shall not contract with employers that permanently replace lawfully striking employees.

Sec. 2.(a) The Secretary of Labor ("Secretary") may investigate any Government contractor to determine whether the contractor has permanently replaced lawfully striking employees. Such investigation shall be conducted in accordance with procedures established by the Secretary.

(b) The Secretary shall receive and may investigate complaints by employees of a contractor where such complaints allege lawfully striking employees have been permanently replaced.

(c) The Secretary may hold such hearings, public or private, as he or she deems advisable, to determine whether a contractor has permanently replaced lawfully striking employees.

Sec. 3. (a) When the Secretary determines that a contractor has permanently replaced lawfully striking employees, the Secretary may direct the head of any department or agency that contracts with the contractor to terminate for the convenience of the government any such contract or contracts **[that are in excess of the Simplified Acquisition Threshold]**. The head of the contracting agency or department shall report to the Secretary those contracts which have been terminated for convenience.

(b) The head of the contracting department or agency may object to the termination for convenience of a contract or contracts of a contractor determined to have permanently replaced legally striking employees. If the head of the agency so objects, he or she shall set forth the reasons for not terminating the contract or contracts in a response in writing to the Secretary. In such case, the termination for convenience shall not be issued.

[DEBARMENT OPTION]
[Sec. 4. When the Secretary determines that a contractor has permanently replaced lawfully striking employees, the Secretary may, after appropriate due process, debar the contractor, thereby making the contractor ineligible to receive government contracts. The Secretary shall notify the Administrator of the General Services Administration of the debarment, and the Administrator shall include the contractor on the consolidated list of debarred contractors. Departments and agencies shall not solicit offers from, award contracts to, or consent to subcontracts with these contractors unless the head of the agency or his or her designee determines, in writing, that there is a compelling reason for such action in accordance with the Federal Acquisition Regulation.]

[Sec. 5. The Secretary shall publish, or cause to be published, the names of contractors that have, in the judgement of the Secretary, permanently replaced lawfully striking employees and have been the subject of debarment.]

Sec. 6. The Secretary shall be responsible for the administration and enforcement of this order. The Secretary, after consultation with the Secretary of Defense, the Administrator of the General Services Administration, the Administrator of the National Aeronautics and Space Administration, and the Administrator of the Office of Federal Procurement Policy, may adopt such rules and regulations and issue such orders as may be deemed necessary and appropriate to achieve the purposes of this order.

Sec. 7. Each contracting department and agency shall cooperate with the Secretary and provide such information and assistance as the Secretary may require in the performance of the Secretary's functions under this order.

Sec. 8. The Secretary may delegate any function or duty of the Secretary under this order to any officer in the Department of Labor or to any other officer in the Executive Branch of the government, with the consent of the head of the department or agency in which that officer serves.

Sec. 9. The Secretary of Defense, the Administrator of the General Services Administration, the Administrator of the National Aeronautics and Space Administration, after consultation with the Administrator of the Office of Federal Procurement Policy, shall take whatever action is required to implement the provisions of this order and of any related rules, regulations, or orders of the Secretary.

Sec. 10. Nothing contained in this order or promulgated pursuant to this order is intended to confer any substantive or procedural right, benefit, or privilege enforceable at law by a party against the United States, its agencies or instrumentalities, its officers, or its employees.

Sec. 11. (a) The provisions of section 3 of this order shall only apply to situations in which contractors have permanently replaced lawfully striking employees after the effective date of this order.

(b) This order shall become effective 30 days after the date of this order.

JP copy

Committee on Transportation and Infrastructure

Congress of the United States

House of Representatives

Room 2165, Rayburn House Office Building

Washington, DC 20515

TELEPHONE: AREA CODE (202) 225-9446

COPY ~~Laird~~ LeeAnn John Angell

February 6, 1995

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

Dear Mr. President:

We are deeply concerned with recent actions of the Department of Transportation which are undermining our government's aviation negotiations with the United Kingdom. While the United Kingdom was considering a five part proposal from our government, DOT unilaterally decided to give the U.K. the two items which the U.K. most wanted. This eliminates the leverage our government had to get the United Kingdom to agree to the remaining three items which would significantly benefit United States airlines and travellers. We urge you to order a full review of our negotiating strategy, and the development of new approaches better designed to achieve our objectives.

We cannot overemphasize the importance of maximizing opportunities for United States' Airlines in U.S.-U.K. aviation markets. Not only are these markets important in themselves, but London's Heathrow Airport is the major gateway for connecting service to the European Community and beyond. The ability of our carriers to serve these markets has been artificially limited by restrictive agreements reached by prior Administrations. As a result, United States carriers, the world's most efficient, are able to carry less than 45% of U.S.-U.K. traffic.

In greater detail, the five part proposal submitted to the United Kingdom included the following:

1. Authorization of Virgin Atlantic to carry Delta Airlines passengers on flights to Heathrow Airport.

2. Authorization of new service to so-called regional airports (i.e. airports other than Heathrow) in the United Kingdom.

3. Authorization of Northwest Airlines to take over a Detroit-London route previously authorized to Delta Airlines.

4. Authorization for United States carriers to enter into agreements with U.K. carriers and other foreign carriers for service beyond London.

5. Authorization of another United States carrier to provide service between Chicago and Heathrow Airport.

Although this package was being seriously considered by the government of the United Kingdom, the Department of Transportation unilaterally decided to give the United Kingdom the two parts of the proposal the U.K. most wanted: the right to carry Delta passengers for Virgin Atlantic (item 1) and new regional airport service (item 2). DOT's unilateral actions destroy any incentive for the United Kingdom to seriously consider the remaining three items which will provide greater benefits for the U.S. than the U.K.

We cannot understand why our government would unilaterally give up our leverage to obtain important rights which will be of great benefit to our airlines and travellers. We urge a full scale review to determine what now can be done to obtain the U.S.'s objectives.

Thank you for your consideration.

Sincerely,

Dennis Hastert
U.S. Representative

James L. Oberstar
Ranking Democratic Member,
Subcommittee on Aviation

Cardiss Collins
U.S. Representative

Mel Reynolds
U.S. Representative

Jerry Weller
U.S. Representative

Paul Simon
U.S. Senator

Carol Moseley-Braun
U.S. Senator

John Porter
U.S. Representative

Harris Fawell
U.S. Representative

Philip Crane
U.S. Representative

Ray LaHood
U.S. Representative

Lane Evans
U.S. Representative

Henry Hyde
U.S. Representative

Sidney Yates
U.S. Representative

Richard Durbin
U.S. Representative

Michael Flanagan
U.S. Representative

Donald Manzullo
U.S. Representative

Thomas Ewing
U.S. Representative

Jerry Costello
U.S. Representative

Bobby Rush
U.S. Representative

Luis Gutierrez
U.S. Representative

Copy To John 2/19

BUSINESS, CONSUMER, AND REGIONAL ROUNDUP

Honda Announces Ultra-Low-Emissions Engine. Honda Motor Co. announced this week that it has developed the first gasoline engine clean enough to meet the Ultra Low Emissions Vehicle (ULEV) standard. Honda's new prototype Accord engine has passed the California air-quality board's 100,000-mile driving test, but still must undergo further tests. (Full certification is anticipated within the next two years or so.) Honda expects the new engine will be roughly as powerful and fuel-efficient as its current Accord engine, at an additional cost to consumers of no more than $300. Honda vehicles using the new engine should be available by late 1997. Prior to Honda's announcement, the only vehicle satisfying the ULEV standard was a natural-gas-powered Chrysler minivan.

In Terms of Buying Power, Americans Are Second to One. The World Bank's annual rankings of economies by income per capita are out, and they show that the United States has solidified its position as one of the world's most affluent nations. In current-dollar terms, U.S. income ranks seventh on the world list, up one notch from last year's ranking. But in terms of real buying power (a better measure of per-capita income, since dollar prices of goods vary substantially from country to country), the United States ranks second only to Luxembourg. (No comparison with last year on this scale is possible, as last year's rankings did not include a buying-power measure of income.) The rest of the top ten in buying power, in descending order: Switzerland, United Arab Emirates, Qatar, Hong Kong, Japan, Germany, Singapore, and Canada.

Dunlop Commission Makes its Recommendations. After nearly two years of study, the Dunlop Commission has come out with its report on the future of labor-management relations. Among the Commission's many proposals, some are aimed at equalizing the balance of power between companies and nascent unions. For example, the Commission recommends that NLRB union representation elections be held within two weeks of request (to prevent employers from delaying elections while forcing out pro-union workers). On workplace safety, the Commission advocates a stick-and-carrot approach: require all but the smallest workplaces to establish formal safety programs (to include regular safety training and investigation of all serious accidents), but then give more regulatory latitude to firms with strong safety records. Finally, the Commission recommends revising the National Labor Relations Act to permit employee involvement groups, while maintaining the ban on company-dominated unions.

Sure look at these

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Ox: State of Union

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THE PRESIDENT HAS SEEN
1-30-95

— Six last paragraphs interesting suggestion
— may be right — B

^bc-yoder-column advIMMEDIATE<
^EDWIN YODER COLUMN<
^(FOR IMMEDIATE RELEASE--Normally advance for Monday, January 30, 1995)<
^(For Yoder Clients Only)<
^By EDWIN M. YODER, JR.=

WASHINGTON--Dr. Johnson said that second marriages represent ''the triumph of hope over experience.'' The same could be said of the yearly hope that the presidential State of the Union address might shatter the encrusting conventionalities and soar to heights of novelty, excitement--or even importance.

Alas, it never does.

Though it had its moments, President Clinton's address Tuesday evening was well within the well-used envelope, nearly an hour and a half of familiar politico-babble.

The issues involved are no less vital to the country's well-being than they were before they became the worn currency of incessant electronic chitchat. But they now have been so staled by repetition and sloganeering (to which the president has contributed his share--''social compact,'' ''new covenant,'' ''middle-class bill of rights'') that public boredom and cynicism are an abiding danger.

The president was convincing in his fervent reference to those defeated members of the last Congress who ''laid down their seats ... so that police officers and kids wouldn't have to lay down their lives under a hail of assault weapon attack.'' He solemnly vowed to veto any rollback from the Brady bill and the ban on assault weapons. It likewise took some political pluck to remind Congress that last year's health-care reform fiasco by no means eliminates the need to do something about a problem, at once social and fiscal, that is disgracing and bankrupting the nation.

Aside from these rare moments, the president repeatedly stepped on his best lines. Early in the speech he referred to the need to

(more)

rejuvenate community in politics; then he dropped the subject. Nearly an hour later, he found his way back through the thickets of policy talk to the theme, repeating a line or two he used in his recent speech to the Democratic National Committee. He said that we're in danger of becoming a nation of ''political couch potatoes,'' treating the public business not as an obligation of participatory citizenship but as a kind of show-biz spectacle, characterized by mindless catcalling, cheering and moodiness.

The president is onto something and this theme deserves careful and explicit elaboration. He left it hanging. Doesn't it tell us something that the biggest burst of applause of the evening came when the president admonished the American entertainment industry to wean itself--voluntarily--from ''incessant and mindless'' violence?

What the reaction suggests is that the country is at least as deeply concerned about cultural as about political issues. There is a sense, certainly not contradicted by the fall elections, that while programmatic issues matter, institutional strength and social values matter more. Man doesn't live by bread alone. The president ought to take the hint. When he's at the top of his oratorical form, no one in public life speaks more persuasively on such matters than Bill Clinton.

The State of the Union occasion, like so much else of the accustomed public ritual in the electronic age, is in danger of being trivialized by infotainment values. What could give greater evidence of that than the universality, in the House chamber, of the TV-friendly blue suit, the mock-spontaneous cheering when the little red light turned your way, the smirking and rib-jabbing, the forced laughter, the nervous glancing about to see when to applaud and when not, when to stand and when to sit?

It is all harmless enough in a way, but it is a very big reason why these occasions are increasingly meaningless. It helps explain why the big interest of the day was the O.J. Simpson trial, not the president's speech. Public matters, though infinitely more consequential, can't compete with entertainment and shouldn't try.

From Jefferson until Wilson, presidents forwarded their constitutionally mandated ''information on the state of the union'' in writing. It's time to recognize that the address in its usual laundry-list form has outstayed its welcome. President Clinton could set a valuable precedent next year by returning to the Jeffersonian custom and sending his wish list to Congress in written form. Then he could reserve the traditional occasion for the kind of political sermon which, as showed at intervals Tuesday evening, he does as well as any president ever has.

Maybe then the State of the Union address would become once again a genuine occasion of state.

C10N

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95 FEB 6 A 9:11

31 January 1995

John Podesta
Staff Secretary
The White House
1600 Pennsylvania Ave.
Washington D.C. 20500

Lori
Thanks
John

Dear Mr. Podesta,

I've had the great pleasure of corresponding with one of your staff, Lori Abrams, this past month. She was responsible for bringing to fruition a dedication piece from the President to Barbra Streisand for our 37th Annual Grammy Program book.

Not only has she been most accommodating and responsive, she managed to deliver the article under rigorous time constraints.

The White House should be commended for having such a dedicated staff member.

Sincerely,

Bill Forman

Bill Forman
Publications Manager

cc Dorskind
Bowles

Copies To:
Lori
Dorskind
Bowles
2/14
BW

Supreme Court of the United States
Washington, D.C. 20543

cc Dorskind
Nancy H.
Trey

CHAMBERS OF
JUSTICE RUTH BADER GINSBURG

February 9, 1995

RM

John D. Podesta
Assistant to the President
and Staff Secretary
The White House
Washington, D.C. 20500

Dear John:

For your souvenirs, a copy of the letter I wrote to David Ginsburg. Your January 26 response seems to me just right.

With every good wish to you,

Ruth

Ruth Bader Ginsburg

Enclosure

COPY

Supreme Court of the United States
Washington, D.C. 20543

CHAMBERS OF
JUSTICE RUTH BADER GINSBURG

January 30, 1995

David Ginsburg, Esq.
Ginsburg, Feldman and Bress
1250 Connecticut Avenue, N.W.
Washington, D.C. 20036

Dear Mr. Ginsburg:

Thanks for an amusing pause from today's heavy work. The President's people were close. Marty's middle name is David.

With every good wish to **you**, David Ginsburg, for a bright 1995,

Ruth

Ruth Bader Ginsburg

THE WHITE HOUSE
WASHINGTON

DATE: 2/19/95

TO: Don, Bruce, Jeremy, Mark, Billy

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

FYI

- This is pretty good
- need some [illegible] action: campaign for MCBoR, for min wage, for welf ref, for [illegible]

February 7, 1995

MEMORANDUM FOR ERSKINE BOWLES

95 FEB 7 P5:[illegible]

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.

Yes also should do more forums to press

But need followup

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:

- 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:

    - 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:

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)
- Challenge speech on entertainment industry, Stanford University, March 2
- 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.